

Consolidated Financial Statements

**Town of Aurora**

December 31, 2001

## AUDITORS' REPORT

To the Members of Council, Inhabitants  
and Ratepayers of the Corporation of the  
**Town of Aurora**

We have audited the consolidated statement of financial position of the Corporation of the **Town of Aurora** as at December 31, 2001 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Town'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 Town as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Thornhill, Canada,  
April 26, 2002 [except as to note 3  
which is as of August 22, 2002].

*Ernst + Young LLP*

Chartered Accountants

## Town of Aurora

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	2001	2000
	\$	\$
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash and short-term investments <i>[note 2]</i>	22,008,615	30,136,474
Taxes receivable	4,593,030	4,554,001
User charges receivable	1,669,692	1,157,224
Accounts receivable	898,648	543,888
Investment in Aurora Hydro Connections Limited <i>[note 3]</i>	26,528,590	28,875,892
<b>Total financial assets</b>	<b>55,698,575</b>	<b>65,267,479</b>
<b>LIABILITIES</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	7,111,569	5,962,681
Hydro development charges	—	1,581,216
Deposits and deferred revenue	3,473,075	3,882,877
Mortgage payable <i>[note 4]</i>	2,614,400	3,268,000
Obligatory reserve funds <i>[note 5]</i>	4,663,995	4,981,866
<b>Total liabilities</b>	<b>17,863,039</b>	<b>19,676,640</b>
<b>Net financial assets</b>	<b>37,835,536</b>	<b>45,590,839</b>
<b>MUNICIPAL POSITION</b>		
Fund balances <i>[note 6]</i>	13,921,346	19,982,947
Equity in Aurora Hydro Connections Limited <i>[note 3]</i>	26,528,590	28,875,892
<b>Total fund balances</b>	<b>40,449,936</b>	<b>48,858,839</b>
Mortgage to be recovered <i>[note 4]</i>	(2,614,400)	(3,268,000)
<b>Total municipal position</b>	<b>37,835,536</b>	<b>45,590,839</b>

See accompanying notes

**Town of Aurora**

**CONSOLIDATED STATEMENT OF  
FINANCIAL ACTIVITIES**

Year ended December 31

	<b>Budget 2001 \$</b>	<b>Actual 2001 \$</b>	<b>Actual 2000 \$</b>
<b>REVENUES</b>			
Net taxation charges <i>[note 8]</i>	13,246,050	13,499,291	12,318,530
User charges	11,311,089	10,360,226	10,816,945
Charges to developers	1,842,420	2,259,621	5,126,374
Investment income	1,213,398	1,761,871	1,992,874
Penalties on taxes	690,000	601,344	685,673
Other	256,490	762,667	435,596
Capital assets - transferred from Aurora Hydro Electric Commission <i>[note 3]</i>	—	—	1,880,980
Change in equity in Aurora Hydro Connections Limited <i>[note 3]</i>	—	597,173	28,875,892
<b>Total revenues</b>	<b>28,559,447</b>	<b>29,842,193</b>	<b>62,132,864</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	3,797,503	3,173,007	3,640,395
Protection to persons and property	3,645,801	3,524,315	3,246,554
Transportation services	3,283,071	2,161,244	3,638,300
Environmental services	7,815,257	6,719,434	6,572,312
Leisure and cultural services	6,954,505	6,109,400	5,957,259
Planning and development	569,276	585,700	548,637
	<b>26,065,413</b>	<b>22,273,100</b>	<b>23,603,457</b>
<b>Capital</b>			
General government	830,000	261,884	4,622,625
Protection to persons and property	346,000	38,933	28,702
Transportation services	4,150,169	3,425,112	1,768,653
Environmental services	1,675,000	4,217,423	2,471,047
Leisure and cultural services	2,571,350	7,361,367	3,376,679
Planning and development	150,000	19,677	164,006
Capital assets - transferred from Aurora Hydro Electric Commission <i>[note 3]</i>	—	—	1,880,980
	<b>9,722,519</b>	<b>15,324,396</b>	<b>14,312,692</b>
<b>Total expenditures <i>[note 9]</i></b>	<b>35,787,932</b>	<b>37,597,496</b>	<b>37,916,149</b>
Net revenues (expenditures)	(7,228,485)	(7,755,303)	24,216,715
Reclassification of opening fund balances to obligatory reserve funds <i>[note 1]</i>	—	—	(5,171,461)
<b>Net change in municipal position</b>	<b>(7,228,485)</b>	<b>(7,755,303)</b>	<b>19,045,254</b>
<b>FINANCING</b>			
Mortgage repayments	—	(653,600)	—
Mortgage proceeds	—	—	3,268,000
<b>Net increase (decrease) in amounts to be recovered</b>	<b>—</b>	<b>(653,600)</b>	<b>3,268,000</b>
<b>Net change in fund balances</b>	<b>(7,228,485)</b>	<b>(8,408,903)</b>	<b>22,313,254</b>
Fund balances, beginning of year	48,858,839	48,858,839	26,545,585
<b>Fund balances, end of year</b>	<b>41,630,354</b>	<b>40,449,936</b>	<b>48,858,839</b>

*See accompanying notes*

**Town of Aurora****CONSOLIDATED STATEMENT OF CHANGES IN  
FINANCIAL POSITION**

Year ended December 31

	2001	2000
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net revenues (expenditures)	(7,755,303)	24,216,715
Deduct item not affecting cash		
Change in equity in Aurora Hydro Connections Limited	(597,173)	(28,875,892)
	<b>(8,352,476)</b>	<b>(4,659,177)</b>
Changes in non-cash working capital balances related to operations		
Decrease (increase) in taxes receivable	(39,029)	2,454,648
Increase in user charges receivable	(512,468)	(27,740)
Decrease (increase) in accounts receivable	(354,760)	82,840
Increase in accounts payable and accrued liabilities	1,148,888	1,032,626
Increase (decrease) in hydro development charges	(1,581,216)	204,505
Increase (decrease) in deposits and deferred revenue	(409,802)	845,241
Decrease in obligatory reserve funds	(317,871)	(189,595)
<b>Cash used in operating activities</b>	<b>(10,418,734)</b>	<b>(256,652)</b>
<b>INVESTING ACTIVITIES</b>		
Reduction in equity in Aurora Hydro Connections Limited	2,944,475	—
<b>Cash provided by investing activities</b>	<b>2,944,475</b>	<b>—</b>
<b>FINANCING ACTIVITIES</b>		
Mortgage repayments	(653,600)	—
Mortgage proceeds	—	3,268,000
<b>Cash provided by (used in) financing activities</b>	<b>(653,600)</b>	<b>3,268,000</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(8,127,859)</b>	<b>3,011,348</b>
Cash and short-term investments, beginning of year	30,136,474	27,125,126
<b>Cash and short-term investments, end of year</b>	<b>22,008,615</b>	<b>30,136,474</b>

*See accompanying notes*

## **Town of Aurora**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

The Town of Aurora [the "Town"] is a municipality in the Province of Ontario. The Town conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

### **1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Town are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board [the "PSAB"] of The Canadian Institute of Chartered Accountants. The Town implemented the accounting recommendations as prescribed by the PSAB in fiscal 2000 by adopting the new standards on a prospective basis. This change resulted in an adjustment to the opening 2000 obligatory reserve funds of \$5,171,461. Since a 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. These have been made using careful judgment.

#### **Basis of consolidation**

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the Town, and except for government business enterprises which are accounted for by the modified equity basis of accounting, comprise all of the organizations that are accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town.

The Aurora Public Library Board is fully consolidated in these consolidated financial statements. All inter-organizational and inter-fund transactions and balances are eliminated.

The taxation, other revenues, expenditures, assets and liabilities with respect to the Boards of Education within the Regional Municipality of York are not reflected in the Town's consolidated financial statements.

The Ontario Home Renewal Program Trust Fund [the "OHRP Trust Fund"] and related operations administered by the Town are not consolidated, but are reported separately on the OHRP Trust Fund's financial statements [note 11].

#### **Investment in Aurora Hydro Connections Limited**

The Town's investment in Aurora Hydro Connections Limited ["AHCL"] is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the Town and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or

## **Town of Aurora**

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

loss of AHCL in its consolidated statement of financial activities with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from AHCL will be reflected as reductions in the investment asset account.

### **Basis of accounting**

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### **Portfolio investments**

Investments are recorded at cost.

### **Inventories**

Expenditures on materials and supplies are reported as an expenditure on the consolidated statement of financial activities in the year of acquisition.

### **Capital assets**

The historical cost and accumulated amortization of capital assets are not recorded for the Town's purposes. Capital assets acquired are reported as an expenditure on the consolidated statement of financial activities in the year of acquisition.

### **Employee benefit plans**

The Town employees participate in a multi-employer defined benefit pension plan. Defined contribution plan accounting is used for this multi-employer plan whereby the Town's contributions are expensed in the period due.

## **2. INVESTMENTS**

Short-term investments recorded at a cost of \$4,000,000 [2000 - \$26,304,192] have a market value which approximates cost. These investments consist of interest-bearing certificates and are included within the consolidated statement of financial position as part of cash and short-term investments.

## Town of Aurora

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

### 3. INVESTMENT IN AURORA HYDRO CONNECTIONS LIMITED

In recognition of the requirements of Bill 35 [The Energy Competition Act, 1998], on October 3, 2000, the Town passed a transfer by-law [#4220-00.L], effective November 1, 2000, that transferred substantially all of the assets and liabilities of the Aurora Hydro Electric Commission [the "Commission"] to AHCL. Certain surplus property assets were not transferred by the Town to AHCL and have been recorded in the consolidated statement of financial activities at an appraised value of \$1,880,980. AHCL carries on the former business of the Commission with all its rights, duties, obligations and responsibilities.

The Town's investment in AHCL at December 31 is calculated as follows:

	2001	2000
	\$	\$
Share capital		
1,000 common shares	25,121,600	28,066,075
Retained earnings	1,406,990	809,817
<b>Total investment</b>	<b>26,528,590</b>	<b>28,875,892</b>

Details of the continuity of the investment are as follows:

	2001	2000
	\$	\$
<b>Balance, beginning of year</b>	<b>28,875,892</b>	—
Common shares issued		28,066,075
Corporate reorganization adjustments	—	1,579,323
Share reduction [repayment of excess working capital in AHCL and recognized as a reduction of the investment in the consolidated statement of financial position]	(2,944,475)	—
Net income (loss) for the year	597,173	(769,506)
<b>Balance, end of year</b>	<b>26,528,590</b>	<b>28,875,892</b>



## Town of Aurora

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

The following table provides condensed financial information in respect of AHCL:

	2001	2000
	\$	\$
<b>Financial position</b>		
<b>Assets</b>		
Current	9,930,441	12,471,908
Capital	21,166,897	22,025,222
Other	61,831	102,623
	<b>31,159,169</b>	<b>34,599,753</b>
<b>Liabilities</b>		
Current	4,163,573	4,004,564
Other	467,006	1,719,297
	<b>4,630,579</b>	<b>5,723,861</b>
<b>Net assets</b>	<b>26,528,590</b>	<b>28,875,892</b>
<b>Results of operations</b>		
Revenues	31,964,612	27,854,740
Operating expenses	31,355,794	28,624,246
Income before amounts in lieu of income taxes	608,818	(769,506)
Amounts in lieu of income taxes	11,645	—
<b>Net income (loss) for the year</b>	<b>597,173</b>	<b>(769,506)</b>

In recognition of the requirements of Bill 35, the Town on October 3, 2000, passed a transfer by-law that provided for the issuance of both debt and equity by AHCL to the Town in consideration for the net assets transferred to AHCL effective November 1, 2000. The final determination with respect to the amount of the debt was not determined until 2002 because the value of the consideration delivered by AHCL depended on electricity rates which had yet to be established.

AHCL issued in April 2002 an unsecured promissory note in the amount of \$12,736,000, effective November 1, 2000, to the Town. The note bears interest at a simple annual rate equal to the rate of interest that AHCL is, from time to time, permitted by the Ontario Energy Board to recover in its rates [currently 7.25% per annum]. Interest is due and payable on the last day of each of March, June, September and December, commencing December 31, 2001.

Recognition of the promissory note will be reflected as an adjustment to the Town's investment in AHCL of \$12,736,000 in the 2002 financial statements.

**Town of Aurora**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

**4. NET LONG-TERM LIABILITIES**

Net long-term liabilities consist of the following:

	<b>2001</b>	<b>2000</b>
	\$	\$
Total long-term debt issued by the Region of York on behalf of the Town relates to sinking fund debentures bearing interest at the rate of 11.75% per annum payable each year in January. In addition, \$63,000 is to be deposited annually into the sinking fund for the payment of the principal of the said debentures. The debentures matured in January 2001	—	1,500,000
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges had been assumed by Aurora Hydro Connections Limited	—	(1,500,000)
Mortgage payable with interest at prime plus 1%. Principal payments are due in 5 equal payments of \$653,600 starting in June 2001 and maturing in June 2005	<b>2,614,400</b>	3,268,000
	<b>2,614,400</b>	<b>3,268,000</b>

Interest paid during the year on long-term debt totalled \$82,116 [2000 - \$88,125].

Principal repayments over the next five years are as follows:

	\$
2002	653,600
2003	653,600
2004	653,600
2005	653,600
2006	—
	<b>2,614,400</b>

**Town of Aurora**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

**5. OBLIGATORY RESERVE FUNDS**

Obligatory reserve funds consist of the following:

	2001	2000
	\$	\$
Development charges <i>[note 7]</i>	(129,218)	1,309,824
Park purposes <i>[note 7]</i>	761,234	1,003,399
Development charges transferred to capital but unexpended at the end of the year	4,031,979	2,668,643
	<b>4,663,995</b>	<b>4,981,866</b>

**6. MUNICIPAL FUND BALANCES**

The net change in fund balances consists of the following:

	2001	Net increase (decrease)	2000
	\$	\$	\$
General fund - for general reduction of taxation and user charges	451,700	113,191	338,509
Capital fund	(1,240,147)	(2,601,191)	1,361,044
Reserves and reserve funds <i>[note 7]</i>	14,709,793	(3,573,601)	18,283,394
Equity in Aurora Hydro Connections Limited <i>[note 3]</i>	26,528,590	(2,347,302)	28,875,892
<b>Total fund balances</b>	<b>40,449,936</b>	<b>(8,408,903)</b>	<b>48,858,839</b>

**Town of Aurora**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

**7. RESERVES AND RESERVE FUNDS**

Reserves and reserve funds consist of the following:

	2001	2000
	\$	\$
<hr/>		
<b>Reserves set aside by Council for</b>		
Acquisition of capital assets	2,168,561	2,438,436
Working capital	480,000	480,000
Contingencies	2,559,986	2,171,740
Engineering	697,268	1,080,478
Other management	237,978	211,242
<b>Total reserves</b>	<b>6,143,793</b>	<b>6,381,896</b>
<hr/>		
Reserve funds set aside for specific purposes by legislation, regulation or agreement		
Park purposes	761,234	1,003,399
Development charges for		
Corporate/administration	(506,505)	(373,875)
Fire	704,329	611,688
Leisure services	1,198,122	1,211,449
Library	500,944	685,167
Transit	31,944	15,462
Public works	729,238	563,888
Transportation	(378,800)	632,586
Water	(1,079,666)	(677,154)
Sewer	(1,328,824)	(1,359,387)
Reserve funds set aside by Council for specific purposes capital projects	8,566,000	11,901,498
Total reserve funds before the following	9,198,016	14,214,721
Less amounts reallocated to obligatory reserve funds [note 5]	632,016	2,313,223
<b>Total reserve funds</b>	<b>8,566,000</b>	<b>11,901,498</b>
<hr/>		
<b>Total reserves and reserve funds</b>	<b>14,709,793</b>	<b>18,283,394</b>

**Town of Aurora**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

**8. NET TAXATION CHARGES**

Total taxation consists of the following:

	<b>2001</b>	<b>2000</b>
	\$	\$
Total taxes levied by the Town	<b>56,764,773</b>	54,378,068
Less		
Taxes levied on behalf of the Boards of Education	<b>21,200,066</b>	21,813,231
Taxes levied on behalf of the Regional Municipality of York	<b>22,065,416</b>	20,246,307
<b>Net taxation charges</b>	<b>13,499,291</b>	12,318,530

**9. EXPENDITURES BY OBJECT**

Expenditures by object consist of the following:

	<b>2001</b>	<b>2000</b>
	\$	\$
Salaries, wages and benefits	<b>11,102,956</b>	10,578,511
Contracted services	<b>8,688,831</b>	9,381,614
Materials and supplies	<b>2,364,102</b>	2,109,340
Capital and other	<b>15,441,607</b>	13,965,704
Capital assets transferred from Aurora Hydro		
Connections Limited	—	1,880,980
	<b>37,597,496</b>	37,916,149

**10. PENSION AGREEMENTS**

The Town makes contributions to the Ontario Municipal Employees' Retirement System ["OMERS"], which is a multi-employer plan, on behalf of all full-time members of its staff. OMERS is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Due to significant surpluses, OMERS has declared a temporary contribution holiday for all active and participating employees, effective August 1, 1998 through to December 31, 2002. As a result of this contribution holiday, no contributions were required in 2001 or 2000.

**Town of Aurora**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2001

**11. ONTARIO HOME RENEWAL PROGRAM TRUST FUND**

The OHRP Trust Fund, administered by the Town, amounting to \$712 [2000 - \$1,286] has not been included in the consolidated statement of financial position nor has its operations been included in the consolidated statements of financial activities or changes in financial position.

The OHRP Trust Fund has been discontinued by the Ministry of Municipal Affairs and Housing, and the funds not in use were returned to the Ministry of Municipal Affairs and Housing during 1994. Any additional loan receipts received in the future will be forwarded to the appropriate ministry in the Province of Ontario.

**12. CONTINGENCIES**

The Town is subject to various legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time, however, the Town's management believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

**13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 consolidated financial statements.