

**The Corporation of the
Municipality of Arran-Elderslie
Financial Information
December 31, 2013**

**The Corporation of the Municipality of Arran-Elderslie
Financial Information
December 31, 2013**

Contents

The Corporation of the Municipality of Arran-Elderslie Financial Statements

The Corporation of the Municipality of Arran-Elderslie Trust Funds

**The Corporation of the
Municipality of Arran-Elderslie
Financial Statements
For the year ended December 31, 2013**

The Corporation of the Municipality of Arran-Elderslie
Financial Statements
For the year ended December 31, 2013

Contents

The Corporation of the Municipality of Arran-Elderslie	
Independent Auditor's Report	3 - 4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations and Accumulated Surplus	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Summary of Significant Accounting Policies	9 - 12
Notes to Consolidated Financial Statements	13 - 30
Schedule of Deferred Revenue	31



Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

BDO Canada LLP
1717 2nd Avenue E, Third Floor
PO Box 397
Owen Sound ON N4K 5P7 Canada

Independent Auditor's Report

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, 2013, 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, 2013 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
May 26, 2014

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

December 31	2013	2012
Financial assets		
Cash and temporary investments (Note 1)	\$ 12,615,649	\$ 10,031,906
Taxes receivable	1,115,699	1,170,721
Trade and other receivables	826,246	1,298,662
Inventory held for resale	4,235	6,271
Long-term receivables (Note 2)	900,828	1,016,647
	<u>15,462,657</u>	<u>13,524,207</u>
Liabilities		
Accounts payable and accrued liabilities	798,993	1,216,095
Solid waste closure and post-closure liabilities (Note 4)	489,278	509,986
Post-employment benefits liabilities (Note 10)	214,902	198,205
Deferred revenue (Page 31)	1,076,455	248,408
Net long-term liabilities (Note 5)	662,596	651,722
	<u>3,242,224</u>	<u>2,824,416</u>
Net financial assets	<u>12,220,433</u>	<u>10,699,791</u>
Non-financial assets		
Prepaid expenses	3,642	2,927
Tangible capital assets (Note 6)	29,006,635	28,964,449
	<u>29,010,277</u>	<u>28,967,376</u>
Accumulated surplus (Note 7)	<u>\$ 41,230,710</u>	<u>\$ 39,667,167</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>2013</u>	<u>2013</u>	<u>2012</u>
	Budget (Note 9)	Actual	Actual
Revenue			
Taxation	\$ 3,972,688	\$ 4,033,426	\$ 3,879,698
Fees and user charges	3,126,390	3,400,105	3,320,863
Government transfers (Note 11)	3,425,700	1,902,301	2,350,110
Other income (Note 12)	611,115	959,375	861,780
Obligatory reserve fund revenue recognized	-	206,143	-
	<u>11,135,893</u>	<u>10,501,350</u>	<u>10,412,451</u>
Expenses			
General government	691,108	803,776	697,909
Protection services	1,817,875	1,773,328	1,771,119
Transportation services	1,693,765	2,824,545	2,522,640
Environmental services	1,185,125	1,835,073	2,098,225
Health services	175,250	212,496	223,905
Recreation and cultural services	1,224,420	1,390,723	1,201,166
Planning and development	63,600	97,866	170,249
	<u>6,851,143</u>	<u>8,937,807</u>	<u>8,685,213</u>
Annual surplus (Note 9)	4,284,750	1,563,543	1,727,238
Accumulated surplus, beginning of the year	<u>37,939,929</u>	<u>39,667,167</u>	<u>37,939,929</u>
Accumulated surplus, end of the year	<u>\$ 42,224,679</u>	<u>\$41,230,710</u>	<u>\$ 39,667,167</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>2013</u>	<u>2013</u>	<u>2012</u>
	Budget (Note 9)	Actual	Actual
Annual surplus (Page 6)	\$ 4,284,750	\$ 1,563,543	\$ 1,727,238
Acquisition of tangible capital assets	(5,153,000)	(1,856,028)	(2,965,439)
Amortization of tangible capital assets	-	1,812,721	1,973,638
Loss on sale of tangible capital assets	-	1,121	659
Acquisition of inventories of supplies	-	(715)	(700)
Increase (decrease) in net financial assets	(868,250)	1,520,642	735,396
Net financial assets, beginning of the year	10,699,791	10,699,791	9,964,395
Net financial assets, end of the year	\$ 9,831,541	\$12,220,433	\$ 10,699,791

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

<u>For the year ended December 31</u>	<u>2013</u>	<u>2012</u>
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 1,563,543	\$ 1,727,238
Items not involving cash		
Solid waste closure and post-closure liabilities	(20,708)	13,723
Amortization	1,812,721	1,973,638
Post-employment benefits liabilities	16,697	18,153
Deferred revenue recognized	(206,143)	-
Change in prepaid expenses	(715)	(700)
Loss on sale of capital assets	1,121	659
	<u>3,166,516</u>	<u>3,732,711</u>
Changes in non-cash working capital balances		
Taxes receivable	55,022	538,733
Trade and other receivables	472,416	(203,671)
Inventory held for resale	2,036	1,258
Accounts payable and accrued liabilities	(417,102)	724,302
Deferred revenue received	1,034,190	207,696
	<u>4,313,078</u>	<u>5,001,029</u>
Capital transactions		
Cash used to acquire capital assets	<u>(1,856,028)</u>	<u>(2,965,439)</u>
Investing activities		
Increase in long-term receivables	(127,400)	(37,400)
Repayment of long-term receivables	243,219	258,802
	<u>115,819</u>	<u>221,402</u>
Financing activities		
Additions to long-term liabilities	127,400	37,400
Repayment of long-term liabilities	(116,526)	(124,289)
	<u>10,874</u>	<u>(86,889)</u>
Net change in cash and cash equivalents	2,583,743	2,170,103
Cash and cash equivalents, beginning of the year	<u>10,031,906</u>	<u>7,861,803</u>
Cash and cash equivalents, end of the year	<u>\$12,615,649</u>	<u>\$ 10,031,906</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

Summary of Significant Accounting Policies

December 31, 2013

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	65.70%
Bruce Area Solid Waste Recycling Association	8.96%
Saugeen Mobility and Regional Transit	9.60%

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2013

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, solid waste landfill closure and post-closure costs and taxation revenue. 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 funds is recorded directly to each fund balance.
- e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
- 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

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2013

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

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 to 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 to 12 years

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

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2013

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.

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

December 31, 2013

1. Cash and Temporary Investments

	2013	2012
Cash	\$ 4,530,225	\$ 5,764,968
Temporary investments - GIC's	8,000,000	4,214,740
Accrued interest	85,424	52,198
	\$12,615,649	\$ 10,031,906

On December 31, 2013, the Municipality had bank accounts of \$4,404,659 and GIC's of \$8,000,000 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 interest rates between 1.40% and 1.85% and mature April 2014 to May 2016.

2. Long-Term Receivables

	2013	2012
Paisley water system loans, 7.65%, due 2015	\$ 18,494	\$ 28,751
Tara water system loans, 4% to 6%, due 2015 and 2020	219,738	336,174
Tile drainage loans, 6% to 8%, due 2014 to 2023	662,596	651,722
	\$ 900,828	\$ 1,016,647

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, 2013, the municipality had a \$2,000,000 unused operating facility.

The Corporation of the Municipality of Arran-Elderslie

Notes to Consolidated Financial Statements

December 31, 2013

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 \$341,688 and represents the present value of closure and post-closure costs for 100% of the current site's capacity, using a discount rate of 3.52%. 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 \$434,042. 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 \$147,590 and represents the present value of closure and post-closure costs for 77% of the current site's capacity, using the municipality's average long-term borrowing rate of 3.52%. 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 \$275,329 leaving an amount to be recognized of \$127,739. The estimated remaining capacity of Phase I is approximately 60,000 cubic meters, which will be filled in 2 years. Post-closure care is estimated to continue for a period of 20 years.

The liabilities have been partially funded through budget allocations.

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

December 31, 2013

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>2013</u>	<u>2012</u>
Tile drainage loans, 6% to 8%, due from 2014 to 2023	<u>\$ 662,596</u>	<u>\$ 651,722</u>

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

2014	\$ 97,566
2015	103,420
2016	104,449
2017	101,626
2018	74,001
Thereafter	<u>181,534</u>
	<u>\$ 662,596</u>

Interest paid during the year totalled \$38,181.

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

December 31, 2013

6. Tangible Capital Assets

	2013							
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning 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
Adjustments	(60,825)	30,399	48,481	213	(16,175)	(7,043)	(5,414)	(10,364)
Additions	528	139,076	649,188	469,594	327,377	193,700	86,929	1,866,392
Disposals		-	(1,078)				(64,151)	(65,229)
Cost, end of the year	624,456	6,203,559	1,782,037	41,365,853	23,813,386	6,119,902	5,238,867	85,148,060
Accumulated amortization, beginning 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
Adjustments	16,013	21,617	4,075	7,929	(154,446)	(9,461)	(11,238)	(125,511)
Amortization	12,854	148,048	122,319	735,098	587,749	104,387	227,777	1,938,232
Disposals	-	-	(873)	-	-	-	(63,235)	(64,108)
Accumulated amortization, end of the year	54,360	3,487,031	805,379	36,874,712	7,376,720	3,676,709	3,866,514	56,141,425
Net carrying amount, end of the year	\$ 570,096	\$ 2,716,528	\$ 976,658	\$ 4,491,141	\$ 16,436,666	\$ 2,443,193	\$ 1,372,353	\$29,006,635

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

December 31, 2013

6. Tangible Capital Assets - (continued)

								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, 2013

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 (2012 - \$NIL).

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

During the year the municipality converted the tracking of capital asset costs and amortization from manual spreadsheets to an asset management database system. During the conversion process, various cost and accumulated amortization adjustments were required and have been reported during the current period.

7. Accumulated Surplus

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

	2013	2012
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$29,006,635	\$ 28,964,449
Unfinanced capital assets	(125,885)	(818,680)
	28,880,750	28,145,769
Total invested in capital assets		
Unfunded post-employment benefits	(214,902)	(198,205)
Unfunded solid waste closure and post-closure costs	(324,240)	(344,948)
Operating surplus (Note 9)	326,906	219,102
Fire surplus	277	277
Saugeen Mobility and Regional Transit (S.M.A.R.T.)	270	270
	28,669,061	27,822,265
Reserves and reserve funds (Note 8)	12,561,649	11,844,902
Accumulated surplus	\$41,230,710	\$ 39,667,167

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

December 31, 2013

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

	2013	2012
Reserves		
Working funds	\$ 1,005,000	\$ 1,262,630
Sick leave and WSIB	306,635	301,275
Capital purposes	<u>11,217,078</u>	<u>10,154,239</u>
	12,528,713	11,718,144
Reserve funds		
Capital purposes	<u>32,936</u>	<u>126,758</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$12,561,649</u>	<u>\$ 11,844,902</u>

9. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and changes in net financial assets for comparative purposes. The 2013 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.

	2013	2013	2012
	Budget	Actual	Actual
Annual surplus (Page 6)	\$ 4,284,750	\$ 1,563,543	\$ 1,727,238
Amortization	-	1,812,721	1,973,638
Change in unfunded liabilities	-	(4,011)	31,876
	4,284,750	3,372,253	3,732,752
Prior year general surplus	-	219,102	-
Net transfers (to) from reserves	900,550	(716,747)	(797,376)
Capital acquisitions, disposals and write-down	(5,153,000)	(1,854,907)	(2,964,780)
Capital projects not funded (funded)	<u>(32,300)</u>	<u>(692,795)</u>	<u>248,506</u>
Operating surplus (Note 7)	<u>\$ -</u>	<u>\$ 326,906</u>	<u>\$ 219,102</u>

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

December 31, 2013

10. Post-Employment Benefit

	2013	2012
Accumulating sick leave	\$ 146,271	\$ 135,439
Post-employment benefits	68,631	62,766
	\$ 214,902	\$ 198,205

- 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.

	2013	2012
Sick leave liability, beginning of the year	\$ 135,439	\$ 123,237
Current year benefit expense	14,775	13,895
Interest accrued	5,862	5,383
Benefits paid	(9,805)	(7,076)
	\$ 146,271	\$ 135,439

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, 2013 is \$146,271. The reserve account maintained by the municipality at December 31, 2013 per the agreement is \$306,635 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 2013 and forward. For dental and travel premiums, a 4% annual rate of increase was assumed for 2013 and forward. For health care premiums, a 6.3% increase was used for 2013 and a decreasing rate used until 2019 where 4% was used thereafter.

	2013	2012
Accrued benefit liability, beginning of the year	\$ 62,766	\$ 56,815
Current year benefit expense	3,856	3,626
Interest accrued	2,734	2,488
Benefit payments	(725)	(163)
	\$ 68,631	\$ 62,766

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

December 31, 2013

11. Government Transfers

	2012	2013	2012
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,709,000	\$ 1,735,900	\$ 1,731,500
Conditional - Roads	8,200	9,139	8,111
- Sewer and water	-	-	25,000
- Other	45,500	127,584	125,932
	<u>1,762,700</u>	<u>1,872,623</u>	<u>1,890,543</u>
Government of Canada			
- Other	-	7,238	2,155
Other Municipalities			
- Other	2,500	-	2,000
Total operating transfers	<u>1,765,200</u>	<u>1,879,861</u>	<u>1,894,698</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	1,500,000	-	-
- Sewer and water	-	-	152,356
- Other	92,000	14,808	9,286
	<u>1,592,000</u>	<u>14,808</u>	<u>161,642</u>
Government of Canada			
- Sewer and water	-	(11,851)	293,770
- General Government	68,500	19,483	-
	<u>68,500</u>	<u>7,632</u>	<u>293,770</u>
Total tangible capital asset transfers	<u>1,660,500</u>	<u>22,440</u>	<u>455,412</u>
Total transfers	<u>\$ 3,425,700</u>	<u>\$ 1,902,301</u>	<u>\$ 2,350,110</u>

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

December 31, 2013

12. Other Income

	2013	2013	2012
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 160,000	\$ 152,844	\$ 175,160
Other fines and penalties	600	1,051	572
Investment income	131,465	157,826	148,197
Licenses, permits and rents	256,200	308,979	240,746
Donations	47,850	81,259	284,316
Local improvement special charges	15,000	16,835	18,965
Other	-	240,581	(6,176)
	<u>\$ 611,115</u>	<u>\$ 959,375</u>	<u>\$ 861,780</u>

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 2013 by the municipality was \$165,274 (2012 - \$129,614). The contribution rate for 2013 was 9.0% to 15.9% depending on age and income level (2012 - 8.3% to 12.8%).

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, 2013. At that time the plan reported an \$8.6 billion actuarial deficit (2012 - \$9.9 billion actuarial deficit), based on actuarial liabilities of \$73.0 billion (2012 - \$69.1 billion) and actuarial assets of \$64.4 billion (2012 - \$59.2 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in financial markets may lead to increased future funding requirements.

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

December 31, 2013

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:

	<u>2013</u>	<u>2012</u>
School boards	\$ 1,472,234	\$ 1,450,900
County of Bruce	<u>2,076,895</u>	<u>1,973,598</u>
	<u>\$ 3,549,129</u>	<u>\$ 3,424,498</u>

15. Contingencies

- (a) The Municipality of Arran-Elderslie has been named as a defendant in a legal action 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) Claims totalling \$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.
-

16. Commitments

Arran-Elderslie has approved the purchase of a fire truck in the amount of \$307,145. This amount will be funded from reserves. Payment will be processed once the equipment is received.

17. Trust Funds

The trust funds administered by the municipality amounting to \$450,954 (2012 - \$437,910) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of financial activities.

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

December 31, 2013

18. Change in Accounting Policy

Effective January 1, 2013, the municipality adopted on a prospective basis the new accounting standards PS3410 Government Transfers and PS3510 Tax Revenue from the Chartered Professional Accountants of Canada Handbook.

Government transfers are recognized when authorized and eligibility criteria have been met unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.

The prospective application of this change in accounting policy had no impact on government transfers or deferred revenue.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. The prospective application of this change in accounting policy resulted in a decrease of \$50,439 in taxes receivable, an increase of \$34,769 in accounts receivable and a decrease of \$15,670 in taxation revenue.

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

December 31, 2013

19. 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.

	2013	2012
Financial assets	\$ 2,262,678	\$ 2,099,909
Liabilities	103,583	117,913
Net financial assets	2,159,095	1,981,996
Non-financial assets	1,651,414	1,745,614
Accumulated surplus	\$ 3,810,509	\$ 3,727,610
Revenues	\$ 2,392,547	\$ 2,356,281
Expenses	2,309,648	2,187,803
Annual surplus	\$ 82,899	\$ 168,478

20. 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%.

	2013	2012
Financial assets	\$ 140,731	\$ 110,687
Liabilities	175,855	138,363
Net financial debt	(35,124)	(27,676)
Non-financial assets	535,855	339,236
Accumulated surplus	\$ 500,731	\$ 311,560
Revenues	\$ 1,151,880	\$ 772,134
Expenses	962,709	778,630
Annual surplus (deficit)	\$ 189,171	\$ (6,496)

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

December 31, 2013

21. 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 65.70%.

	2013	2012
Financial assets	\$ 46,828	\$ 47,834
Liabilities	82,431	98,437
Net financial debt	(35,603)	(50,603)
Non-financial assets	295,175	325,139
Accumulated surplus	\$ 259,572	\$ 274,536
Revenues	\$ 175,397	\$ 154,957
Expenses	190,361	209,684
Annual deficit	\$ (14,964)	\$ (54,727)

The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2013

22. 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. The municipality also processes and cleans sewage and ensures sewer and water systems meet 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.

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

December 31, 2013

22. 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 contributes 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 segments 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.

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

For the year ended December 31, 2013	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2013 Total
Revenue									
Taxation	\$ 282,340	\$ 1,210,028	\$ 1,815,041	\$ -	\$ 80,669	\$ -	\$ 605,014	\$ 40,334	\$ 4,033,426
Fees and user charges	26,899	236,638	64,226	2,360,502	245,424	40,928	386,818	38,670	3,400,105
Specific grants	14,808	-	65,724	(11,851)	39,931	-	45,298	12,491	166,401
OMPF grant	121,513	520,770	781,155	-	34,718	-	260,385	17,359	1,735,900
Other revenue	456,618	148,755	275	21,235	1,697	110,195	220,600	-	959,375
Transfers from obligatory reserve	-	-	206,143	-	-	-	-	-	206,143
	<u>902,178</u>	<u>2,116,191</u>	<u>2,932,564</u>	<u>2,369,886</u>	<u>402,439</u>	<u>151,123</u>	<u>1,518,115</u>	<u>108,854</u>	<u>10,501,350</u>
Expenses									
Salaries and benefits	534,813	300,385	827,146	370,212	184,281	67,749	646,683	26,376	2,957,645
Interest on debt	-	-	-	-	-	-	-	38,181	38,181
Materials and supplies	89,807	174,976	579,596	257,233	81,260	71,567	541,773	5,780	1,801,992
Contracted services	144,814	1,161,981	354,897	171,648	250,824	29,043	82,090	27,529	2,222,826
Other transfers	19,954	67,613	-	-	-	-	-	-	87,567
Rents and financial expenses	4,016	-	2,334	1,733	858	4,014	3,920	-	16,875
Amortization	10,372	68,373	1,060,572	497,315	19,709	40,123	116,257	-	1,812,721
	<u>803,776</u>	<u>1,773,328</u>	<u>2,824,545</u>	<u>1,298,141</u>	<u>536,932</u>	<u>212,496</u>	<u>1,390,723</u>	<u>97,866</u>	<u>8,937,807</u>
Annual surplus (deficit)	\$ 98,402	\$ 342,863	\$ 108,019	\$ 1,071,745	\$ (134,493)	\$ (61,373)	\$ 127,392	\$ 10,988	\$ 1,563,543

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
Revenue									
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
	779,575	1,772,769	2,703,753	2,581,767	715,160	396,257	1,282,945	180,225	10,412,451
Expenses									
Salaries and benefits	469,579	294,408	724,565	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
	697,908	1,771,119	2,522,640	1,468,598	629,627	223,905	1,201,166	170,250	8,685,213
Annual surplus	\$ 81,667	\$ 1,650	\$ 181,113	\$ 1,113,169	\$ 85,533	\$ 172,352	\$ 81,779	\$ 9,975	\$ 1,727,238

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

For the year ended December 31, 2013

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
In lieu of parkland	\$ 2,832	\$ -	\$ 32	\$ -	\$ 2,864
Federal gas tax	225,024	206,964	1,963	(206,143)	227,808
Subdivider contributions	20,552	-	231	-	20,783
	248,408	206,964	2,226	(206,143)	251,455
Other					
Roads and bridges grant	-	825,000	-	-	825,000
	\$ 248,408	\$ 1,031,964	\$ 2,226	\$ (206,143)	\$1,076,455

**The Corporation of the
Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2013**

The Corporation of the Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2013

Contents

The Corporation of the Municipality of Arran-Elderslie Trust Funds	
Independent Auditor's Report	3 - 4
Balance Sheet and Statement of Continuity	5
Notes to Financial Information	6



Tel: 519 376 6110
Fax: 519 376 4741
www.bdo.ca

BDO Canada LLP
1717 2nd Avenue E, Third Floor
PO Box 397
Owen Sound ON N4K 5P7 Canada

Independent Auditor's Report

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, 2013, 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, 2013 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
May 26, 2014

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

December 31, 2013

	Total	Care and Maintenance	Cemetery Prepaid	Gravel Deposits	Forbes Gravel Pit
Assets					
Cash	\$ 148,926	\$ 123,447	\$ 12,974	\$ -	\$ 12,505
Investments	377,097	361,097	-	16,000	-
	526,023	484,544	12,974	16,000	12,505
Other					
Accrued interest	2,389	2,389	-	-	-
	\$ 528,412	\$ 486,933	\$ 12,974	\$ 16,000	\$ 12,505
Liabilities					
Due to the Municipality of Arran-Elderslie	\$ 77,458	\$ 77,458	\$ -	\$ -	\$ -
Fund balance	450,954	409,475	12,974	16,000	12,505
	\$ 528,412	\$ 486,933	\$ 12,974	\$ 16,000	\$ 12,505

Statement of Continuity

	Total	Care and Maintenance	Cemetery Prepaid	Gravel Deposits	Forbes Gravel Pit
Balance, beginning of the year	\$ 437,910	\$ 396,715	\$ 12,830	\$ 16,000	\$ 12,365
Receipts					
Interest	284	-	144	-	140
Plot sales and monument fees	12,760	12,760	-	-	-
	13,044	12,760	144	-	140
Balance, end of the year	\$ 450,954	\$ 409,475	\$ 12,974	\$ 16,000	\$ 12,505

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

December 31, 2013

1. Summary of Significant Accounting Policies

Basis of Accounting The financial information 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.

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.

Use of Estimates 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.

Basis of Consolidation These trust funds have not been consolidated with the financial statements of the municipality.

2. Investments

The total investments of \$377,097 (2012 - \$361,145) reported on the Balance Sheet at cost have a market value of \$377,097 (2012 - \$361,145) at the end of the year.
