

**CORPORATION OF THE
TOWN OF COLLINGWOOD**

COUNTY OF SIMCOE

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2002

CORPORATION OF THE TOWN OF COLLINGWOOD

DECEMBER 31, 2002

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Town of Collingwood:

We have audited the consolidated balance sheet of the **Corporation of the Town of Collingwood** as at December 31, 2002, and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the municipality'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 municipality as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gaviller & Company LLP

Chartered Accountants
Collingwood, Ontario
February 19, 2003

CORPORATION OF THE TOWN OF COLLINGWOOD

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

	2002	2001
	\$	\$
Financial assets		
Cash (Note 2)	5,666,250	4,744,812
Taxes receivable	2,254,356	2,886,273
Accounts receivable - current	1,867,274	2,446,519
Other assets	128,860	137,935
Note receivable - Hydro companies	1,710,169	1,709,868
Investment in government business enterprises - Hydro companies (Note 3)	7,929,193	7,746,960
Investment in government business enterprise - Public Utilities Commission (Note 4)	10,235,318	10,087,907
	29,791,420	29,760,274
Liabilities		
Accounts payable and accruals	2,771,032	2,287,534
Developer deposits	676,297	354,193
Deferred revenue - obligatory reserve funds (Note 6)	1,565,591	1,338,710
Long-term (Note 5)	8,412,000	9,960,000
	13,424,920	13,940,437
Net financial assets	16,366,500	15,819,837
Municipal position		
Current fund (Schedule 1)	365,370	482,502
Capital fund (Schedule 2)	(1,405,336)	-
Reserves (Schedule 3)	7,935,290	6,712,614
Reserve funds (Schedule 3)	100,973	100,973
Equity in government business enterprises - Hydro companies (Note 3)	7,929,193	7,746,960
Equity in government business enterprises - Public Utilities Commission (Note 4)	10,235,318	10,087,907
Total fund balances	25,160,808	25,130,956
Amounts to be recovered from future revenues	(8,794,308)	(9,311,119)
Total municipal position	16,366,500	15,819,837

Approved _____ Mayor

_____ Date

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF COLLINGWOOD

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	2002	2001
	\$	\$
Revenues		
Property taxation	13,699,474	13,726,895
Payments in lieu of taxation	169,445	311,215
User charges	4,157,113	4,017,785
Government grants	45,501	75,736
Other municipalities	544,430	953,928
Contributions from developers	167,039	55,000
Investment income	116,148	201,065
Penalties and interest on taxes	305,299	257,060
Sale of land	339,997	765,214
Other	2,171,641	1,015,815
	21,716,087	21,379,713
Expenditures		
Current		
General government	2,065,455	2,728,682
Protection to persons and property	4,719,222	4,269,163
Transportation services	2,330,148	3,749,381
Environmental services	3,319,678	2,800,626
Recreational and cultural services	3,335,612	3,092,677
Planning and development	838,290	821,799
	16,608,405	17,462,328
Capital		
General government	653,940	134,261
Protection to persons and property	964,706	310,252
Transportation services	1,275,176	231,541
Environmental services	39,691	102,698
Recreational and cultural services	737,581	193,238
Planning and development	224,569	46,091
	3,895,663	1,018,081
	20,504,068	18,480,409
Net revenues	1,212,019	2,899,304
Income on an equity basis from government business enterprises - Hydro companies (Note 3)	182,233	73,001
Income (loss) on an equity basis from government business enterprise - Public Utilities Commission (Note 4)	147,411	(118,801)
Long-term liabilities repaid	(1,543,000)	(898,000)
Accrual of interest and sick leave	31,189	8,745
Change in fund balances	29,852	1,964,249

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF COLLINGWOOD

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2002	2001
	\$	\$
Cash flows from (for):		
Operating activities		
Net revenues	1,212,019	2,899,304
Less non-cash transfer from sinking fund	(1,000,000)	-
	212,019	2,899,304
Changes in:		
Taxes receivable	631,917	(885,276)
Accounts receivable - current	579,245	201,030
Other assets	9,075	35,588
Note receivable	(301)	-
Accounts payable and accruals	483,498	392,593
Developer deposits	322,104	2,835
Deferred revenue - obligatory reserve funds	226,881	304,346
	2,464,438	2,950,420
Financing activities		
Long-term liabilities repaid	(1,543,000)	(898,000)
Net change in cash position	921,438	2,052,420
Cash position, beginning of year	4,744,812	2,692,392
Cash position, end of year	5,666,250	4,744,812
Comprised of:		
Cash	5,666,250	4,744,812

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF COLLINGWOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2002

1. Accounting policies

The consolidated financial statements of the Corporation of the Town of Collingwood are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The following are the municipality's significant accounting policies:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and cash position of the reporting entity which comprises all funds of the following related organizations which are accountable to council for the administration of their financial affairs and resources and are owned or controlled by the Corporation of the Town of Collingwood:

Corporation of the Town of Collingwood Museum Board

Corporation of the Town of Collingwood Public Library Board

Corporation of the Town of Collingwood Business Improvement Area

In addition, the consolidated financial statements include the operations of COLLUS Energy Corp., COLLUS Solutions Corp., COLLUS Power Corp., Collingwood Utility Services Corp. and the Corporation of the Town of Collingwood Public Utilities Commission Water Department, as disclosed in Notes 3 and 4. These business enterprises are accounted for using the modified equity method. Under this method, the business enterprises' accounting principles are not adjusted to conform with those of the municipality, and inter-organizational transactions are not eliminated.

Excluded are Funds Held in Trust which are administered by the municipality and reported on separately.

Interdepartmental transactions and balances have been eliminated.

(b) Fund Accounting

The consolidated financial statements are presented on a fund accounting basis and include the following funds:

(i) Current Fund

The current fund reflects the financial activities associated with the provision of general municipal and utility services during the year.

(ii) Capital Fund

The capital fund reflects the financial activities associated with the acquisition, construction and funding of capital assets.

(iii) Reserve and Reserve Fund

The reserve and reserve fund reflects appropriations of surplus authorized by council to be set aside for the funding of future operating or capital expenditures.

(c) Government Transfers

Government transfers are recognized in the financial statements as revenues 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.

CORPORATION OF THE TOWN OF COLLINGWOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2002

1. Accounting policies (continued)

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles for municipal governments and accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(e) Capital Expenditures

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets acquired with current funds are reported as an expenditure on the Consolidated Schedule of Capital Fund Operations. Capital assets financed by way of long-term liabilities are included in "Amounts to be recovered from future revenues" on the consolidated balance sheet.

2. Cash

Cash consists of the following:

	2002	2001
	\$	\$
Unrestricted cash	3,999,686	2,305,129
Restricted cash	1,666,564	2,439,683
	5,666,250	4,744,812

CORPORATION OF THE TOWN OF COLLINGWOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2002

3. Government business enterprises - Hydro companies

The operations of various hydro companies are included in the Collingwood Utility Services Corp. Consolidated Statement of Operations, accounted for on a modified equity basis.

	2002	2001
	\$	\$
Total assets	17,703,291	17,326,797
Total liabilities	(9,774,098)	(9,579,837)
Net assets	7,929,193	7,746,960
Common shares	5,101,640	5,101,640
Contributed capital	2,966,014	2,966,014
Accumulated loss	(138,461)	(320,694)
Investment in government business enterprises	7,929,193	7,746,960
Total revenues	28,934,289	23,590,659
Total expenditures	(28,752,056)	(23,555,659)
Net expenditures for the year	182,233	35,000
Increase in equity accumulated through capital contributions	-	38,001
Change in fund balance	182,233	73,001

CORPORATION OF THE TOWN OF COLLINGWOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2002

4. Government business enterprise - Public Utilities Commission

The operations of the Town of Collingwood Public Utilities Commission are included in the Consolidated Statement of Operations, accounted for on a modified equity basis.

	2002	2001
	\$	\$
Total assets	22,578,203	21,562,137
Total liabilities	(12,342,885)	(11,474,230)
Net assets	10,235,318	10,087,907
Contributed surplus	787,387	820,195
Accumulated earnings	9,447,931	9,267,712
Investment in government business enterprise	10,235,318	10,087,907
Total revenues	3,925,697	3,630,056
Total expenditures	(3,867,239)	(3,916,180)
Net revenues (expenditures) for the year	58,458	(286,124)
Net allocation from reserve fund	88,953	167,323
Change in fund balance	147,411	(118,801)

CORPORATION OF THE TOWN OF COLLINGWOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2002

5. Long-term

(a) Long-term liabilities payable by and issued in the name of the Corporation of the Town of Collingwood includes the following amounts:

	2002	2001
	\$	\$
	Tax	Tax
	Supported	Supported
Debentures	8,412,000	9,960,000

(b) Long-term liabilities are repayable as follows:

	\$
	Tax
	Supported
2003	505,000
2004	539,000
2005	571,000
2006	431,000
2007	458,000
Thereafter	<u>5,908,000</u>
	<u><u>8,412,000</u></u>

(c) Interest is payable at rates ranging from 4.25% to 17.50% per annum.

(d) Interest charges:

	2002	2001
	\$	\$
	Tax	Tax
	Supported	Supported
Debenture interest	709,512	756,206

CORPORATION OF THE TOWN OF COLLINGWOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2002

6. Deferred revenue - obligatory reserve funds

Deferred revenue represents funds received for various capital projects from land developers, pursuant to development agreements, payments in lieu of parklands or the Development Charges Act. These deposits must be expended on projects for which they may be designated, and are recognized as revenue when the expenditures are made.

Current transactions are summarized below:

	2002	2001
	\$	\$
Balance, beginning of year	1,338,710	1,034,364
New deposits:		
Private sources	337,312	390,979
Current fund transfers	(167,039)	(55,000)
Investment income	56,608	49,763
Other transfers	-	(81,396)
Balance, end of year	1,565,591	1,338,710

7. Education and county requisitions

The municipality is required to collect taxes for education and county purposes. The amount of these requisitions is determined solely by the Government of Ontario. A portion of supplementary tax collections above the requisitioned amounts becomes payable to the appropriate body in the year assessed. Reciprocally, the school boards and county are responsible for repaying the municipality for a portion of assessment tribunal losses. Requisitions and collections are as follows:

	Education		County	
	2002	2001	2002	2001
	\$	\$	\$	\$
Total taxes and payments in lieu levied and transferred	8,698,742	8,758,349	5,056,982	4,510,531

8. Financial instruments and fair values

The fair value of the receivables, accounts payable and accruals, and long-term liabilities approximate the carrying amount of these instruments due to their short period to maturity. It is management's opinion that the municipality is not exposed to significant interest, currency nor credit risks arising from these financial instruments.

CORPORATION OF THE TOWN OF COLLINGWOOD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2002

9. Commitments and contingent liabilities and assets

- (a) In the ordinary course of business, various claims and lawsuits are brought against the municipality. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the municipality pursuant to expropriation settlement is charged to the year of settlement.
- (b) A Supreme Court of Canada decision of October 1998 in Ontario stated that application of certain one-time penalties charged for late payments (calculated daily exceeded 60 percent per year) breached the Criminal Code. The municipality has collected similar utility late payment charges; however, the impact, applicability, and the municipality's potential financial obligation is unknown and indeterminable at this time.
- (c) The Town's landfill site was taken over by the County of Simcoe and, as compensation, the County will accept Town waste at a below market value rate of \$60 per tonne, that will be adjusted for inflation annually. Based on maximum tonnes to be accepted by the County this reduced rate is estimated to last until 2035.

10. Trust funds

Trust funds administered by the municipality amounting to \$600 (2001 - \$2,315) have not been included in the consolidated balance sheet nor have their operations been included in the consolidated statement of operations. The trust funds are comprised of the following:

	2002	2001
	\$	\$
Ontario Home Renewal Program	-	1,715
Cultural Trusts	600	600

11. Employee future benefits

The employees of the Corporation of the Town of Collingwood participate in the Ontario Municipal Employees Retirement Savings Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the Corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. Currently the participants in the OMERS plan have a contribution holiday and no amounts were paid during the year.

CORPORATION OF THE TOWN OF COLLINGWOOD

SCHEDULE 1 CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2002	Actual 2002	Actual 2001
	\$ (unaudited)	\$	\$
Revenues			
Property taxation	13,431,604	13,699,474	13,726,895
Payments in lieu of taxation	161,312	169,445	311,215
User charges	3,957,758	4,157,113	4,017,785
Government grants	100,700	45,501	75,736
Other municipalities	456,600	544,430	953,928
Contributions from developers	-	167,039	55,000
Investment income	61,209	116,148	201,065
Penalties and interest on taxes	250,000	305,299	257,060
Sale of land	723,000	339,997	765,214
Other	1,202,300	1,155,400	893,086
	20,344,483	20,699,846	21,256,984
Expenditures			
General government	2,108,284	2,048,132	2,714,736
Protection to persons and property	5,105,121	4,719,222	4,269,163
Transportation services	2,400,007	2,330,148	3,749,381
Environmental services	2,949,467	3,319,678	2,800,626
Recreational and cultural services	3,765,504	3,335,612	3,092,677
Planning and development	1,027,997	838,290	821,799
	17,356,380	16,591,082	17,448,382
Net Revenues	2,988,103	4,108,764	3,808,602
Financing and transfers			
Long-term liabilities repaid	(2,018,000)	(1,543,000)	(898,000)
Long-term liabilities issued	3,251,000	-	-
Accrual of interest and sick leave	-	31,189	8,745
Capital fund transfers	(5,147,850)	(1,495,327)	(857,270)
Reserve and reserve fund transfers	683,432	(1,218,758)	(1,580,432)
Net financing and transfers	(3,231,418)	(4,225,896)	(3,326,957)
Change in current fund balance	(243,315)	(117,132)	481,645
Opening current fund balance	482,502	482,502	857
Closing current fund balance	239,187	365,370	482,502

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF COLLINGWOOD

SCHEDULE 2 CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2002	Actual 2002	Actual 2001
	\$ (unaudited)	\$	\$
Revenues			
Other	995,000	995,000	17,538
Expenditures			
General government	780,000	653,940	134,261
Protection to persons and property	2,752,000	964,706	310,252
Transportation services	1,288,000	1,275,176	231,541
Environmental services	60,000	39,691	102,698
Recreational and cultural services	1,262,850	737,581	193,238
Planning and development	-	224,569	46,091
	6,142,850	3,895,663	1,018,081
Net Expenditures	(5,147,850)	(2,900,663)	(1,000,543)
Financing and transfers			
Current fund transfers	5,147,850	1,495,327	857,270
Opening capital fund balance	-	-	143,273
Closing capital fund balance	-	(1,405,336)	-

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF COLLINGWOOD

SCHEDULE 3 CONSOLIDATED SCHEDULE OF RESERVE AND RESERVE FUND OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2002	Actual 2002	Actual 2001
	\$ (unaudited)	\$	\$
Revenues			
Other	-	21,241	105,191
Expenditures			
Other	-	17,323	13,946
Net Revenues	-	3,918	91,245
Financing and transfers			
Current fund transfers	(683,432)	1,218,758	1,580,432
Change in reserve and reserve fund balance	(683,432)	1,222,676	1,671,677
Opening reserve and reserve fund balance	6,813,587	6,813,587	5,141,910
Closing reserve and reserve fund balance	6,130,155	8,036,263	6,813,587

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF COLLINGWOOD

SCHEDULE 4 CONSOLIDATED SCHEDULE OF CURRENT FUND EXPENDITURES BY OBJECT FOR THE YEAR ENDED DECEMBER 31

	2002	2001
	\$	\$
Salaries, wages and employee benefits	5,762,626	5,398,104
Interest on long-term liabilities	681,905	756,206
Transfers to external organizations	618,899	1,211,133
Materials, contracted services, rents and financial expenses	9,527,652	10,082,939
	16,591,082	17,448,382

See accompanying notes to the financial statements