



Consolidated Financial Statements of the

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

December 31, 2004

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

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the **Corporation of the Township of St. Clair** as at December 31, 2004 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 Township'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 Corporation of the Township of St. Clair as at December 31, 2004 and the results of its operations for the year then ended in accordance with the accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

Collins Barrow KMD

London, Canada
April 5, 2005

CHARTERED ACCOUNTANTS

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CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Consolidated Statement of Financial Activities

Year ended December 31, 2004

	<u>Budget</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Budget</u> <u>2003</u>	<u>Actual</u> <u>2003</u>
REVENUES				
TAXATION AND USER CHARGES				
Net Municipal Taxation	\$ 7,681,490	\$ 7,520,673	\$ 7,354,952	\$ 7,670,724
User charges	5,203,320	5,432,210	5,842,787	5,466,423
	<u>12,884,810</u>	<u>12,952,883</u>	<u>13,197,739</u>	<u>13,137,147</u>
GRANTS				
Province of Ontario	1,701,000	1,723,036	1,860,900	1,711,841
Federal Grant	-	1,784	-	2,728
Other Municipalities	54,000	91,772	73,000	76,502
	<u>1,755,000</u>	<u>1,816,592</u>	<u>1,933,900</u>	<u>1,791,071</u>
OTHER				
Investment income	264,000	227,861	275,000	276,074
Penalties and interest on taxes	270,000	287,325	240,000	319,000
Prepaid special charges	50,000	94,141	58,215	48,972
Debenturing	3,525,000	-	-	-
Donations and other revenues	1,378,694	411,863	80,000	150,807
	<u>5,487,694</u>	<u>1,021,190</u>	<u>653,215</u>	<u>794,853</u>
TOTAL REVENUES	<u>20,127,504</u>	<u>15,790,665</u>	<u>15,784,854</u>	<u>15,723,071</u>
EXPENDITURES				
CURRENT OPERATIONS				
General government	1,104,475	1,057,748	1,167,121	1,117,423
Protection to persons and property	2,635,432	2,641,347	2,596,914	2,315,548
Transportation services	2,748,000	2,849,107	2,316,300	2,565,136
Environmental services	3,437,660	3,011,587	3,172,027	2,908,114
Health services	8,000	4,615	8,000	3,326
Social and family services	6,000	7,452	6,000	7,613
Recreation and cultural services	2,073,473	1,978,220	1,849,055	1,716,633
Planning and development	437,450	490,878	420,450	469,324
	<u>12,450,490</u>	<u>12,040,954</u>	<u>11,535,867</u>	<u>11,103,117</u>
CAPITAL OPERATIONS				
General government	147,400	104,240	83,500	214,309
Protection to persons and property	303,500	80,001	280,000	287,591
Transportation services	1,802,250	1,700,007	1,287,336	760,370
Environmental services	6,840,500	1,533,245	2,239,300	1,770,202
Health services	-	10,000	-	-
Recreation and cultural services	201,800	343,654	615,900	729,470
Planning and development	666,600	419,969	1,384,340	1,499,354
	<u>9,962,050</u>	<u>4,191,116</u>	<u>5,890,376</u>	<u>5,261,296</u>
TOTAL EXPENDITURES	<u>22,412,540</u>	<u>16,232,070</u>	<u>17,426,243</u>	<u>16,364,413</u>
CHANGE IN NET FINANCIAL POSITION	(2,285,036)	(441,405)	(1,641,389)	(641,342)
Transfer from (to) deferred revenues	(270,512)	(60,868)	(30,000)	16,390
Debt Principal Repayment	405,720	575,822	645,803	645,805
CHANGE IN FUND BALANCES	(2,420,244)	(956,359)	(2,257,192)	(1,303,537)
FUND BALANCES, BEGINNING OF YEAR	8,634,524	8,634,524	9,938,061	9,938,061
FUND BALANCES, END OF YEAR	\$ 6,214,280	\$ 7,678,165	\$ 7,680,869	\$ 8,634,524

CORPORATION OF THE TOWNSHIP OF ST. CLAIR
Consolidated Statement of Financial Position
December 31, 2004

	<u>2004</u>	<u>2003</u>
FINANCIAL ASSETS		
Cash	\$ 5,370,820	\$ 5,828,277
Taxes receivable	2,352,391	2,520,598
Accounts receivable	1,291,287	1,459,266
Other assets	24,500	20,952
Long-term receivables (Note 5)	632,881	739,769
	9,671,879	10,568,862
PHYSICAL ASSETS		
Inventories of material and supplies	399,053	322,411
	\$ 10,070,932	\$ 10,891,273
LIABILITIES		
Accounts payable and accrued charges	\$ 1,830,423	\$ 1,624,754
Deferred revenue (Note 8)	516,729	577,600
Other current liabilities	45,614	54,395
Net long-term liabilities (Note 6)	5,677,307	6,253,129
	8,070,073	8,509,878
FUND BALANCES AT END OF YEAR		
To be recovered from taxation (Note 7)	32,870	(159,932)
Capital operations not yet financed (Note 7)	(2,642,562)	(1,782,317)
Reserves (Note 8)	10,287,858	10,576,773
Fund Balances	7,678,166	8,634,524
Amounts to be recovered	(5,677,307)	(6,253,129)
NET FINANCIAL POSITION	2,000,859	2,381,395
	\$ 10,070,932	\$ 10,891,273

CORPORATION OF THE TOWNSHIP OF ST. CLAIR
Consolidated Statement of Changes in Financial Position
Year ended December 31, 2004

	<u>Actual 2004</u>	<u>Actual 2003</u>
Cash provided by (used in) operations:		
Change in net financial position	\$ (441,405)	\$ (641,342)
Increase (decrease) in net current assets other than cash:		
(Increase) decrease in:		
Taxes receivable	168,207	(694,559)
Accounts receivable	167,977	316,884
Other assets	(3,548)	(582)
Inventories of materials and supplies	(76,642)	(19,252)
(Decrease) increase in:		
Accounts payable and accrued charges	205,669	(202,326)
Other current liabilities	(8,781)	4,416
Cash provided by (used in) operations	11,477	(1,236,761)
Cash used in investment activities		
Decrease in long-term receivables	106,888	202,119
Cash provided by (used in) financing activities		
Decrease in long-term debt	(575,822)	(645,805)
Increase (decrease) in cash during the year	(457,457)	(1,680,447)
Cash balance - beginning of year	5,828,277	7,508,724
Cash balance - end of year	\$ 5,370,820	\$ 5,828,277

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Notes to the Consolidated Financial Statements

Year ended December 31, 2004

On January 1, 2001, the Corporation of the Township of Sombra and The Corporation of the Township of Moore were amalgamated as a township municipality under the name of “The Corporation of the Township of St. Clair”, as per the Minister’s Restructuring Filing Notice under Subsection 25.2(6)(b) of the Municipal Act, dated February 21, 2000.

1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of St. Clair 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 of the revenue fund, capital fund and reserves 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) Non-consolidated entities

There are no non-consolidated entities.

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Notes to the Consolidated Financial Statements

Year ended December 31, 2004

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 Balance Sheet.

(b) *Basis of accounting*

(i) *Accrual accounting*

Sources of financing 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.

(ii) *Capital assets*

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. The cost of acquiring capital assets is reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iii) *Deferred revenues*

The Township receives funds for specific purposes under the authority of provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

CORPORATION OF THE TOWNSHIP OF ST. CLAIR
Notes to the Consolidated Financial Statements
Year ended December 31, 2004

1. ACCOUNTING POLICIES (Continued)

(iv) *Use of estimate*

The preparation of financial statements in conformity with Canadian generally 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.

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 and user charges	\$ 8,684,124	\$ 7,620,889
Share of payments-in-lieu of taxes	25,969	40,722
	<hr/> 8,710,093	<hr/> 7,661,611

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 \$186,431 at December 31, 2004 has not been included in the Consolidated Balance Sheet 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 47 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.

The amount contributed to OMERS for 2004 was \$268,379 (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 Financial Activities. The OMERS plan had a \$963 million basic funding shortfall as of December 31, 2004 (\$509 million surplus at of December 31, 2003.)

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Notes to the Consolidated Financial Statements

Year ended December 31, 2004

5. LONG-TERM RECEIVABLES

A local improvement in the amount of \$28,000 for road reconstruction is receivable in equal annual instalments of \$28,000 on the final tax billing of each year up to and including 2005. The cost was based on a straight fifty/fifty split in costs with the Township.

A capital lease receivable in the amount of \$604,881 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, which was signed in March 2000, commenced on April 1, 2000 and is due on March 31, 2010. The nominal interest rate is 6.25% per annum with equal monthly payments of \$9,949.03 until April 1, 2010, when the final payment of \$100,000 is due.

Repayments over the next five years:

2005	\$111,961
2006	\$89,362
2007	\$95,110
2008	\$101,227
2009	\$107,738
Thereafter	<u>\$127,483</u>
Total	<u>\$632,881</u>

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Notes to the Consolidated Financial Statements

Year ended December 31, 2004

6. NET LONG-TERM LIABILITIES

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

	<u>2004</u>	<u>2003</u>
Total long-term liabilities incurred by the municipality including those incurred on behalf of school boards and municipal enterprises and outstanding at the end of the year amount to	\$ 6,334,194	\$ 6,945,393
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	(656,887)	(692,264)
<hr/> Net long-term liabilities, end of year	<hr/> \$ 5,677,307	<hr/> \$ 6,253,129

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

From general municipal revenues:

2005 – 2009	\$ 2,213,354
2010 – 2014	2,542,706
2015 and thereafter	1,578,134
	<hr/> \$ 6,334,194

- (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, 2004 is \$656,887 and is not recorded on the Consolidated Balance Sheet.
- (e) The charges for long-term liabilities assumed by individuals, regarding tile drainage and shoreline property assistance loans are not reflected in these statements.

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Notes to the Consolidated Financial Statements

Year ended December 31, 2004

7. MUNICIPAL FUND BALANCES, END OF YEAR

- (a) The balances on the Consolidated Balance Sheet of the municipal deficit of \$2,609,692 of the year are comprised of the following:

	<u>2004</u>	<u>2003</u>
To be used to offset (recovered from) taxation or user charges		
For benefiting landowners in regards to user charges		
• municipal drains maintenance special areas	\$ (124,435)	\$ (320,767)
• local boards	157,305	160,835
	<u>32,870</u>	(159,932)
Capital operations not yet financed		
Acquisition of fixed assets to be recovered		
• through taxation and user charges	(1,120,089)	(287,066)
• from the proceeds on sale of land	(1,522,473)	(1,495,251)
Unapplied capital receipts		
	<u>(2,642,562)</u>	(1,782,317)
	<u>\$ (2,609,692)</u>	\$ (1,942,249)

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Notes to the Consolidated Financial Statements

Year ended December 31, 2004

8. RESERVES AND DEFERRED REVENUE

The total balances of reserves and deferred revenue of \$10,287,858 and \$516,729 respectively are made up of the following:

	<u>2004</u>	<u>2003</u>
Reserves set aside for specific purpose by council		
Working capital	\$ 643,500	\$ 643,500
Election	11,107	-
General fund operating reserve	2,403,294	2,822,032
Capital expenditures	5,473,028	5,412,329
Water distribution	199,410	325,316
Sanitary Sewage systems	1,453,831	1,206,307
Uncollectable taxes	97,173	95,135
Insurance claims	(3,231)	60,762
Corunna Downtown Improvement Area	9,746	11,392
Total reserves	\$10,287,858	\$10,576,773
Deferred Revenue set aside for specific purposes by legislation, regulation or agreement		
Payments-in-lieu of park land	\$ 72,209	\$ 38,276
Impost and lot levies	82,981	80,367
Development charges	361,539	458,956
Total deferred revenue	\$ 516,729	\$ 577,599

The majority of the reserves and deferred revenues received interest calculated on a monthly basis.

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Notes to the Consolidated Financial Statements

Year ended December 31, 2004

9. Contractual Obligation – Ontario Clean Water Agency

In accordance with a service agreement entered into by the municipality (the former Township of Sombra) with the Ontario Clean Water Agency (OCWA), the existing sewage systems are owned and operated by OCWA. The municipality is obligated to meet all operating costs and repay the long-term liabilities related to this project.

Included in the consolidated statement of financial activities are the 2004 charges from OCWA. The consolidated statement of financial position does not reflect any assets or liabilities pertaining to the sewage systems except to the extent of service charges due to (or from) OCWA.

Information received from OCWA as at December 31, 2004 indicates the following:

	2004 Debt Charges	Total Outstanding Long-term Liabilities
Sewage system	\$ 50,390	\$382,738
	=====	=====

The surplus and long-term liabilities are not reflected in these financial statements.

10. Subsequent Event

On March 7, 2005 Council approved the refinancing of tax receivable arrears on 274 properties valued at \$1,450,000 as of December 31, 2004 as a long-term loan valued at \$1,153,000 bearing interest at 8% per annum. The reduction in value is recorded in these financial statements. The Municipality's interest shall be secured in accordance with the provisions of the Municipal Act, 2001, S.O. 2001, c. 25 and associated regulations, especially Local Improvement Charges – Property Lien Status – O. Reg. 119/03. Principal reductions will be based on the sale of lots.

The loan term will run retroactive from December 1, 2004 to December 1, 2009. Should there be a default of non compliance within 30 days the loan refinancing will be null and void and the amount before refinancing will be due plus interest at 15% per annum.

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Schedule of Reserves

Year ended December 31, 2004

	Budget <u>2004</u>	Actual <u>2004</u>	Budget <u>2003</u>	Actual <u>2003</u>
REVENUES				
Interest	\$ 170,000	\$ 140,442	\$ 200,000	\$ 160,099
TOTAL REVENUES	170,000	140,442	200,000	160,099
TRANSFERS				
Transfers from current fund	356,652	724,363	409,158	928,995
Transfers to capital fund	(2,946,896)	(1,153,720)	(3,051,965)	(1,978,599)
Net Transfers	(2,590,244)	(429,357)	(2,642,807)	(1,049,604)
CHANGE IN FUND BALANCE	(2,420,244)	(288,915)	(2,442,807)	(889,505)
FUND BALANCE, BEGINNING OF YEAR	10,576,773	10,576,773	11,466,278	11,466,278
FUND BALANCE, END OF YEAR	\$ 8,156,529	\$ 10,287,858	\$ 9,023,471	\$ 10,576,773

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Schedule of Capital Fund Operations

Year ended December 31, 2004

	Budget 2004	Actual 2004	Budget 2003	Actual 2003
REVENUES				
Ontario Grants	\$ -	\$ -	\$ 131,900	\$ -
Prepaid special charges	50,000	94,141	58,215	48,972
Debenture	3,525,000	-	-	-
Other revenues	1,425,694	342,076	989,740	822,975
Donations	53,000	33,585	60,000	127,116
	5,053,694	469,802	1,239,855	999,063
CAPITAL EXPENDITURES				
General government	147,400	104,240	83,500	214,309
Protection	303,500	80,001	280,000	287,591
Transportation services	1,802,250	1,700,007	1,287,336	760,370
Environmental services	6,840,500	1,533,245	2,239,300	1,770,202
Health	-	10,000	-	-
Recreation and cultural services	201,800	343,654	615,900	729,470
Planning and development	666,600	419,969	1,384,340	1,499,354
	9,962,050	4,191,116	5,890,376	5,261,296
CHANGE IN NET FINANCIAL POSITION	(4,908,356)	(3,721,314)	(4,650,521)	(4,262,233)
Transfer from current	1,690,948	1,646,481	1,754,171	1,744,931
Transfer from reserves	2,946,896	1,153,720	3,051,965	1,978,599
Transfer from deferred revenues	270,512	60,868	30,000	(16,390)
Change in Outlay to be Recovered	4,908,356	2,861,069	4,836,136	3,707,140
CHANGE IN FUND BALANCE	-	(860,245)	185,615	(555,093)
FUND BALANCE, BEGINNING OF YEAR	(1,782,317)	(1,782,317)	(1,227,224)	(1,227,224)
FUND BALANCE, END OF YEAR	\$ (1,782,317)	\$ (2,642,562)	\$ (1,041,609)	\$ (1,782,317)

CORPORATION OF THE TOWNSHIP OF ST. CLAIR

Schedule of Current Fund Operations

Year ended Budget December 31, 2004

	Budget 2004	Actual 2004	Budget 2003	Actual 2003
REVENUES				
TAXATION AND USER CHARGES				
Net municipal taxation	\$ 7,581,490	\$ 7,520,673	\$ 7,354,952	\$ 7,670,724
User charges	5,203,320	5,432,210	4,873,047	4,643,448
	12,784,810	12,952,883	12,227,999	12,314,172
GRANTS				
Province of Ontario	1,701,000	1,723,036	1,709,000	1,711,841
Federal Grant	-	1,784	-	2,728
Other Municipalities	54,000	91,772	73,000	76,502
	1,755,000	1,816,592	1,782,000	1,791,071
OTHER				
Investment income	94,000	87,419	75,000	115,975
Penalties and interest on taxes	270,000	287,324	240,000	319,000
Donations and other revenues	-	36,203	20,000	23,691
	364,000	410,946	335,000	458,666
TOTAL REVENUES	14,903,810	15,180,421	14,344,999	14,563,909
EXPENDITURES				
CURRENT OPERATIONS				
General government	1,104,475	1,057,748	1,167,121	1,117,423
Protection to persons and property	2,635,432	2,641,347	2,596,914	2,315,548
Transportation services	2,748,000	2,849,107	2,316,300	2,565,136
Environmental services	3,437,660	3,011,587	3,172,027	2,908,114
Health services	8,000	4,615	8,000	3,326
Social and family services	6,000	7,452	6,000	7,613
Recreation and cultural services	2,073,473	1,978,220	1,849,055	1,716,633
Planning and development	437,450	490,878	420,450	469,324
	12,450,490	12,040,954	11,535,867	11,103,117
CHANGE IN NET FINANCIAL POSITION	2,453,320	3,139,467	2,809,132	3,460,792
FINANCING AND TRANSFERS				
Transfer to reserves	356,652	724,362	409,158	928,995
Transfer to Capital operations	1,690,948	1,646,481	1,754,171	1,744,931
Debt Principal Repayment	405,720	575,822	645,803	645,805
Net financing and transfers	2,453,320	2,946,665	2,809,132	3,319,731
CHANGE IN FUND BALANCE	-	192,802	-	141,061
FUND BALANCE, BEGINNING OF YEAR	(159,932)	(159,932)	(300,993)	(300,993)
FUND BALANCE, END OF YEAR	\$ (159,932)	\$ 32,870	\$ (300,993)	\$ (159,932)