



*Consolidated Financial Statements of the*

**CORPORATION OF THE  
TOWNSHIP OF ST. CLAIR**

*December 31, 2013*



Chartered Accountants

Collins Barrow KMD LLP  
495 Richmond Street, Suite 700  
P.O. Box 5005  
London, Ontario  
N6A 5G4 Canada

## INDEPENDENT AUDITORS' REPORT

**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of St. Clair**

We have audited the consolidated financial statements of the **Corporation of the Township of St. Clair**, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 auditors' 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the **Corporation of the Township of St. Clair** as at December 31, 2013 and the results of its consolidated operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Collins Barrow KMO LLP*

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

London, Canada  
July 14, 2014

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
**Year ended December 31, 2013**

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**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Consolidated Statement of Financial Position**  
**December 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash	\$ 3,536,392	\$ 1,606,673
Taxes receivable	1,044,611	924,876
Accounts receivable	6,282,852	6,375,177
Long-term receivables (Note 5)	309,502	402,630
	<u>11,173,357</u>	<u>9,309,356</u>
<b>LIABILITIES</b>		
Accounts payable and accrued charges	\$ 1,844,571	\$ 5,353,721
Notes Payable (Note 8)	1,652,167	
Deferred revenue - Schedule 1	466,932	279,031
Other current liabilities	55,805	57,736
Post employment benefits (Note 7)	1,729,820	1,668,043
Net long-term liabilities (Note 6)	15,147,278	13,369,829
	<u>20,896,573</u>	<u>20,728,360</u>
<b>NET FINANCIAL DEBT</b>	<u>(9,723,216)</u>	<u>(11,419,004)</u>
Commitments (Note 13)		
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net - Schedule 2	202,561,320	198,893,026
Prepaid expenses	102,780	113,074
Inventories of material and supplies	84,852	118,019
	<u>202,748,952</u>	<u>199,124,119</u>
<b>ACCUMULATED SURPLUS - Schedule 3</b>	<u>\$ 193,025,736</u>	<u>\$ 187,705,115</u>

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Consolidated Statement of Operations**  
Year ended December 31, 2013

	Budget 2013 (Unaudited)	Actual 2013	Actual 2012
<b>REVENUES</b>			
<b>TAXATION AND USER CHARGES</b>			
Net Municipal Taxation	\$ 11,433,306	\$ 11,212,656	\$ 11,528,156
User charges	12,194,515	13,670,403	12,523,301
	<u>23,627,821</u>	<u>24,883,059</u>	<u>24,051,457</u>
<b>GOVERNMENT TRANSFERS</b>			
Province of Ontario	1,541,467	1,411,268	3,090,774
Federal Grant	767,270	750,631	2,481,907
Other Municipalities	142,688	168,192	189,965
	<u>2,451,425</u>	<u>2,330,091</u>	<u>5,762,646</u>
<b>OTHER</b>			
Investment income	137,105	164,461	167,713
Penalties and interest on taxes	180,000	176,426	167,134
Deferred revenue earned		8,866	579,569
Contribution (donated) tangible capital assets	254,000	1,325,400	404,514
Donations and other revenues	528,036	477,012	426,645
Loss on sale of land & assets	-	(35,581)	(494,695)
	<u>1,099,141</u>	<u>2,116,584</u>	<u>1,250,880</u>
<b>TOTAL REVENUES</b>	<u>27,178,387</u>	<u>29,329,734</u>	<u>31,064,983</u>
<b>EXPENSES</b>			
General government	1,559,153	1,526,795	1,527,194
Protection to persons and property	4,474,561	4,363,729	4,321,823
Transportation services	3,940,292	4,691,358	4,385,067
Environmental services	8,576,774	8,837,638	7,182,769
Health services	44,300	30,132	51,270
Social and family services		18,851	17,762
Recreation and cultural services	4,494,962	4,172,145	4,223,235
Planning and development	1,142,411	3,586,483	2,876,792
<b>TOTAL EXPENSES</b>	<u>24,232,453</u>	<u>27,227,131</u>	<u>24,585,912</u>
<b>ANNUAL SURPLUS</b>	<u>2,945,934</u>	<u>2,102,603</u>	<u>6,479,071</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	187,705,115	187,705,115	179,265,654
EQUITY INCREASE IN LAWSS	3,218,018	3,218,018	1,960,390
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 193,869,067</u>	<u>\$ 193,025,736</u>	<u>\$ 187,705,115</u>

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year ended December 31, 2013**

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	<b>2013 Actual</b>	<b>2012 Actual</b>
<b>ANNUAL SURPLUS</b>	<b>\$ 2,102,603</b>	<b>\$ 6,479,071</b>
Amortization of tangible capital assets	4,753,728	4,105,842
Acquisition of tangible capital assets	(3,492,622)	(11,231,785)
Contribution (donated) tangible capital assets	(1,325,400)	(404,514)
Share of LAWSS adjustment on tangible capital assets	(3,639,581)	(2,289,262)
Loss on sale of tangible capital assets	35,581	494,695
(Acquisition) Use of supplies inventories	33,167	56,005
(Acquisition) Use of prepaid expenses	10,294	(25,824)
Change in LAWSS Ownership	3,218,018	1,960,390
<b>(INCREASE) IN NET FINANCIAL ASSETS</b>	<b>1,695,788</b>	<b>(855,382)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>(11,419,004)</b>	<b>(10,563,622)</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ (9,723,216)</b>	<b>\$ (11,419,004)</b>

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

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Consolidated Statement of Cashflows**  
**Year ended December 31, 2013**

	<u>Actual 2013</u>	<u>Actual 2012</u>
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus/(Deficit)	\$ 2,102,603	\$ 6,479,071
Non - Cash items including amortization	4,753,728	4,105,842
Loss on sale of tangible capital assets	35,581	494,695
Prepaid expenses	10,294	(25,824)
Inventories of material and supplies	33,167	56,005
Deferred revenue	187,901	(547,247)
Taxes receivable	(119,735)	57,798
Accounts receivable	92,325	(1,088,815)
Accounts payable	(3,509,150)	(1,269,855)
Current other liabilities	(1,931)	(2,147)
Unfunded liabilities for benefits	61,777	69,613
<b>Cash provided by operating transactions:</b>	<b>3,646,560</b>	<b>8,329,136</b>
<b>INVESTING TRANSACTIONS</b>		
Decrease (Increase) in long-term receivables	93,128	347,156
Increase (Decrease) in notes payable	1,652,167	
Equity (Decrease) increase in LAWSS due to change in ownership	3,218,018	1,960,390
<b>Cash applied to investment transactions</b>	<b>4,963,313</b>	<b>2,307,546</b>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(3,492,622)	(11,231,785)
Contribution (donated) tangible capital assets	(1,325,400)	(404,514)
Share of LAWSS adjustment on tangible capital assets	(3,639,581)	(2,289,262)
<b>Cash applied to capital transactions</b>	<b>(8,457,603)</b>	<b>(13,925,561)</b>
<b>FINANCING TRANSACTIONS</b>		
Proceeds from debt issues	2,500,000	
Debt repayment	(1,286,718)	(1,018,852)
Share in LAWSS Adjustment	564,167	407,550
<b>Cash applied to financing transactions</b>	<b>1,777,449</b>	<b>(611,302)</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>1,929,719</b>	<b>(3,900,181)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,606,673</b>	<b>5,506,854</b>
<b>CASH, END OF YEAR</b>	<b>\$ 3,536,392</b>	<b>\$ 1,606,673</b>



# CORPORATION OF THE TOWNSHIP OF ST. CLAIR

## Notes to the Consolidated Financial Statements

Year ended December 31, 2013

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### 1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of St. Clair (Township) are the representation of management, prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Township and the changes thereto. The Statement of Financial Position includes all the assets and liabilities of the Township. Financial assets are those which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Township's overall future revenue requirements and its ability to finance activities and meet obligations.

#### *(a) (i) Basis of consolidation*

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures for all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

The following boards controlled by Council have been consolidated:

Brigden Community Hall  
Courtright Community Hall  
Moore Township Museum  
Port Lambton Athletic Field Board  
Port Lambton Community Centre  
Sombra Athletic Field Board  
Sombra Community Centre  
Sombra Township Museum  
Wilkesport Community Centre  
Wilkesport Field Board

#### *(ii) Joint Local Board*

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate equity basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board for the previous year. Under the proportionate equity basis, the municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2013, the municipality's share of the System was 28.42% (2012 - 24.41%). Material inter-organizational transaction and balances have been eliminated.

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
Year ended December 31, 2013

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**1. ACCOUNTING POLICIES (Continued)**

*(iii) Accounting for county and school board transactions*

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not reflected in the municipal fund balances of these financial statements.

*(iv) Trust Funds*

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Financial Position.

*(b) Basis of accounting*

*(i) Accrual accounting*

The accrual basis of accounting recognizes revenues in the period in which they are earned and measurable; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

*(ii) Non-financial assets*

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

*(iii) Tangible Capital Assets*

Tangible capital assets are recorded at cost, which includes all 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 are amortized on a straight-line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful Life – Years</b>
Land Improvements	10 - 25
Buildings and building improvements	5 - 50
Machinery and equipment	5 - 50
Linear assets	10 - 90

# CORPORATION OF THE TOWNSHIP OF ST. CLAIR

## Notes to the Consolidated Financial Statements

Year ended December 31, 2013

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Amortization for non infrastructure assets is calculated for six months if purchased before July. For infrastructure assets amortization will be recorded in the year following acquisition. Assets under construction are not amortized until the asset is available for productive use.

(a) Contribution of tangible capital assets

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

(b) Works of art and cultural and historical assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(c) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement value

(iv) *Financial instruments*

(i) *Measurement of financial instruments*

The Township initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Township subsequently measures its financial assets and financial liabilities at amortized cost.

(ii) *Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write down reflects the difference between the carrying amount and the higher of:

- a) the present value of the cash flows expected to be generated by the asset or group of assets;
- b) the amount that could be realized by selling the assets or group of assets;
- c) the net realizable value of any collateral held to secure repayment of the assets or group of assets.

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
**Year ended December 31, 2013**

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When the event occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

(v) *Revenue recognition*

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessments. Once a supplementary assessment roll is received, the Township determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time the tax billings are issued.

The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

User fees and other revenues are recognized when related goods or services are provided and collectability is reasonably assured.

Investment income earned on surplus funds is recognized when earned.

(vi) *Deferred revenues*

The Township receives funds for specific purposes under the authority of provincial legislation, Government transfer of gas taxes and Township by-laws and are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts by their nature are restricted in their use and will be recognized as revenues in the period in which expenditures are incurred.

vii) *Use of Estimates*

The preparation of financial statements in conformity with Public Sector Accounting Board accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of the 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. Actual results could differ from the estimates. Estimates are used with accounting for items such as accrued receivables, accrued liabilities, post-retirement benefits and tangible capital assets.

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
Year ended December 31, 2013

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viii) *Government transfers*

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

viii) *Post Retirement benefits*

The Township has adopted the accrual method of employee future benefits as required by the Canadian Institute of Chartered Accountants. The cost of future benefits earned by employees is determined using the projected benefit method prorated on service and assumption with respect to mortality and termination rates, retirement age and expected inflation rates with respect to employee benefit costs.

**2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON**

Further to note 1(a)(iii), the taxation, other revenues and requisitions for the school boards and the County of Lambton are comprised of the following:

	<u>School Boards</u>	<u>County of Lambton</u>
Taxation	\$ 8,023,826	\$ 9,145,259
Share of payments-in-lieu of taxes	29,197	74,000
	<hr/> <b>\$ 8,053,023</b>	<hr/> <b>\$ 9,219,259</b> <hr/>

**3. TRUST FUNDS**

The following trust funds: Bradshaw Cemetery, Water Well Contamination Deposits and the St. Clair River Trail are administered by the Township. The total fund balance amounting to \$419,231 at December 31, 2013 has not been included in the Consolidated Financial Position nor have its operations been included in the Consolidated Statement of Operations.

**4. PENSION AGREEMENTS**

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 75 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

# CORPORATION OF THE TOWNSHIP OF ST. CLAIR

## Notes to the Consolidated Financial Statements

Year ended December 31, 2013

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The amount contributed to OMERS for 2013 was \$682,450 (50% by employees and 50% by the employer) for current service and the employer's portion is included as an expenditure on the consolidated Statement of Operations. The OMERS plan had a \$8,641 million funding deficit as of December 31, 2013 (\$9,924 million deficit as of December 31, 2012) and the Plan had an actuarial value of net assets of \$64,363 million as of December 31, 2013 (\$59,198 million as of December 31, 2012.)

### 5. LONG-TERM RECEIVABLES

A capital lease receivable in the amount of \$97,541 was paid off in 2013 arises from expenditures incurred to develop and build an industrial building on behalf of a third party and is financed through proceeds from a capital lease to the Township. The lease agreement was signed in March 2000.

On March 7, 2005 Council approved the refinancing of tax receivable arrears on 274 properties. The balance of the loan was paid in 2013 bearing interest at 8% per annum.

The Township has self financed ratepayers capital drainage projects in amount of \$74,764 payable over five years bearing interest rate of 6.75%.

Shell Manufacturing Centre has committed to \$200,000 for the Shell Health Centre repayment two equal installments of \$100,000 over the next two years bearing zero interest rate.

The Township has self financed the Stag Island Fraternal Fellowship Association water project in the amount of \$5,636 bearing interest rate of 4.58% payable in equal installment of \$2,053 ending in 2017.

There are two loans with the Port Lambton Athletic Association for the Vandamm Pavillon in the amount of \$14,888 and for the Skateboard project in the amount of \$14,214 bearing zero interest repayable over the next three years.

Repayments over the next five years:

2014	\$146,688
2015	\$128,761
2016	\$ 24,168
2017	<u>\$ 9,885</u>
Total	<u>\$309,502</u>

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
Year ended December 31, 2013

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**6. NET LONG-TERM LIABILITIES**

(a) The balance of net long-term liabilities reported on the Consolidated Financial Position is made up of the following:

	<u>2013</u>	<u>2012</u>
Long-term debt issued by the County of Lambton at interest of 7.8% to 8% maturing 2017	\$ 3,314,625	\$ 3,434,243
Long-term debt issued with Infrastructure Ontario at an interest rate of 4.58% maturing 2016	195,451	267,642
Long-term debt issued with Infrastructure Ontario at an interest rate of 4.36% maturing 2018	215,471	257,935
Long-term debt issued with Infrastructure Ontario at an interest rate of 2.77% maturing 2023	2,390,656	
Long-term debt issued with Infrastructure Ontario at an interest rate of 4.69% maturing 2029	866,605	902,307
Long-term debt issued with Infrastructure Ontario at an interest rate of 4.84% maturing 2026	563,069	595,209
Long-term debt issued with Canada Mortgage and Housing Corporation at an interest rate of 3.91% maturing 2030	7,601,401	7,912,493
<b>Net long-term liabilities, end of year</b>	<b>\$ 15,147,278</b>	<b>\$13,369,829</b>
Long-term debt issued by the Province of Ontario for tile drainage assumed by individuals with maturity ranging from 2014 to 2029	232,402	255,003
<b>Total long-term liabilities, end of year</b>	<b>\$ 15,379,680</b>	<b>\$13,624,832</b>

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
Year ended December 31, 2013

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- (b) The principal payments of the long-term liabilities reported in (a) of this note are summarized as follows:

<b>From general municipal revenues:</b>	
2014	\$ 1,523,624
2015	1,600,483
2016	1,644,805
2017	1,694,137
2018	758,266
2019 – 2023	3,879,041
2024 and thereafter	4,279,324
	<u>\$ 15,379,680</u>

- (c) The long-term liabilities in (a) issued in the name of the municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt payment limit prescribed by the Ministry of Municipal Affairs.
- (d) The municipality is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance loans. The total amount outstanding as at December 31, 2013 is \$232,402, and is not recorded on the Consolidated Statement of Financial Position.
- (e) The charges for long-term liabilities assumed by individuals, regarding tile drainage and shoreline property assistance loans are not reflected in these statements.
- (f) In 2013 a \$2,500,000 debenture from Infrastructure Ontario was issued for ten years bearing interest of 2.77% payable in semiannual installments of \$143,969 for road and drainage projects.
- (g) Total interest charges on net long term debt reported on the Consolidated Statement of Operations are \$1,373,270 (2012 (\$1,111,656)). The long-term liabilities bear interest at rates ranging from 2.77% to 7.8%.



**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
Year ended December 31, 2013

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**7. POST EMPLOYMENT BENEFITS**

The Township provides post-employment benefits to our retirees under Public Sector Accounting Board under section 3250. The actuary determined a liability obligation of \$61,777 for 2013 (2012 - \$69,613) which is composed of current service of \$63,153 (2012 - \$61,017) and interest of \$58,440 (2012 - \$56,180) less payment by the Township \$59,816 (2012 - \$47,584).

Employees who meet the criteria of having a minimum of 10 years of service and are a minimum age of 55 can retire with the municipality paying the dental and health benefits to the age of 65 and share 50% to the age of 70 for union and age 70 for non union employees. Assumptions used are as follows:

- a) a discount factor of 3.5% (2012 - 3.5%)
- b) an annual increase of 3.5% ( 2012- 3.5%)
- c) in addition to the annual increase, inflation of 3.0% (2012 – 2.5%)
- d) an employee is presumed to retire at the later of age 60 and their current age plus one year
- e) It is assumed that 70% of union retirees who reach age 65 will remain in the program for which the cost is split 50%.

The liability based on the above assumption at the year-end date is \$1,729,820 (2012 - \$1,668,043).

**8. NOTE PAYABLE**

On November 29, 2013 a Memorandum Agreement to settle OPG property tax appeals was signed by OPG, MPAC and the Corporation of the Township of St. Clair for total settlement of \$3,300,000. The settlement is to be paid in three equal installment of \$1,100,000 plus .05% interest. Payments are shared between the Township and County of Lambton. The first installment paid by the Township was made on December 31, 2013. The repayment of the Townships outstanding portion of this liability is as follows:

2014	\$826,083
2015	<u>\$826,084</u>
Total	<u>\$1,652,167</u>

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
Year ended December 31, 2013

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**9. JOINT LOCAL BOARD CONSOLIDATION - LAWSS**

The following summarizes the financial position and operations of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's 28.42% (2012 - 24.41%) proportionate interest as follows:

	<u>2013</u>	<u>2012</u>
Cash	\$1,027,753	\$ 801,322
Accounts receivable	52,065	118,236
Accounts payable	<u>(59,842)</u>	<u>( 51,487)</u>
	1,019,976	868,071
Long term debt	<u>(3,314,625)</u>	<u>(3,434,243)</u>
Tangible capital assets	25,466,039	22,155,157
Accumulated surplus	<u>23,171,390</u>	<u>19,588,985</u>
Total revenues	\$2,749,151	\$2,374,001
Total expenses	<u>2,384,763</u>	<u>1,926,258</u>
Annual Surplus (Deficit)	<u>\$ 364,388</u>	<u>\$ 447,743</u>

**10. EXPENDITURE BY OBJECT**

Total expenditures for the year reported on the Consolidated Statement of Operations are as follows:

	<u>2013</u>	<u>2012</u>
Wages and employee benefits	\$ 6,460,774	\$ 6,494,194
Materials	6,322,703	5,743,649
Contracted services	8,316,656	7,130,571
Amortization	4,753,728	4,105,842
Interest on Long-term debt	<u>1,373,270</u>	<u>1,111,656</u>
	<u>\$27,227,131</u>	<u>\$24,585,912</u>

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
Year ended December 31, 2013

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**11. BUDGET DATA**

Budget data presented in these consolidated financial statements are based upon the 2013 operating and capital budgets approved by Council and actual for consolidated entities. The chart below reconciles the approved budget figures reported in these consolidated financial statements. The Township approved budget general expenses include amortization expense in the amount of \$2,168,934.

	Township Approved Budget	PSAB Adjustment for Consolidated Entities	Budget Per Financial
General revenues	\$27,124,702	53,685	\$27,178,387
General expenses	(23,851,433)	(381,020)	(24,232,453)
<b>Annual Surplus (Deficit)</b>	<b>\$3,273,269</b>	<b>\$(327,335)</b>	<b>\$2,945,934</b>

**12. SEGMENT INFORMATION**

Segmented information is presented on Schedule 6 and 7. The Corporation of the Township of St. Clair is a diversified municipality and provides a wide range of services to its citizens including police, fire, transportation, water, wastewater and waste disposal and community services, including recreation and culture and golf. The general government segment includes such functions as finance, council and administrative offices. Planning and development includes planning and zoning, industrial park, campgrounds and drainage.

**13. COMMITMENTS**

a) Recycling Services

St. Clair has entered into an agreement with Waste Management of Canada Corporation for recycling services commencing July 1, 2012 at an annual cost of \$104,453 including HST. The contract expires June 30, 2019.

St. Clair has entered into an agreement with Emterra Environmental for recycling services commencing July 1, 2012 at an annual cost of \$182,042 including HST. The contract expires June 30, 2019.

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Notes to the Consolidated Financial Statements**  
**Year ended December 31, 2013**

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b) Waste Collection Services

St. Clair has entered into an agreement with Marcotte Disposal Inc. for waste collection services commencing January 1, 2013 at an annual cost of \$672,698 including HST. The contract expires June 30, 2019.

c) Wastewater Facilities Operations, Maintenance & Management

St. Clair has entered into an agreement with Operations Management International Canada, Inc. for wastewater facilities operations, maintenance and management commencing December 2011 at an annual cost of \$290,234 including HST. The contract expires November 2021.

**14. FINANCIAL INSTRUMENTS AND RISKS**

Unless otherwise noted it is management's opinion that the Township is not exposed to significant risks. There have been no changes in the Township's risk exposures from the prior year.

Credit risk

The Township is exposed to credit risk through its cash, trade and other receivables, loans receivable and long-term receivables. There is a possibility of non-collection of its trade and other receivables. The majority of the Township's receivables are from rate payers and government entities.

Liquidity risk

Liquidity risk is the risk that the Township will not be able to meet its obligations as they become due. The Township manages this risk by establishing budgets and funding plans to fund its expenses.

**15. CONTINGENCY**

The Ontario Power Generating has launched an assessment appeal with MPAC for the generating plant located in St. Clair Township for the 2013 and 2014 taxation years. Our lawyers view for the 2013 claim may not be significant given the generating station was fully operational at that time of the assessment, however an amount is not determinable at this time.

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Consolidated Schedule of Deferred Revenues**  
**Year ended December 31, 2013**

Schedule 1

	Balance, Beginning of Year	Increase in Deferred Revenues		Decreases in Deferred Revenues		Balance, End of Year	
		Interest	Development Charges	Total	To Operations		To Capital Acquisitions
Payments-in-lieu of park land	51,977	570	22,200	22,770		8,866	65,881
Development charges	227,054	3,265	170,732	173,997		-	401,051
<b>Total</b>	<b>279,031</b>	<b>3,835</b>	<b>192,932</b>	<b>196,767</b>	<b>-</b>	<b>8,866</b>	<b>466,932</b>

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

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**

**Consolidated Schedule of Tangible Capital Assets**

**Year ended December 31, 2013**

**Schedule 2**

	General Government	Fire & Police	Transportation Services	Sanitary Sewage	Storm Sewage	Water Supply	Health Services	Recreation & Culture Development	Planning & Development	Total 2013	Total 2012
<b>COST</b>											
Balance, beginning of year	2,845,578	8,696,706	59,632,914	49,273,218	15,711,912	112,940,758	21,512	17,162,779	2,510,074	268,795,451	234,846,467
Add: Share in LAWSS Adjustment						5,091,922				5,091,922	3,152,159
Add/Less: Inter department transfer	(31,006)		31,006							-	
Add: Additions during the year	26,186	104,561	2,231,159	2,044,548	321,060	892,738	274,504	419,591	14,450	6,328,797	33,866,155
Less: Disposals during the year			96,754		18,846	100,497		36,500		252,597	3,473,844
Other: Contribution from Developer			441,590	351,404	404,260	128,146				1,325,400	404,514
<b>ASSETS IN SERVICE - YEAR END</b>	<b>2,871,764</b>	<b>8,770,261</b>	<b>62,239,915</b>	<b>51,869,170</b>	<b>16,418,386</b>	<b>118,953,067</b>	<b>296,016</b>	<b>17,545,870</b>	<b>2,524,524</b>	<b>281,288,973</b>	<b>268,795,461</b>
Assets under construction			982,942			338,409		32,549	1,428,343	2,782,243	5,618,419
<b>ALL ASSETS, END OF YEAR</b>	<b>2,871,764</b>	<b>8,770,261</b>	<b>63,222,857</b>	<b>51,869,170</b>	<b>16,418,386</b>	<b>119,291,476</b>	<b>296,016</b>	<b>17,578,419</b>	<b>3,952,867</b>	<b>284,071,216</b>	<b>274,413,870</b>
<b>ACCUMULATED AMORTIZATION</b>											
Balance, beginning of year	1,209,352	3,298,339	27,501,437	6,983,557	4,422,359	27,863,261	-	3,953,288	289,251	75,520,844	73,531,255
Add: Share in LAWSS Adjustment						1,452,341				1,452,341	862,897
Add/Less: Inter department transfer	(31,006)		31,006							-	
Add: Amortization during the year	62,275	289,071	1,404,773	837,605	190,676	1,525,375	3,020	370,517	70,416	4,753,728	4,105,842
Less: Accumulated amortization on disposals			79,463		10,988	90,064		36,502		217,017	2,979,150
<b>BALANCE, END OF YEAR</b>	<b>1,271,627</b>	<b>3,556,404</b>	<b>28,857,753</b>	<b>7,821,162</b>	<b>4,602,047</b>	<b>30,750,913</b>	<b>3,020</b>	<b>4,287,303</b>	<b>359,667</b>	<b>81,509,896</b>	<b>75,520,844</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,600,137</b>	<b>5,213,857</b>	<b>34,365,104</b>	<b>43,848,008</b>	<b>11,816,339</b>	<b>88,540,563</b>	<b>292,996</b>	<b>13,291,116</b>	<b>3,593,200</b>	<b>202,561,320</b>	<b>198,893,026</b>

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

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Consolidated Statement of Accumulated Surplus**  
**Year Ended December 31, 2013**

Schedule 3

	2013	2012
<b>Reserves</b>		
Working Capital	\$ 643,500	\$ 643,500
Election	30,674	20,424
General operating reserve	774,707	774,707
Tax Supplementary billing	1,359,933	1,346,469
Capital expenditures	3,485,425	3,283,921
Water distribution	2,422,949	2,379,337
Water distribution LAWSS	1,019,976	868,071
Sanitary Sewage system	1,993,569	1,974,218
Uncollectible taxes	111,810	110,670
Insurance claim	26,840	26,574
St. Clair Parkway	724,775	880,906
<b>Total Reserves</b>	<b>12,594,158</b>	<b>12,308,797</b>
<b>Surplus</b>		
Invested in tangible capital assets General	67,253,899	70,623,563
Invested in tangible capital assets LAWSS	22,151,414	18,720,914
Invested in tangible capital assets Water	62,540,665	62,654,697
Invested in tangible capital assets Sanitary	35,468,066	33,524,022
Local Boards	135,279	139,981
Unfunded Post employment benefits	(1,792,820)	(1,668,043)
Deficit	(5,324,925)	(8,598,816)
<b>Total Surplus</b>	<b>180,431,578</b>	<b>175,396,318</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$193,025,736</b>	<b>\$187,705,115</b>

**MOORE MUSEUM**  
**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Statement of Revenue & Expenditures**  
Year ended December 31, 2013

	2013 Budget	2013 Actual	2012 Budget	2012 Actual
<b>REVENUE</b>				
Ministry of Culture, Tourism and Recreation				
Operating grant	\$ 17,340	17,340	\$ 17,340	\$ 17,340
Other grants	2,150	6,289	2,150	6,221
Museum revenue				
Admissions, proceeds and donations	21,600	24,118	24,550	23,906
Net sales	2,000	2,662	2,000	2,397
Municipal contribution	222,309	211,168	210,900	184,789
	<b>265,399</b>	<b>261,577</b>	<b>256,940</b>	<b>234,653</b>
<b>EXPENDITURES</b>				
Advertising	6,144	5,183	5,780	5,872
Amortization	2,796	4,512	2,796	4,514
Building maintenance	6,325	6,565	6,200	7,033
Capital expenditures	43,241	35,717	35,332	8,788
Gift Shop	1,100	947	1,100	985
Ground maintenance	1,500	401	1,500	309
Insurance	2,784	2,908	2,784	2,631
Janitorial service and supplies	12,500	13,229	12,300	12,326
Membership	525	514	510	523
Mileage	800	791	800	583
Office and miscellaneous	6,500	7,942	6,000	7,278
Postage and delivery	890	781	850	870
Salaries, wages and benefits	160,796	164,863	161,856	167,699
Seminars, education and training	1,200	1,133	1,175	975
Supplies	8,298	8,139	8,062	7,001
Utilities	10,000	7,962	9,895	7,266
	<b>\$ 265,399</b>	<b>\$ 261,577</b>	<b>\$ 256,940</b>	<b>\$ 234,653</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**SOMBRA MUSEUM**  
**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**  
**Statement of Revenue & Expenditures**  
**Year ended December 31, 2013**

	2013 Budget	2013 Actual	2012 Budget	2012 Actual
<b>Revenues</b>				
Ministry of Culture, Tourism and Recreation	\$ 2,945	2,946	\$ 2,946	2,946
Federal Grant	4,645	4,602	27,000	7,904
<b>Museum revenue</b>				
Admissions, proceeds and donations	6,666	4,122	1,990	8,692
Events	2,300	2,927		
Interest Income	80	56	170	352
Municipal contribution	59,876	76,138	79,786	69,655
	<u>\$ 76,512</u>	<u>\$ 90,791</u>	<u>\$ 111,892</u>	<u>\$ 89,549</u>
<b>Expenditures</b>				
Wages & Benefit	\$ 39,752	\$ 40,139	\$ 50,800	\$ 49,319
Advertising and membership	1,140	2,481	1,000	5,837
Amortization	2,172	12,588	2,172	12,587
Capital	10,000	10,000	27,000	
Events	1,000			
Utilities, Security and telephone	11,085	9,711	17,720	10,815
Insurance	2,358	2,939	3,000	2,559
Office Supplies & exhibits	1,650	2,535	1,500	4,080
Maintenance and supplies	5,525	6,186	8,100	15,485
Seminars & Miscellaneous	1,830		600	
	<u>\$ 76,512</u>	<u>\$ 86,579</u>	<u>\$ 111,892</u>	<u>\$ 100,682</u>
<b>Excess of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 4,212</u>	<u>\$ -</u>	<u>\$ (11,133)</u>
Surplus balance, beginning of the year	\$ 13,032	\$ 13,032	\$ 24,165	\$ 24,165
<b>Excess of revenues over (under) expenditures for the year</b>	<u>-</u>	<u>4,212</u>	<u>-</u>	<u>(11,133)</u>
<b>Surplus balance, end of year</b>	<u>\$ 13,032</u>	<u>\$ 17,244</u>	<u>\$ 24,165</u>	<u>\$ 13,032</u>

**CORPORATION OF THE TOWNSHIP OF ST. CLAIR**

Consolidated Schedule of Segment Disclosure - Operating Revenues

Year ended December 31, 2013

Schedule 6

	Taxation	User Charge	Government Transfers	Developer Contributions	Deferred Revenues	Loss (Gain) on Sales of assets	Other	Total 2013	Total 2012
<b>General Government</b>	<b>11,212,656</b>	<b>632,733</b>	<b>946,900</b>				<b>176,426</b>	<b>12,968,715</b>	<b>13,339,301</b>
Fire		29,343	616					29,959	71,037
Police			150,185				(150,185)	-	146,600
Other Protection Services		47,781						47,781	14,562
<b>Total Protection Services</b>	<b>-</b>	<b>77,124</b>	<b>150,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(150,185)</b>	<b>77,740</b>	<b>232,199</b>
<b>Transportation Services</b>	<b>-</b>	<b>774,325</b>	<b>470,565</b>	<b>441,590</b>	<b>(18,007)</b>	<b>(17,291)</b>	<b>(18,007)</b>	<b>1,651,182</b>	<b>851,624</b>
Water		5,236,883		128,146		(10,432)		5,354,597	4,868,043
Waste Water		1,921,178	406,620	351,404			96,207	2,775,409	6,506,191
Storm Systems		2,760		404,260		(7,858)		399,162	112,474
Solid Waste & diversion		338,487	41,545					380,032	321,921
<b>Total Environmental Services</b>	<b>-</b>	<b>7,499,308</b>	<b>448,165</b>	<b>883,810</b>	<b>-</b>	<b>(18,290)</b>	<b>96,207</b>	<b>8,909,200</b>	<b>11,808,629</b>
<b>Parks and Recreation</b>	<b>-</b>	<b>156,973</b>	<b>38,955</b>	<b>-</b>	<b>8,866</b>	<b>-</b>	<b>333,234</b>	<b>538,028</b>	<b>299,805</b>
Recreational Facilities		152,333	80,400				365,925	598,658	619,547
Golf Course		1,045,178	7,567				1,000	1,053,745	1,057,727
Museum		18,101	61,404				13,299	92,804	73,726
<b>Total Recreation and Culture Services</b>	<b>-</b>	<b>1,372,585</b>	<b>188,326</b>	<b>-</b>	<b>8,866</b>	<b>-</b>	<b>713,458</b>	<b>2,283,235</b>	<b>2,050,805</b>
<b>Planning and Zoning</b>	<b>-</b>	<b>28,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,350</b>	<b>44,697</b>
Commercial and Industrial		428,113						428,113	458,151
Campgrounds		514,296	5,743					520,039	477,132
Agriculture and Reforestation		2,343,569	119,591					2,463,160	1,802,445
<b>Total Planning and Development</b>	<b>-</b>	<b>3,314,328</b>	<b>125,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,439,662</b>	<b>2,782,425</b>
<b>Total Revenues</b>	<b>11,212,656</b>	<b>13,670,403</b>	<b>2,330,091</b>	<b>1,325,400</b>	<b>8,866</b>	<b>(35,581)</b>	<b>817,899</b>	<b>29,329,734</b>	<b>31,064,983</b>

# CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Consolidated Schedule of Segment Disclosure - Operating Expenses

Year ended December 31, 2013

Schedule 7

	Wages & Benefits	Material	Contracted Services	Rent & Finance Charges	Amortization	Inter functional Transfers	Total 2013	Total 2012
<b>General Government</b>	<b>1,019,204</b>	<b>437,144</b>	<b>122,978</b>	<b>3,165</b>	<b>62,275</b>	<b>(117,971)</b>	<b>1,526,795</b>	<b>1,527,194</b>
Fire	604,164	4,459	417,995	21,743	241,775	40,015	1,330,151	1,333,824
Police	18,114	18,114	2,537,929	20,835	41,819	(24,419)	2,594,278	2,608,531
Other Protection Services	44,360	100,105	279,017		5,477	10,341	439,300	379,468
<b>Total Protection Services</b>	<b>648,524</b>	<b>122,678</b>	<b>3,234,941</b>	<b>42,578</b>	<b>289,071</b>	<b>25,937</b>	<b>4,363,729</b>	<b>4,321,823</b>
<b>Transportation Services</b>	<b>1,687,393</b>	<b>1,791,232</b>	<b>499,064</b>	<b>67,509</b>	<b>1,404,773</b>	<b>(758,613)</b>	<b>4,691,358</b>	<b>4,385,067</b>
Water	286,380	153,777	999,787	899,970	1,525,375	424,699	4,289,988	3,747,575
Waste Water	159,410	539,507	373,739	370,554	837,605	263,645	2,544,460	1,859,532
Storm Systems	43,707	558,715	125,313	661	190,676	104,103	1,023,175	780,909
Solid Waste & diversion		33,789	917,630			28,596	980,015	794,753
<b>Total Environmental Services</b>	<b>489,497</b>	<b>1,285,788</b>	<b>2,416,469</b>	<b>1,271,185</b>	<b>2,553,656</b>	<b>821,043</b>	<b>8,837,638</b>	<b>7,182,769</b>
<b>Health Services</b>	<b>-</b>	<b>21,921</b>	<b>2,036</b>		<b>3,020</b>	<b>3,155</b>	<b>30,132</b>	<b>51,270</b>
<b>Social and Family Services</b>	<b>-</b>	<b>18,347</b>				<b>504</b>	<b>18,851</b>	<b>17,762</b>
Parks and Recreation	551,108	297,223	59,082	12,675	122,767	(22,621)	1,020,234	931,459
Recreational Facilities	883,386	733,300	23,397	4,353	168,065	(56,220)	1,756,281	1,725,499
Golf Course	457,101	493,295	6,423	9,142	60,396	5,811	1,032,168	1,208,987
Libraries	394	12,972	620		2,187	9,144	25,317	11,356
Museum	204,978	97,825	11,424		17,102	6,816	338,145	345,934
<b>Total Recreation and Culture services</b>	<b>2,096,967</b>	<b>1,634,615</b>	<b>100,946</b>	<b>26,170</b>	<b>370,517</b>	<b>(57,070)</b>	<b>4,172,145</b>	<b>4,223,235</b>
Planning and Zoning	80,329	12,848	6,278			11,145	110,600	112,672
Commercial and Industrial Campgrounds	50,004	289,260	340		58,226	29,378	427,208	429,836
Agriculture and Reforestation	218,676	162,579	8,176	4,603	12,190	20,284	426,508	394,712
<b>Total Planning and development</b>	<b>170,180</b>	<b>19,231</b>	<b>2,410,548</b>	<b>4,603</b>	<b>70,416</b>	<b>22,208</b>	<b>2,622,167</b>	<b>1,939,572</b>
<b>Total Expenses</b>	<b>6,460,774</b>	<b>5,795,643</b>	<b>8,801,776</b>	<b>1,415,210</b>	<b>4,753,728</b>	<b>(0)</b>	<b>27,227,131</b>	<b>24,585,912</b>
<b>Annual Surplus</b>							<b>2,102,603</b>	<b>6,479,071</b>

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