

TOWNSHIP OF BLANDFORD-BLENHEIM

FINANCIAL REPORT

DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Blandford-Blenheim

I have audited the accompanying consolidated financial statements of Township of Blandford-Blenheim, which comprise the statement of financial position as at December 31, 2013 and the 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 Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Township of Blandford-Blenheim as at December 31, 2013 and its financial performance and its changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for municipalities as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

London, Ontario
July 2, 2014

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

(with comparative figures as at December 31, 2012)

	<u>2 0 1 3</u>	<u>2 0 1 2</u>
FINANCIAL ASSETS		
Cash and short-term investments (note 3)	\$ 3,130,175	\$ 1,052,342
Taxes receivable	997,578	884,135
Accounts receivable	<u>1,613,742</u>	<u>1,055,974</u>
	<u>5,741,495</u>	<u>2,992,451</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,151,259	1,428,706
Deferred revenue (note 6)	845,260	647,671
Net long-term liabilities (note 7)	<u>2,493,161</u>	<u>255,316</u>
	<u>4,489,680</u>	<u>2,331,693</u>
NET FINANCIAL ASSETS	<u>1,251,815</u>	<u>660,758</u>
NON-FINANCIAL ASSETS (note 1)		
Tangible capital assets (Schedule 1) (note 1)	30,185,827	30,263,376
Capital work in progress	324,791	620,628
Prepaid expenses	<u>243,914</u>	<u>250,573</u>
	<u>30,754,532</u>	<u>31,134,577</u>
ACCUMULATED SURPLUS (note 8)	<u>\$ 32,006,347</u>	<u>\$ 31,795,335</u>

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

TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2013

(with comparative figures for the year ended December 31, 2012)

	<u>Budget</u> <u>2 0 1 3</u>	<u>Actual</u> <u>2 0 1 3</u>	<u>Actual</u> <u>2 0 1 2</u>
REVENUES			
Taxation revenue	\$ 3,830,696	\$ 3,832,663	\$ 3,709,813
User charges	683,204	774,697	640,207
Government grants	1,991,187	1,986,895	1,976,124
Investment income	47,028	38,006	57,971
Penalty and interest on taxes	130,000	138,338	85,442
Other	<u>32,536</u>	<u>8,962</u>	<u>31,833</u>
	<u>6,714,651</u>	<u>6,779,561</u>	<u>6,501,390</u>
EXPENDITURES			
General government	680,207	713,041	698,216
Protection to persons and property	2,549,892	1,974,483	2,088,256
Transportation services	3,075,947	2,788,704	2,526,328
Health	49,776	91,663	48,228
Recreation and cultural development	756,758	909,164	699,740
Planning and development	<u>61,694</u>	<u>36,631</u>	<u>61,537</u>
	<u>7,174,274</u>	<u>6,513,686</u>	<u>6,122,305</u>
Excess operating revenues over expenditures before other	<u>(459,623)</u>	<u>265,875</u>	<u>379,085</u>
OTHER REVENUES (EXPENDITURES)			
Government transfers related to capital			55,000
Developer and other contributions related to capital	649,449	136,766	395,544
Gain (loss) on disposal of capital assets	<u>25,000</u>	<u>(191,629)</u>	<u>(7,241)</u>
	<u>674,449</u>	<u>(54,863)</u>	<u>443,303</u>
Excess revenues over expenditures for the year	214,826	211,012	822,388
Accumulated surplus, beginning of year	<u>31,795,335</u>	<u>31,795,335</u>	<u>30,972,947</u>
ACCUMULATED SURPLUS, END OF YEAR (note 8)	<u>\$ 32,010,161</u>	<u>\$ 32,006,347</u>	<u>\$ 31,795,335</u>

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

TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(with comparative balances for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
OPERATIONS		
Excess revenues over expenditures - Statement 2	\$ 211,012	\$ 822,388
Non-cash changes to operations		
Amortization of tangible capital assets	1,521,359	1,214,030
Loss (gain) on disposal of capital assets	226,181	7,241
Changes in non-cash operating balances (A)	<u>(751,069)</u>	<u>524,093</u>
Net change in cash from operating activities	<u>1,207,483</u>	<u>2,567,752</u>
CAPITAL		
Acquisition of tangible capital assets	(1,669,991)	(5,396,109)
Decrease (increase) in work in progress	295,837	(415,616)
Decrease (increase) in prepaid expenditure	<u>6,659</u>	<u>(20,937)</u>
Net change in cash from capital activities	<u>(1,367,495)</u>	<u>(5,832,662)</u>
FINANCING		
Net change in long-term debt	<u>2,237,845</u>	<u>(60,676)</u>
Net change in cash position during the year	2,077,833	(3,325,586)
Cash, beginning of year	<u>1,052,342</u>	<u>4,377,928</u>
CASH, END OF YEAR	<u>\$ 3,130,175</u>	<u>\$ 1,052,342</u>
CASH CONSISTS OF:		
Bank and short-term investments	<u>\$ 3,130,175</u>	<u>\$ 1,052,342</u>

(A) Net change in non-cash operating balances includes the net change in taxes receivable, accounts receivable, accounts payable and accrued liabilities and deferred revenue.

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

TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012
(with comparative figures for the year ended December 31, 2012)

	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Excess revenues over expenditures - Statement 2	\$ 211,012	\$ 822,388
Amortization of tangible capital assets	1,521,359	1,214,030
Acquisition of tangible capital assets	(1,669,991)	(5,396,109)
(Gain) loss on sale of tangible capital assets	226,181	7,241
Increase in work in progress	295,837	(415,616)
Increase in prepaid expenditures	<u>6,659</u>	<u>(20,937)</u>
Increase (decrease) in net financial assets	591,057	(3,789,003)
Net financial assets, beginning of year	<u>660,758</u>	<u>4,449,761</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>1,251,815</u>	\$ <u>660,758</u>

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

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

The Corporation of the Township of Blandford-Blenheim is a lower-tier Township in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant Accounting Policies

The financial statements of the Township of Blandford-Blenheim are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Reporting Entity

These statements reflect the financial assets, liabilities, operating revenues and expenditures and accumulated surpluses and changes in investment in tangible capital assets of the Township of Blandford-Blenheim and all committees of Council.

(b) Trust Funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the Trust Funds Financial Statements.

(c) Accrual Accounting

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

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. Significant Accounting Policies continued

(d) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expense, provides the Change in Net Financial Assets for the year.

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and structures	15-40 years
Fleet	8-30 years
Streetlights	25 years
Equipment	5-25 years
Infrastructure - transportation	15-50 years
Infrastructure - drainage	80 years
Bridges and other structures	30-80 years

Amortization is charged for a half year in the year of acquisition and in the year of disposal.

The Township has a capitalization threshold of \$5,000 so that individual assets of lesser value are expensed unless they are pooled because collectively they have a significant value.

(ii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. Significant Accounting Policies continued

(iii) Contributions of Tangible Capital Assets

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

(f) Short-term Investments

Short-term investments are recorded at cost. Market value approximates cost.

(g) Deferred Revenue

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

(h) Financial Instruments

Financial instruments of the Township consist mainly of cash, accounts and taxes receivable. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

(i) Revenue Recognition

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

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. Significant Accounting Policies continued

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

(k) Budget

The Township's Council completes separate budget reviews for its operating and capital budget each year. The approved operating budget for 2013 is reflected on the Statement of Operations. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from surplus funds and by application of applicable grants or other funds available to apply to capital projects.

2. Trust Funds

Trust funds administered by the Township amounting to \$ 175,200 (2012 - \$ 172,600) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

3. Investments

The short-term investments of \$ NIL (2012 - \$ 6,308) are recorded at market value which approximates cost and are short-term in nature.

4. Pension Agreements

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

The amount contributed to OMERS for 2013 was \$ 109,928 (2012 - \$ 94,166) for current service and is included as an expenditure on the Statement of Operations.

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

5. Operations of School Boards and the Township of Blandford-Blenheim

The Township is required to bill, collect and remit taxation revenues on behalf of the School Boards and Township of Blandford-Blenheim pursuant to provincial legislation. The Township has no jurisdiction or control over the operations of these entities or the setting of their tax rates. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the School Boards and the County are not reflected in these financial statements. Taxation revenues billed and requisitions paid on behalf of the School Boards and Township of Blandford-Blenheim are not reflected in the Statement of Operations and are comprised of the following:

	<u>School Boards</u>	<u>County</u>
Taxation	\$ <u>3,243,224</u>	\$ <u>4,218,727</u>
Requisitions	\$ <u>3,243,224</u>	\$ <u>4,218,727</u>

6. Deferred Revenue

The deferred revenue balance is comprised of the following:

	<u>2013</u>	<u>2012</u>
Development charges	\$ 335,890	\$ 230,460
Federal gas tax	<u>509,370</u>	<u>417,211</u>
	\$ <u>845,260</u>	\$ <u>647,671</u>

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

7. Net Long-Term Liabilities

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

	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Total long-term liabilities incurred by the Township and outstanding at the end of the year amount to:	\$ 2,521,292	\$ 267,445
Of the long-term liabilities above, the responsibility for payment of principal and interest charges for tile drain loans assumed by individuals. At the end of the year, the outstanding principal amount of this liability is:	<u>(28,131)</u>	<u>(12,129)</u>
Net long-term liabilities at the end of the year:	\$ <u>2,493,161</u>	\$ <u>255,316</u>

(b) Of the net long-term liabilities reported in (a) of this note, the minimum principal repayments required are estimated as follows:

	<u>Recoverable from ratepayers</u>	<u>Recoverable from tax rate</u>
2014	\$ 64,839	\$ 230,000
2015	\$ 62,805	\$ 230,000
2016	\$ 65,517	\$ 230,000
2017	\$ -	\$ 230,000
2018	\$ -	\$ 230,000

(c) The long-term liabilities in (a) issued in the name of the Township have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved on or after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

(d) The Township is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2013 is \$ 28,131 (2012 - \$ 12,129) and is not recorded on the Statement of Financial Position.

(e) The Township paid interest on its long term liabilities of \$ 9,869 (2012 - \$ 12,506)

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

8. Accumulated Surplus

The accumulated surplus (deficit) is comprised of the following:

	<u>2 0 1 3</u>	<u>2 0 1 2</u>
Surpluses (Deficits)		
Operations	\$ 150,081	\$ 171,888
Invested in tangible capital assets	28,017,457	28,203,316
Reserves	<u>3,838,809</u>	<u>3,420,131</u>
	<u>\$ 32,006,347</u>	<u>\$ 31,795,335</u>

9. Tax Revenues

Property tax billings are prepared by the Township based on an assessment roll prepared by the Municipal Property Assessment Corporation. All assessed property values in the Township were reviewed and new values established based on a common valuation date which was used by the Township in computing the 2013 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the Township of Blandford-Blenheim and the appropriate school boards.

10. Commitment

The Township entered into a policing contract that expires on December 31, 2013 with the Ontario Provincial Police. The contracted amount paid for 2013 was \$ 967,187 (2012 - \$ 1,009,130).

11. Public Sector Salary Disclosure

There was one employee paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more by the Township of Blandford-Blenheim.

TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

12. Segmented Information

Segmented information is presented on Schedule 2. The Township of Blandford-Blenheim is a diversified Township and provides a wide range of services to its citizens including police, through contracted services, fire, transportation and community services, including recreation and planning. The general government segment includes such functions as finance, council and administrative offices.

13. Annexation

On August 17, 2005 the Minister of Municipal Affairs and Housing issued a restructuring order to allow an area of approximately 2,900 acres to be annexed into the Corporation of the City of Woodstock from the Township. The effective date of the annexation was September 1, 2005. The Township and the City of Woodstock also entered into a compensation agreement whereby the City will effectively pay the Township a base amount for the loss of current tax revenues and a percentage of future tax revenues. The future tax revenues will depend on the level of development of the annexed lands. This compensation is included in Government Grant revenue on the Statement of Operations.

TOWNSHIP OF BLANDFORD-BLENHEIM
SCHEDULE OF TANGIBLE CAPITAL ASSETS
DECEMBER 31, 2013

(with comparative balances as at December 31, 2012)

	Land and Land Improvements	Buildings	Fleet	Machinery & Equipment	Furniture & Fixtures	Bridges and Roads	2013 Total	2012 Total
COST								
Balance, beginning of year	\$ 4,280,449	\$ 6,795,728	\$ 2,529,216	\$ 2,373,891	\$ 907,196	\$ 34,269,124	\$ 51,155,604	\$ 45,942,406
Add:								
Additions during the year	20,696	572,257	23,682	133,325	1,530	918,501	1,669,991	5,396,109
Less:								
Disposals during the year				(90,992)		(466,446)	(557,438)	(182,911)
Balance, end of year	<u>4,301,145</u>	<u>7,367,985</u>	<u>2,552,898</u>	<u>2,416,224</u>	<u>908,726</u>	<u>34,721,179</u>	<u>52,268,157</u>	<u>51,155,604</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of year	366,494	1,709,461	1,312,594	804,085	350,317	16,349,277	20,892,228	19,853,868
Add:								
Amortization during the year	35,093	232,657	189,827	145,605	50,652	867,525	1,521,359	1,214,030
Less:								
Disposals during the year				(77,287)		(253,970)	(331,257)	(175,670)
Balance, end of year	<u>401,587</u>	<u>1,942,118</u>	<u>1,502,421</u>	<u>872,403</u>	<u>400,969</u>	<u>16,962,832</u>	<u>22,082,330</u>	<u>20,892,228</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 3,899,558</u>	<u>\$ 5,425,867</u>	<u>\$ 1,050,477</u>	<u>\$ 1,543,821</u>	<u>\$ 507,757</u>	<u>\$ 17,758,347</u>	<u>\$ 30,185,827</u>	<u>\$ 30,263,376</u>

This schedule is provided for information purposes only.

TOWNSHIP OF BLANDFORD-BLENHEIM
SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Government	Protective Services	Transportation	Health	Recreation and Culture	Planning and Development	Total
REVENUES							
Taxation	\$ 3,832,663						\$ 3,832,663
User fees	52,943	\$ 352,426	\$ 18,037	\$ 51,703	\$ 227,564	\$ 72,024	774,697
Government grants	1,788,753	63,864	79,634		47,986	6,658	1,986,895
Investment income	24,220			2,848		10,938	38,006
Penalty and interest on taxes	138,338						138,338
Other	(218,535)	2,506	26,907		6,455		(182,667)
Capital revenues	3,341		133,425				136,766
	<u>5,621,723</u>	<u>418,796</u>	<u>258,003</u>	<u>54,551</u>	<u>282,005</u>	<u>89,620</u>	<u>6,724,698</u>
EXPENDITURES							
Salaries and benefits	457,182	555,486	600,226	3,145	282,330	20,151	1,918,520
Materials, goods and services	228,980	1,291,693	1,076,183	88,442	376,641	11,868	3,073,807
Amortization	26,879	127,304	1,112,295	76	250,193	4,612	1,521,359
	<u>713,041</u>	<u>1,974,483</u>	<u>2,788,704</u>	<u>91,663</u>	<u>909,164</u>	<u>36,631</u>	<u>6,513,686</u>
EXCESS REVENUES OVER EXPENDITURES	<u>\$ 4,908,682</u>	<u>\$ (1,555,687)</u>	<u>\$ (2,530,701)</u>	<u>\$ (37,112)</u>	<u>\$ (627,159)</u>	<u>\$ 52,989</u>	<u>\$ 211,012</u>

This schedule is provided for information purposes only.