

**The Corporation of the  
Municipality of Arran-Elderslie  
Financial Information  
December 31, 2012**

**The Corporation of the Municipality of Arran-Elderslie**  
**Financial Information**  
**December 31, 2012**

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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the Municipality of Arran-Elderslie

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Arran-Elderslie, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of Arran-Elderslie as at December 31, 2012 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario  
December 16, 2013

**The Corporation of the Municipality of Arran-Elderslie**  
**Consolidated Statement of Financial Position**

December 31	2012	2011
<b>Financial assets</b>		
Cash and temporary investments (Note 1)	\$ 10,031,906	\$ 7,861,803
Taxes receivable	1,170,721	1,709,454
Trade and other receivables	1,298,662	1,094,991
Inventory held for resale	6,271	7,529
Long-term receivables (Note 2)	1,016,647	1,238,049
	<u>13,524,207</u>	<u>11,911,826</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,216,095	491,793
Solid waste closure and post-closure liabilities (Note 4)	509,986	496,263
Post-employment benefits liabilities (Note 10)	198,205	180,052
Deferred revenue (Page 30)	248,408	40,712
Net long-term liabilities (Note 5)	651,722	738,611
	<u>2,824,416</u>	<u>1,947,431</u>
<b>Net financial assets</b>	<u>10,699,791</u>	<u>9,964,395</u>
<b>Non financial assets</b>		
Prepaid expenses	2,927	2,227
Tangible capital assets (Note 6)	28,964,449	27,973,307
	<u>28,967,376</u>	<u>27,975,534</u>
<b>Accumulated surplus (Note 7)</b>	<u>\$ 39,667,167</u>	<u>\$ 37,939,929</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the Municipality of Arran-Elderslie**  
**Consolidated Statement of Operations and Accumulated Surplus**

<u>For the year ended December 31</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>
	Budget (Note 9)	Actual	Actual
<b>Revenue</b>			
Taxation	\$ 3,870,271	\$ 3,879,698	\$ 3,293,850
Fees and user charges	3,215,698	3,320,863	3,523,308
Grants (Note 11)	2,151,363	2,350,110	1,892,345
Other income (Note 12)	667,825	861,780	1,268,807
Obligatory reserve fund revenue recognized	-	-	189,484
	<u>9,905,157</u>	<u>10,412,451</u>	<u>10,167,794</u>
<b>Expenses</b>			
General government	687,018	697,909	839,663
Protection services	1,704,158	1,771,119	1,639,682
Transportation services	1,579,557	2,522,640	2,524,247
Environmental services	1,448,054	2,098,225	2,196,128
Health services	150,283	223,905	176,661
Recreation and cultural services	1,137,847	1,201,166	1,213,118
Planning and development	56,522	170,249	100,268
	<u>6,763,439</u>	<u>8,685,213</u>	<u>8,689,767</u>
Annual surplus (Note 9)	3,141,718	1,727,238	1,478,027
Accumulated surplus, beginning of the year	37,939,929	37,939,929	36,413,128
Adjustments for consolidated entity opening surplus amounts	-	-	48,774
<b>Accumulated surplus, end of the year</b>	<u>\$ 41,081,647</u>	<u>\$ 39,667,167</u>	<u>\$ 37,939,929</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



**The Corporation of the Municipality of Arran-Elderslie**  
**Consolidated Statement of Changes in Net Financial Assets**

<u>For the year ended December 31</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>
	Budget (Note 9)	Actual	Actual
Annual surplus (Page 6)	\$ 3,141,718	\$ 1,727,238	\$ 1,478,027
Acquisition of tangible capital assets	(2,330,000)	(2,965,439)	(1,971,387)
Amortization of tangible capital assets	-	1,973,638	1,816,524
Loss on sale of tangible capital assets	-	659	-
Acquisition of inventories of supplies	-	(700)	(460)
Increase in net financial assets	811,718	735,396	1,322,704
Net financial assets, beginning of the year	9,964,395	9,964,395	8,592,917
Adjustments for consolidated entity opening surplus amounts	-	-	48,774
<b>Net financial assets, end of the year</b>	<b>\$ 10,776,113</b>	<b>\$10,699,791</b>	<b>\$ 9,964,395</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the Municipality of Arran-Elderslie**  
**Consolidated Statement of Cash Flows**

For the year ended December 31	2012	2011
Cash provided by (used in)		
<b>Operating activities</b>		
Annual surplus	\$ 1,727,238	\$ 1,478,027
Items not involving cash		
Adjustment of consolidated entity opening surplus amount	-	48,774
Solid waste closure and post-closure liabilities	13,723	331,225
Amortization	1,973,638	1,816,524
Post-employment benefits liabilities	18,153	16,925
Deferred revenue recognized	-	(189,484)
Change in prepaid expenses	(700)	(460)
Gain on sale of capital assets	659	-
	<u>3,732,711</u>	<u>3,501,531</u>
Changes in non-cash working capital balances		
Taxes receivable	538,733	820,025
Trade and other receivables	(203,671)	424,492
Inventory held for resale	1,258	(2,253)
Accounts payable and accrued liabilities	724,302	(841,978)
Deferred revenue received	207,696	207,215
	<u>5,001,029</u>	<u>4,109,032</u>
<b>Capital transactions</b>		
Cash used to acquire capital assets	<u>(2,965,439)</u>	<u>(1,971,387)</u>
<b>Investing activities</b>		
Increase in long-term receivables	(37,400)	(136,700)
Repayment of long-term receivables	258,802	388,813
	<u>221,402</u>	<u>252,113</u>
<b>Financing activities</b>		
Additions to long-term liabilities	37,400	136,700
Repayment of long-term liabilities	<u>(124,289)</u>	<u>(100,750)</u>
	<u>(86,889)</u>	<u>35,950</u>
Net change in cash and cash equivalents	2,170,103	2,425,708
Cash and cash equivalents, beginning of the year	<u>7,861,803</u>	<u>5,436,095</u>
Cash and cash equivalents, end of the year	<u>\$10,031,906</u>	<u>\$ 7,861,803</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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## The Corporation of the Municipality of Arran-Elderslie

### Summary of Significant Accounting Policies

December 31, 2012

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#### Basis of Accounting

The consolidated financial statements of the Corporation of the Municipality of Arran-Elderslie are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

#### Basis of Consolidation

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

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Paisley Local Architectural Conservation Advisory Committee

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Chesley and District Fire Board	63.20%
Bruce Area Solid Waste Recycling Association	8.96%
Saugeen Mobility and Regional Transit	9.60%

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## The Corporation of the Municipality of Arran-Elderslie

### Summary of Significant Accounting Policies

December 31, 2012

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#### Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items such as accrued grant receivables, useful life of assets, accrued liabilities, post-employment benefits and solid waste landfill closure and post-closure costs. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

#### Revenue Recognition

Revenues are recognized as follows:

- a) Tax levies are recognized as revenue when the amounts are levied on the municipality's ratepayers.
- b) Fines and donations are recognized when collected.
- c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve fund is recorded directly to each fund balance.
- e) Government 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, and eligibility criteria have been met and reasonable estimates of the amounts can be made.
- f) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose

#### Cash and cash equivalents

Cash and cash equivalents include all cash balances and short term highly liquid investments that are readily converted into cash.

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## The Corporation of the Municipality of Arran-Elderslie

### Summary of Significant Accounting Policies

December 31, 2012

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**Temporary Investments** Temporary investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market.

**County and School Board** The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

**Other Receivables** Other receivables are recorded at cost.

**Non-Financial Assets** Tangible capital assets and other non-financial assets are accounted for as assets by the municipality because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the municipality unless they are sold.

**Inventory** Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

Inventory held for consumption is recorded at the lower of cost and replacement cost.

**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. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by management. The following useful lives are used:

Land improvements	40 years
Buildings	40 years
Equipment	5 - 15 years
Roads - paved	15 - 20 years
Roads - gravel	10 years
Water and other utility systems	30 - 80 years
Bridges and culverts	20 - 50 years
Vehicles	5 - 12 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt.

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## The Corporation of the Municipality of Arran-Elderslie

### Summary of Significant Accounting Policies

December 31, 2012

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#### Post-Employment Benefits

The municipality provides post-employment health, dental, travel, and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.

#### Solid Waste Landfill Closure and Post-Closure Costs

Site closure and post-closure care costs are recognized over the operating life of the landfill based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.

#### Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

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**The Corporation of the Municipality of Arran-Elderslie**  
Notes to Consolidated Financial Statements

December 31, 2012

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1. Cash and Temporary Investments

	2012	2011
Cash	\$ 5,764,968	\$ 3,670,190
Temporary investments - One Fund	-	626
Temporary investments - GIC's	4,214,740	4,000,000
Accrued interest	52,198	190,987
	<b>\$10,031,906</b>	<b>\$ 7,861,803</b>

On December 31, 2012, the Municipality had bank accounts of \$5,655,376 and GIC's of \$4,559,254 in a chartered bank. The Canadian Deposit Insurance Corporation insures deposits to a maximum of \$100,000 per depositor.

The bank account earns interest at the average prime rate less 1.75%. The GIC's have an interest rate of 1.65% and mature in April 2013.

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2. Long-Term Receivables

	2012	2011
Paisley water system loans, 7.65%, due 2015	\$ 28,751	\$ 39,557
Tara water system loans, 4% to 6%, due 2015 and 2020	336,174	459,881
Tile drainage loans, 6% to 8%, due 2013 to 2021	651,722	738,611
	<b>\$ 1,016,647</b>	<b>\$ 1,238,049</b>

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3. Temporary Borrowings

The Municipality of Arran Elderslie has a demand operating facility with interest charged at prime less 0.500% per annum. This facility is secured by a current borrowing by-law. At December 31, 2012, the municipality had a \$2,000,000 unused operating facility.

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## The Corporation of the Municipality of Arran-Elderslie

### Notes to Consolidated Financial Statements

December 31, 2012

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#### 4. Solid Waste Closure and Post-Closure Liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the Chesley Landfill site is recorded at \$371,936 and represents the present value of closure and post-closure costs for 100% of the current site's capacity, using a discount rate of 2% per year for difference between interest and inflation. The liability is recorded based on the capacity of the landfill used to date. As at December 31, 2012, there was no remaining fill capacity available, and the Chesley Landfill was closed to the public. The total estimated future expenditures for closure and post-closure care are \$371,936. Post-closure care is estimated to continue for a period of 25 years.

The Arran Landfill site was expanded and assumed landfilling operations for the entire Municipality on October 1, 2012. The useable area was divided into three phases, each requiring separate approval with Plans of Development for each phase. Currently, only Phase I has a Plan of Development and Operation (PDO). The liability for the previously approved area within Phase I of the Arran Landfill site is recorded at \$138,050 and represents the present value of closure and post-closure costs for 71% of the current site's capacity, using the municipality's average long-term borrowing rate of 3.84%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenditures for closure and post-closure care are \$192,404 leaving an amount to be recognized of \$54,354. The estimated remaining capacity of Phase I is approximately 233,000 cubic meters, which will be filled in 40 years. Post-closure care is estimated to continue for a period of 20 years.

The liabilities have been partially funded through budget allocations.

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**The Corporation of the Municipality of Arran-Elderslie**  
**Notes to Consolidated Financial Statements**

December 31, 2012

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5. Long-Term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	<u>2012</u>	<u>2011</u>
Tile drainage loans, 6% to 8%, due from 2013 to 2021	<u>\$ 651,722</u>	<u>\$ 738,611</u>

Principal payments for the next 5 fiscal years and thereafter are as follows:

2013	\$ 91,583
2014	94,987
2015	99,613
2016	100,413
2017	97,348
Thereafter	<u>167,778</u>
	<u>\$ 651,722</u>

Interest paid during the year totalled \$44,392.

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The Corporation of the Municipality of Arran-Elderslie  
Notes to Financial Statements

December 31, 2012

6. Tangible Capital Assets

								2012
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 502,094	\$ 5,477,070	\$ 999,964	\$ 40,367,650	\$ 22,209,047	\$ 5,886,571	\$ 4,956,016	\$80,398,412
Additions	182,659	557,014	85,482	528,396	1,293,137	46,674	272,077	2,965,439
Disposals	-	-	-	-	-	-	(6,590)	(6,590)
Cost, end of the year	684,753	6,034,084	1,085,446	40,896,046	23,502,184	5,933,245	5,221,503	83,357,261
Accumulated amortization, beginning of the year	25,493	3,160,175	598,206	35,424,440	6,302,225	3,478,068	3,436,498	52,425,105
Amortization	-	157,191	81,652	707,245	641,192	103,715	282,643	1,973,638
Disposals	-	-	-	-	-	-	(5,931)	(5,931)
Accumulated amortization, end of the year	25,493	3,317,366	679,858	36,131,685	6,943,417	3,581,783	3,713,210	54,392,812
Net carrying amount, end of the year	\$ 659,260	\$ 2,716,718	\$ 405,588	\$ 4,764,361	\$ 16,558,767	\$ 2,351,462	\$ 1,508,293	\$28,964,449

The Corporation of the Municipality of Arran-Elderslie  
Notes to Financial Statements

December 31, 2012

6. Tangible Capital Assets - (continued)

	2011							
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 484,735	\$ 4,813,236	\$ 909,160	\$ 39,905,738	\$ 21,767,027	\$ 5,804,147	\$ 4,742,982	\$ 78,427,025
Additions	17,359	663,834	90,804	461,912	442,020	82,424	213,034	1,971,387
Cost, end of the year	502,094	5,477,070	999,964	40,367,650	22,209,047	5,886,571	4,956,016	80,398,412
Accumulated amortization, beginning of the year	25,493	3,043,864	518,738	34,752,421	5,704,137	3,375,520	3,188,408	50,608,581
Amortization	-	116,311	79,468	672,019	598,088	102,548	248,090	1,816,524
Accumulated amortization, end of the year	25,493	3,160,175	598,206	35,424,440	6,302,225	3,478,068	3,436,498	52,425,105
Net carrying amount, end of the year	\$ 476,601	\$ 2,316,895	\$ 401,758	\$ 4,943,210	\$ 15,906,822	\$ 2,408,503	\$ 1,519,518	\$ 27,973,307

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**The Corporation of the Municipality of Arran-Elderslie**  
Notes to Financial Statements

December 31, 2012

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6. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$Nil (2011 - \$740,956).

No contributed (nature of capital assets) capital assets were recognized in the financial statements during the current and prior year.

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7. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2012	2011
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$28,964,449	\$ 27,973,307
Unfinanced capital assets	(818,680)	(570,174)
	28,145,769	27,403,133
Total invested in capital assets		
Unfunded post-employment benefits	(198,205)	(180,052)
Unfunded solid waste closure and post-closure costs	(344,948)	(331,225)
Operating surplus (Note 9)	219,102	-
Fire surplus	277	277
Saugeen Mobility and Regional Transit (S.M.A.R.T.)	270	270
	27,822,265	26,892,403
Reserves and reserve funds (Note 8)	11,844,902	11,047,526
Accumulated surplus	\$39,667,167	\$ 37,939,929

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**The Corporation of the Municipality of Arran-Elderslie**  
Notes to Financial Statements

December 31, 2012

8. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	2012	2011
Reserves		
Working funds	\$ 1,262,630	\$ 1,262,630
Sick leave and WSIB	301,275	287,987
Capital purposes	10,154,239	9,352,381
	11,718,144	10,902,998
Reserve funds		
Capital purposes	126,758	144,528
Reserves and reserve funds set aside for specific purpose by Council	\$11,844,902	\$ 11,047,526

9. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and changes in net debt for comparative purposes. The 2012 budget amounts for the Corporation of the Municipality of Arran-Elderslie approved by Council have been restated to conform to the presentation of the consolidated statements of operations and changes in net debt. The following is a reconciliation of the budget approved by Council. The budget figures have not been audited.

	2012 Budget	2012 Actual	2011 Actual
Annual surplus (Page 6)	\$ 3,141,718	\$ 1,727,238	\$ 1,478,027
Amortization	-	1,973,638	1,816,524
Change in other surpluses	-	-	48,476
Change in unfunded liabilities	-	31,876	348,150
	3,141,718	3,732,752	3,691,177
Prior year general surplus	-	-	(125,000)
Net transfers (to) from reserves	(811,718)	(797,376)	(1,324,812)
Capital acquisitions, disposals and write-down	(2,330,000)	(2,964,780)	(1,971,386)
Capital projects not funded	-	248,506	570,174
Prior year capital projects funded	-	-	(840,153)
Operating surplus (Note 7)	\$ -	\$ 219,102	\$ -

**The Corporation of the Municipality of Arran-Elderslie**  
Notes to Financial Statements

December 31, 2012

10. Post-Employment Benefit

	2012	2011
Accumulating sick leave	\$ 135,439	\$ 123,237
Post-employment benefits	62,766	56,815
	\$ 198,205	\$ 180,052

- a) The municipality provides its employees with an accumulating sick leave plan which allows employees to use days accumulated in prior years, and allows for partial payout upon death, termination or retirement.

	2012	2011
Sick leave liability, beginning of the year	\$ 123,237	\$ 112,035
Current year benefit expense	13,895	13,067
Interest accrued	5,383	4,895
Benefits paid	(7,076)	(6,760)
Sick leave liability, end of the year	\$ 135,439	\$ 123,237

As per the collective agreement, the unused portion of annual earned sick leave days plus interest, is accumulated in a reserve account. The reserve tracks the number and dollar value of the unused days for each employee. When an employee ceases to work for the municipality, the employee receives 50% of the value credited in the reserve for that employee. The estimated liability at December 31, 2012 is \$135,439. The reserve account maintained by the municipality at December 31, 2012 per the agreement is \$262,991 and any future sick leave payouts will be funded from the reserve.

- b) The municipality pays certain life health, dental, travel and life insurance benefits on behalf of its retired members to the age of 70. The municipality recognizes these post-employment costs in the period in which the employees rendered the services. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 4.25%. For future salaries, a 3% annual rate of increase was used for 2012 and forward. For dental and travel premiums, a 4% annual rate of increase was assumed for 2012 and forward. For health care premiums, a 6.3% increase was used for 2012 and a decreasing rate used until 2019 where 4% was used thereafter.

	2012	2011
Accrued benefit liability, beginning of the year	\$ 56,815	\$ 51,092
Current year benefit expense	3,626	3,478
Interest accrued	2,488	2,245
Benefit payments	(163)	-
Accrued benefit liability, end of the year	\$ 62,766	\$ 56,815

**The Corporation of the Municipality of Arran-Elderslie**  
Notes to Financial Statements

December 31, 2012

11. Grants

	2012 Budget	2012 Actual	2011 Actual
<b>Operating</b>			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,731,500	\$ 1,731,500	\$ 1,642,900
Conditional - Roads	10,000	8,111	11,218
- Sewer and water	25,000	25,000	25,000
- Other	59,405	125,932	127,313
	<u>1,825,905</u>	<u>1,890,543</u>	<u>1,806,431</u>
Government of Canada			
- Other	700	2,155	6,847
Other Municipalities			
- Other	3,500	2,000	2,167
<b>Total operating grants</b>	<u>1,830,105</u>	<u>1,894,698</u>	<u>1,815,445</u>
<b>Tangible Capital Asset</b>			
Province of Ontario			
- Sewer and water	160,629	152,356	12,767
- Other	-	9,286	-
	<u>160,629</u>	<u>161,642</u>	<u>12,767</u>
Government of Canada			
- Sewer and water	160,629	293,770	64,133
<b>Total tangible capital asset grants</b>	<u>321,258</u>	<u>455,412</u>	<u>76,900</u>
<b>Total grants</b>	<u>\$ 2,151,363</u>	<u>\$ 2,350,110</u>	<u>\$ 1,892,345</u>

**The Corporation of the Municipality of Arran-Elderslie**  
Notes to Financial Statements

December 31, 2012

12. Other Income

	2012 Budget	2012 Actual	2011 Actual
Penalties and interest on taxation	\$ 145,000	\$ 175,160	\$ 285,749
Other fines and penalties	800	572	1,765
Investment income	105,450	148,197	121,453
Licenses, permits and rents	206,975	240,746	191,013
Donations	209,600	284,316	631,859
Local improvement special charges	-	18,965	36,006
Other	-	(6,176)	962
	<b>\$ 667,825</b>	<b>\$ 861,780</b>	<b>\$ 1,268,807</b>

13. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 33 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2012 by the municipality was \$129,614 (2011 - \$129,614). The contribution rate for 2012 was 7.4% to 14.1% depending on age and income level (2011 - 6.4% to 13.1%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2011. At that time the plan reported a \$7.3 billion actuarial deficit (2011 - \$4.4 billion deficit), based on actuarial liabilities of \$64.5 billion (2011 - \$60 billion) and actuarial assets of \$57.2 billion (2011 - \$55.6 billion). Ongoing adequacy of the current contribution rates will need to be monitored as the severe decline in the financial markets may lead to increased future funding requirements.

14. Operations of School Boards and the County of Bruce

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Bruce:

	2012	2011
School boards	\$ 1,450,900	\$ 1,540,786
County of Bruce	1,973,598	1,946,563
	<b>\$ 3,424,498</b>	<b>\$ 3,487,349</b>



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**The Corporation of the Municipality of Arran-Elderslie**  
**Notes to Financial Statements**

December 31, 2012

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15. Contingencies

- (a) The Municipality of Arran-Elderslie has been named as a defendant in a legal action suit for damages arising from an alleged breach of contract in the amount of \$1,100,000 plus costs. The municipality's liability with respect to this action is not determinable at the present time. Amounts owing by the municipality, if any, pursuant to this claim will be recorded when they are determinable.
- (b) Several claims in the amount of \$8,450,000 plus court costs have been filed by various plaintiffs against the Municipality of Arran-Elderslie and other parties for damages arising from an automobile accident that occurred on municipal property. The municipality's liability with respect to this action is not determinable at the present time. Amounts owing by the municipality, if any, pursuant to this claim will be recorded when they are determinable. Management believes there is adequate insurance coverage for any amount that may become payable.

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16. Commitments

- (a) Arran-Elderslie has approved the purchase of a snow plow truck for \$123,507 and snow plow equipment in the amount of \$105,626. These amounts will be funded from reserves. Payment will be processed once the equipment is received.

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17. Trust Funds

The trust funds administered by the municipality amounting to \$437,910 (2011 - \$424,450) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of financial activities.

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**The Corporation of the Municipality of Arran-Elderslie**  
Notes to Financial Statements

December 31, 2012

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**18. Bruce Area Solid Waste Recycling**

The following summarizes the financial position and operations of Bruce Area Solid Waste Recycling, which is a Joint Board of Management of which Arran-Elderslie has a 8.96% interest. The Bruce Area Solid Waste Recycling has been consolidated into these financial statements.

	2012	2011
Financial assets	\$ 2,099,909	\$ 1,657,332
Liabilities	117,913	62,657
Net financial assets	1,981,996	1,594,675
Non-financial assets	1,745,614	1,964,458
Accumulated surplus	\$ 3,727,610	\$ 3,559,133
Revenues	\$ 2,356,281	\$ 2,760,375
Expenses	2,187,803	2,242,979
Annual surplus (deficit)	\$ 168,478	\$ 517,396

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**19. Saugeen Mobility and Regional Transit (S.M.A.R.T.)**

The following summarizes the financial position and operations of the Saugeen Mobility and Regional Transit non-profit organization, which the municipality funds through a service agreement. The Saugeen Mobility and Regional Transit organization has been consolidated into these financial statements. The municipality's proportionate share is 9.6%.

	2012	2011
Financial assets	\$ 110,687	\$ 71,485
Liabilities	138,363	91,870
Net financial assets	(27,676)	(20,385)
Non-financial assets	339,236	338,441
Accumulated surplus	\$ 311,560	\$ 318,056
Revenues	\$ 772,134	\$ 709,971
Expenses	778,630	657,963
Annual surplus (deficit)	\$ (6,496)	\$ 52,008

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**The Corporation of the Municipality of Arran-Elderslie**  
**Notes to Financial Statements**

**December 31, 2012**

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**20. Chesley and District Fire Board**

The following summarizes the financial position and operations of the Chesley and District Fire Board, which the municipality funds through a service agreement. The Chesley District Fire Board has been consolidated into these financial statements. The municipality's proportionate share is 63.2%.

	2012	2011
Financial assets	\$ 47,834	\$ 43,431
Liabilities	47,834	43,431
Net financial assets	-	-
Non-financial assets	329,263	329,263
Accumulated surplus	\$ 329,263	\$ 329,263
Revenues	\$ 205,560	\$ 137,462
Expenses	205,560	192,189
Annual surplus (deficit)	\$ -	\$ (54,727)

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# The Corporation of the Municipality of Arran-Elderslie

## Notes to Financial Statements

December 31, 2012

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### 21. Segmented Information

The Municipality of Arran-Elderslie is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste, collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

#### General Government

This item related to the revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

#### Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

#### Transportation

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, storm sewers, parking areas, streetlighting and air transportation.

#### Sewer and Water

This service provides the municipality's drinking water. They process and clean sewage and ensure the municipality's water system meets all Provincial standards.

#### Environmental

Environmental services consists of providing waste collection, disposal and recycling to its citizens.

#### Health

Health services include contributions to support local Hospitals. Health services also includes the operations of local cemeteries.

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**The Corporation of the Municipality of Arran-Elderslie**  
**Notes to Financial Statements**

December 31, 2012

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21. Segmented Information - (continued)

**Recreational and Cultural Services**

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains or contributed to parks, arenas, community centres, a campground, and museums. The municipality also provides library services and recreational programs.

**Planning and Development**

This department is responsible for planning and zoning and downtown revitalization. This service area also includes municipal and tile drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segment have been allocated on a reasonable basis as follows:

Taxation, payments-in-lieu  
and penalties and interest

Allocated to those segments that are funded by  
these amounts based on the budget for the year.

OMPF grants

Allocated to segments based on the budget for  
the year.

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**The Corporation of the Municipality of Arran-Elderslie**  
Notes to the Financial Statements

For the year ended December 31, 2012	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2012 Total
<b>Revenue</b>									
Taxation	\$ 232,782	\$ 1,125,112	\$ 1,823,458	\$ -	\$ 116,391	\$ 38,797	\$ 504,361	\$ 38,797	\$ 3,879,698
Fees and user charges	22,307	143,881	36,242	2,088,824	518,958	31,857	396,614	82,180	3,320,863
Specific grants	9,284	-	30,248	471,127	27,866	28,500	9,652	41,933	618,610
OMPF grant	103,890	502,135	813,805	-	51,945	17,315	225,095	17,315	1,731,500
Other revenue	411,312	1,641	-	21,816	-	279,788	147,223	-	861,780
	<u>779,575</u>	<u>1,772,769</u>	<u>2,703,753</u>	<u>2,581,767</u>	<u>715,160</u>	<u>396,257</u>	<u>1,282,945</u>	<u>180,225</u>	<u>10,412,451</u>
<b>Expenses</b>									
Salaries and benefits	469,578	294,408	724,566	347,322	222,644	60,785	613,971	28,976	2,762,250
Interest on debt	-	-	-	-	-	-	-	44,553	44,553
Materials and supplies	94,610	149,285	526,912	273,195	143,015	64,910	426,011	1,573	1,679,511
Contracted services	82,490	1,115,008	284,224	210,553	239,381	61,911	37,928	95,148	2,126,643
Other transfers	16,107	66,031	-	-	-	-	-	-	82,138
Rents and financial expenses	4,364	-	3,493	3,267	3,306	-	2,050	-	16,480
Amortization	30,758	146,387	983,446	634,261	21,281	36,299	121,206	-	1,973,638
	<u>697,907</u>	<u>1,771,119</u>	<u>2,522,641</u>	<u>1,468,598</u>	<u>629,627</u>	<u>223,905</u>	<u>1,201,166</u>	<u>170,250</u>	<u>8,685,213</u>
<b>Annual surplus (deficit)</b>	<u>\$ 81,668</u>	<u>\$ 1,650</u>	<u>\$ 181,112</u>	<u>\$ 1,113,169</u>	<u>\$ 85,533</u>	<u>\$ 172,352</u>	<u>\$ 81,779</u>	<u>\$ 9,975</u>	<u>\$ 1,727,238</u>

The Corporation of the Municipality of Arran-Elderslie  
Notes to the Financial Statements

For the year ended December 31, 2011	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2011 Total
<b>Revenue</b>									
Taxation	\$ 230,570	\$ 922,278	\$ 1,712,802	\$ -	\$ -	\$ 32,938	\$ 395,262	\$ -	\$ 3,293,850
Fees and user charges	48,176	260,261	33,671	2,118,839	592,436	35,395	390,476	44,054	3,523,308
Specific grants	-	-	34,935	101,900	35,878	57,500	9,014	10,218	249,445
OMPF grant	98,574	460,012	854,308	-	-	-	197,148	-	1,642,900
Other revenue	480,626	12,441	962	39,659	54	599,819	135,246	-	1,268,807
Transfers from obligatory reserve	189,484	-	-	-	-	-	-	-	189,484
	<u>1,047,430</u>	<u>1,654,992</u>	<u>2,636,678</u>	<u>2,260,398</u>	<u>628,368</u>	<u>725,652</u>	<u>1,127,146</u>	<u>54,272</u>	<u>10,167,794</u>
<b>Expenses</b>									
Salaries and benefits	586,088	274,370	745,498	324,776	167,200	64,052	567,908	23,750	2,753,642
Interest on debt	-	-	-	-	-	-	-	42,496	42,496
Materials and supplies	94,049	155,594	515,596	257,147	423,290	69,877	481,304	4,586	2,001,443
Contracted services	93,232	1,034,822	318,075	193,213	203,896	42,732	44,007	29,436	1,959,413
Other transfers	34,092	62,337	-	-	-	-	-	-	96,429
Rents and financial expenses	4,235	226	883	8,429	3,511	-	2,536	-	19,820
Amortization	27,967	112,333	944,195	591,157	23,509	-	117,363	-	1,816,524
	<u>839,663</u>	<u>1,639,682</u>	<u>2,524,247</u>	<u>1,374,722</u>	<u>821,406</u>	<u>176,661</u>	<u>1,213,118</u>	<u>100,268</u>	<u>8,689,767</u>
<b>Annual surplus (deficit)</b>	<b>\$ 207,767</b>	<b>\$ 15,310</b>	<b>\$ 112,431</b>	<b>\$ 885,676</b>	<b>\$ (193,038)</b>	<b>\$ 548,991</b>	<b>\$ (85,972)</b>	<b>\$ (45,996)</b>	<b>\$ 1,478,027</b>

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**The Corporation of the Municipality of Arran-Elderslie**  
**Schedule of Deferred Revenue**

For the year ended December 31, 2012

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
<b>Obligatory Reserve Funds</b>					
In lieu of parkland	\$ 2,801	\$ -	\$ 31	\$ -	\$ 2,832
Federal gas tax	17,587	206,964	473	-	225,024
Subdivider contributions	20,324	-	228	-	20,552
	<u>\$ 40,712</u>	<u>\$ 206,964</u>	<u>\$ 732</u>	<u>\$ -</u>	<u>\$ 248,408</u>



**The Corporation of the  
Municipality of Arran-Elderslie  
Trust Funds  
For the year ended December 31, 2012**

The Corporation of the Municipality of Arran-Elderslie  
Trust Funds  
For the year ended December 31, 2012

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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the Municipality of Arran-Elderslie  
Trust Funds

We have audited the accompanying financial information for the trust funds of the Municipality of Arran-Elderslie, which comprise the balance sheet as at December 31, 2012, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 financial information 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 financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial information presents fairly, in all material respects, the balance sheet for the trust funds of the Municipality of Arran-Elderslie as at December 31, 2012 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario  
December 16, 2013

The Corporation of the Municipality of Arran-Elderslie  
Trust Funds  
Balance Sheet

December 31, 2012

	Total	Care and Maintenance	Cemetery Prepaid	Gravel Deposits	Forbes Gravel Pit
<b>Assets</b>					
Cash	\$ 134,716	\$ 109,521	\$ 12,830	\$ -	\$ 12,365
Investments	361,145	345,145	-	16,000	-
	495,861	454,666	12,830	16,000	12,365
<b>Other</b>					
Accrued interest	15,536	15,536	-	-	-
	\$ 511,397	\$ 470,202	\$ 12,830	\$ 16,000	\$ 12,365
<b>Liabilities</b>					
Due to the Municipality of Arran-Elderslie	\$ 73,487	\$ 73,487	\$ -	\$ -	\$ -
Fund balance	437,910	396,715	12,830	16,000	12,365
	\$ 511,397	\$ 470,202	\$ 12,830	\$ 16,000	\$ 12,365

Statement of Continuity

	Total	Care and Maintenance	Cemetery Prepaid	Gravel Deposits	Forbes Gravel Pit
Balance, beginning of the year	\$ 424,450	\$ 383,535	\$ 12,687	\$ 16,000	\$ 12,228
<b>Receipts</b>					
Interest	280	-	143	-	137
Plot sales and monument fees	13,180	13,180	-	-	-
	13,460	13,180	143	-	137
Balance, end of the year	\$ 437,910	\$ 396,715	\$ 12,830	\$ 16,000	\$ 12,365

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**The Corporation of the Municipality of Arran-Elderslie**  
**Trust Funds**  
**Notes to Financial Information**

December 31, 2012

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**1. Summary of Significant Accounting Policies**

<b>Basis of Accounting</b>	<p>The consolidated financial statements of the Corporation of the Municipality of Arran-Elderslie Trust Funds are the representation of management. They have been prepared in accordance with accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.</p> <p>Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.</p>
<b>Use of Estimates</b>	<p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.</p>
<b>Basis of Consolidation</b>	<p>These trust funds have not been consolidated with the financial statements of the municipality.</p>

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**2. Investments**

The total investments of \$361,145 (2011 - \$361,145) reported on the Balance Sheet at cost have a market value of \$361,145 (2011 - \$361,145) at the end of the year.

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