

Consolidated Financial Statements of

MUNICIPALITY OF THAMES CENTRE

Year ended December 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Thames Centre

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Thames Centre as at December 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 27, 2013

London, Canada

MUNICIPALITY OF THAMES CENTRE

Consolidated Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Financial Assets		
Cash and term deposits	\$ 8,322,715	\$ 10,360,202
Taxes receivable	1,328,523	1,132,333
Accounts receivable	2,039,588	3,969,302
Investments (note 2)	-	1,849,884
Long-term receivables	824,352	964,008
	<u>12,515,178</u>	<u>18,275,729</u>
Financial Liabilities		
Accounts payable and accrued liabilities	3,266,416	4,749,697
Deferred revenue (note 3)	3,088,547	4,279,241
Long-term liabilities (note 4)	4,515,332	6,308,874
Landfill closure and post-closure liability (note 5)	497,443	497,443
	<u>11,367,738</u>	<u>15,835,255</u>
Net financial assets	1,147,440	2,440,474
Non-Financial Assets		
Tangible capital assets (note 6)	79,137,206	76,318,647
Prepaid expenses	19,161	30,393
Contingent liabilities (note 7)		
Commitments (note 8)		
Accumulated surplus (note 9)	<u>\$ 80,303,807</u>	<u>\$ 78,789,514</u>

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THAMES CENTRE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative figures for 2011

	2012 Budget (unaudited)	2012 Actual	2011 Actual
Revenues:			
Property taxation	\$ 7,096,158	\$ 6,970,755	\$ 6,537,610
User charges, rents and leases	3,700,175	3,472,090	3,177,159
Government grants (note 11)	1,508,079	3,027,415	6,234,732
Penalties and interest on taxes	107,500	228,470	361,413
Investment income	229,000	153,540	168,664
Donations	19,000	297,612	133,459
Development levies earned	-	1,319,479	1,625,407
Gain on sale of assets	-	53,520	340,669
Other	74,150	194,905	416,012
Total revenues	12,734,062	15,717,786	18,995,125
Expenditures:			
General government	1,425,267	1,524,131	1,464,162
Protection to persons and property	2,991,190	2,779,472	2,515,295
Transportation services	1,932,518	4,701,440	5,012,548
Environmental services	1,868,128	2,644,683	2,470,483
Health services	67,715	55,273	66,320
Recreation and cultural services	1,711,549	2,128,120	2,148,227
Planning and development	348,455	370,374	381,103
Total expenditures	10,344,822	14,203,493	14,058,138
Annual surplus	2,389,240	1,514,293	4,936,987
Accumulated surplus, beginning of year	78,789,514	78,789,514	73,852,527
Accumulated surplus, end of year (note 9)	\$ 81,178,754	\$ 80,303,807	\$ 78,789,514

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THAMES CENTRE

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Annual surplus	\$ 1,514,293	\$ 4,936,987
Acquisition of tangible capital assets	(14,861,154)	(8,185,119)
Amortization of tangible capital assets	3,357,696	3,630,615
Transfer of work in process to tangible capital assets	8,541,186	-
Gain on sale of tangible capital assets	(53,520)	(340,669)
Proceeds on sale of tangible capital assets	197,233	351,274
	(1,304,266)	393,088
Change in prepaid expenses	11,232	(13,199)
Change in net financial assets	(1,293,034)	379,889
Net financial assets, beginning of year	2,440,474	2,060,585
Net financial assets, end of year	\$ 1,147,440	\$ 2,440,474

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THAMES CENTRE

Consolidated Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,514,293	\$ 4,936,987
Items not involving cash:		
Amortization	3,357,696	3,630,615
Gain on sale of tangible capital assets	(53,520)	(340,669)
Transfer of work in process to tangible capital assets	8,541,186	-
Change in landfill liability	-	(41,253)
Changes in non-cash assets and liabilities:		
Taxes receivable	(196,190)	(37,365)
Accounts receivable	1,929,714	2,337,021
Accounts payable and accrued liabilities	(1,483,281)	51,466
Prepaid expenses	11,232	(13,199)
Deferred revenue	(1,190,694)	(953,077)
	12,430,436	9,570,526
Investing activities:		
Change in investments	1,849,884	2,349,172
Proceeds from sale of tangible capital assets	197,233	351,274
Purchase of tangible capital assets	(14,861,154)	(8,185,119)
Changes in long-term receivables	139,656	714,989
	(12,674,381)	(4,769,684)
Financing activities:		
Proceeds from long-term liabilities	480,166	712,798
Long-term liabilities repayments	(2,273,708)	(636,562)
	(1,793,542)	76,236
Increase (decrease) in cash and term deposits	(2,037,487)	4,877,078
Cash and term deposits, beginning of year	10,360,202	5,483,124
Cash and term deposits, end of year	\$ 8,322,715	\$ 10,360,202

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements

Year ended December 31, 2012

The Corporation of the Municipality of Thames Centre (the "Municipality") is a lower tier municipality in the County of Middlesex 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 consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures and fund balances of the current, capital and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. Inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include Dorchester Union Cemetery.

(b) Basis of presentation:

Revenues and expenditures are recorded on the accrual basis of accounting. Revenues are recognized as they are earned 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.

(c) Trust funds:

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately.

(d) Reserves and reserve funds:

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective funds when approved.

(e) Cash and cash equivalents:

The Municipality considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(f) Investments:

Investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures and short-term instruments of various financial institutions.

Investment income is recognized as revenue in the period earned.

(g) Government transfers:

Government transfers received relate to social services, child care, housing and health programs. Government transfers paid relate to social services programs. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(h) 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 expenses, provides the consolidated change in net financial assets for the year.

(i) Tangible capital assets:

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

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Asset	Useful life, years
Land improvements	15
Facilities	10-100
Equipment	4-20
Fleet	5-20
Transportation Infrastructure	5-50
Environmental Infrastructure	84-110

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

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

(iii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Interest capitalization:

The Municipality does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(i) Deferred revenue:

The Municipality receives certain amounts, from the federal and provincial governments, of which the proceeds may only be used in the conduct of certain programs or completion of specific work. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(j) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB. The budget figures are unaudited.

(k) Use of estimates:

The preparation of financial statements 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 expenses during the period. Significant estimates include the landfill closure and post-closure liability.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(l) Landfill closure and post-closure liability:

The Municipality accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

2. Investments:

Investments, which consist primarily of government bonds, guaranteed investment certificates and mutual funds, are recorded at cost plus accrued interest. They have a market value of nil at December 31, 2012 (2011 - \$1,849,884).

3. Deferred revenue:

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Municipality are summarized as follows:

	2012	2011
Balance, beginning of year	\$ 4,279,241	\$ 5,232,318
Parkland contributions	-	549
Investment income	83,093	87,860
Federal gas tax 2012, proceeds less capital, project expenditures	(81,456)	213,985
Contributions from developers	199,761	324,721
Development charges, capital allocation	(1,345,728)	(1,500,407)
Ontario Building Grant	-	(2,572)
Mill Municipal Infrastructure Investment Initiative	23,616	-
Roads and Bridges Grant	-	(174,038)
Ontario Trillium Foundation (Splash pad)	50,000	-
Elderly Person Centre, Seniors Special Grant	(4,300)	3,920
Ontario Small Wasterworks Assistance Program	25,000	25,000
Province of Ontario, HST assistance	1,000	-
Memorial donation, Marian Parker	(187)	(2,054)
Prepaid user charge	(735)	(4,935)
Indian Northern Affairs Canada	-	9,583
Municipal water/wastewater extension pre-payment	(6,183)	8,000
Future development charge agreement, Dorchester	-	25,380
Protection services	21,150	19,267
Recreation	-	12,664
Summer 2011 evacuation fund	(9,583)	-
Thames Valley School Board, Thorndale waste water	(210,000)	-
Quail Run Developments Inc, water management pond	21,915	-
2013 dog tag revenue	70	-
Enbridge gas distribution, energy incentive program	5,701	-
Friends of the rail, duck races	11,172	-
Cemetery, site disposition agreement	25,000	-
Balance, end of year	\$ 3,088,547	\$ 4,279,241

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

3. Deferred revenue (continued):

	2012	2011
Comprised as follows:		
Development charges	\$ 1,530,665	\$ 2,593,541
Federal gas tax funding	894,241	975,697
Grants, Provincial	362,487	267,170
Grants, Federal	-	9,583
Grants, other	299,174	430,606
Prepaid user charges	1,980	2,644
Balance, end of year	\$ 3,088,547	\$ 4,279,241

4. Long-term liabilities:

(a) The long-term liabilities at December 31 are as follows:

	2012	2011
Tile drainage loans bearing interest at a rate of 8%, responsibility for payment of principal and interest charges has been assumed by individuals	\$ 22,289	\$ 27,726
Debentures payable, maturing on September 17 in the years 2017 through 2027 bearing varying rates of interest between 5.03% to 5.22%, payable semi-annually on March 15 and September 15	751,766	869,039
Debenture payable, maturing on October 1, 2014 bearing interest at a rate of 2.55%, payable semi-annually on April 1 and October 1. Annual blended payments of principal and interest for each of the years 2013 and 2014 are \$98,884	191,621	283,851
Debenture payable, maturing on July 3, 2032 bearing interest at a rate of 3.51%, payable semi-annually on July 1 and January 1	2,500,000	4,500,000
Non-interest bearing loan payable to the Corporation of the County of Middlesex, Thorndale wastewater treatment plant construction advance	1,049,656	569,490
Non-interest bearing loan payable to Upper Thames River Conservation Authority, administration building payable	-	58,768
	\$ 4,515,332	\$ 6,308,874

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

4. Long-term liabilities (continued):

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

	Principal	Interest	Total
2013	\$ 305,884	\$ 127,729	\$ 433,613
2014	317,715	115,898	433,613
2015	230,524	104,205	334,729
2016	240,810	93,919	334,729
2017	251,567	83,162	334,729
Thereafter	3,168,832	596,170	3,765,002
	<u>\$ 4,515,332</u>	<u>\$ 1,121,083</u>	<u>\$ 5,636,415</u>

- (c) The principal and interest payments required to service commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (d) Interest expense on long-term liabilities in 2012 amounted to \$139,784 (2011 - \$124,821).

5. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

5. Landfill closure and post-closure liability (continued):

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 2.69% (2011 - 3.01%) and discounted at the Municipality's average long-term borrowing rate of 3.75% (2011 - 5.08%). The estimated total landfill closure and post-closure care expenditures are calculated to be \$1,700,251 (2011 - \$1,984,142). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. At December 31, 2012, an amount of \$497,443 (2011 - \$497,443) has been recognized to date with respect to landfill closure and post-closure liability.

The estimated remaining capacity of the Thames Centre Waste disposal site is 60% of its total estimated capacity and its estimated remaining life is 30 years, after this the period for post-closure care is estimated to be seventy years.

6. Tangible capital assets:

The historical cost of tangible assets employed by the Municipality at December 31 is as follows:

Cost	Balance		Balance	
	December 31, 2011	Additions	Disposals	December 31, 2012
Land	\$ 4,552,911	\$ 369,549	\$ 95,164	\$ 4,827,296
Land improvements	666,908	994,234	-	1,661,142
Facilities	23,569,198	8,403,314	13,549	31,958,963
Fleet	6,372,287	443,156	704,259	6,111,184
Equipment	553,245	105,809	34,418	624,636
Transportation infrastructure	53,190,834	929,225	256,083	53,863,979
Environmental infrastructure	18,592,429	1,007,169	-	19,599,598
Work in process	8,625,533	2,608,698	8,541,186	2,693,045
	\$ 116,123,345	\$ 14,861,154	\$ 9,644,659	\$ 121,339,843

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

6. Tangible capital assets (continued):

Accumulated amortization	Balance December 31, 2011	Amortization	Disposals	Balance December 31, 2012
Land improvements	\$ 204,803	\$ 34,641	\$ -	\$ 239,444
Facilities	3,689,243	685,310	7,451	4,367,102
Fleet	2,984,286	410,750	661,806	2,733,230
Equipment	169,440	96,868	34,418	231,890
Transportation infrastructure	31,155,512	1,906,623	256,082	32,806,053
Environmental infrastructure	1,601,414	223,504	-	1,824,918
	\$ 39,804,698	\$ 3,357,696	\$ 959,757	\$ 42,202,637

Cost	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
Land	\$ 4,532,485	\$ 20,426	\$ -	\$ 4,552,911
Land improvements	503,008	164,343	443	666,908
Facilities	23,196,196	386,215	13,213	23,569,198
Fleet	5,878,393	1,038,227	544,333	6,372,287
Equipment	458,247	108,832	13,834	553,245
Transportation infrastructure	52,316,047	874,787	-	53,190,834
Environmental infrastructure	17,606,831	985,598	-	18,592,429
Work in process	4,018,842	4,606,691	-	8,625,533
	\$108,510,049	\$ 8,185,119	\$ 571,823	\$116,123,345

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

6. Tangible capital assets (continued):

Accumulated amortization	Balance December 31, 2010	Amortization	Disposals	Balance December 31, 2011
Land improvements	\$ 178,546	\$ 26,423	\$ 166	\$ 204,803
Facilities	2,994,586	697,542	2,885	3,689,243
Fleet	3,163,227	365,392	544,333	2,984,286
Equipment	97,730	85,544	13,834	169,440
Transportation infrastructure	28,911,870	2,243,642	-	31,155,512
Environmental infrastructure	1,389,342	212,072	-	1,601,414
	\$ 36,735,301	\$ 3,630,615	\$ 561,218	\$ 39,804,698

Net book value	Balance December 31, 2011	Balance December 31, 2012
Land	\$ 4,552,911	\$ 4,827,296
Land improvements	462,105	1,421,698
Facilities	19,879,955	27,591,861
Fleet	3,388,001	3,377,954
Equipment	383,805	392,746
Transportation infrastructure	22,035,322	21,057,926
Environmental infrastructure	16,991,015	17,774,680
Work in process	8,625,533	2,693,045
	\$ 76,318,647	\$ 79,137,206

7. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2012, management believes that the Municipality has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Municipality's financial position.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

8. Commitments:

The Municipality has entered into an agreement with the Ontario Provincial Police for the provision of police services. The term of the agreement is one year, commencing January 1, 2012. The total cost incurred for the year ended December 31, 2012 was \$1,599,391 (2011 - \$1,498,856).

Management has entered into various agreements for capital purchases. The amount of funds committed as at December 31, 2012 is \$2,530,875.

Management has entered into an agreement for the rental of a mailing machine. The lease expires in 2014. The amount of funds committed for 2013 is \$8,977.

9. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2012	2011
Surplus:		
Invested in tangible capital assets	\$ 74,621,874	\$ 70,009,773
Other	(829,063)	2,272,745
	73,792,811	72,282,518
Reserves set aside by Council:		
Planning	112,150	112,150
Health	54,750	54,750
General government	3,371,671	3,371,671
Roads	1,555,121	1,555,121
Recreation and culture	190,544	190,544
Environmental	918,694	918,694
Protection	133,672	133,672
Total reserves	6,336,602	6,336,602
Reserve funds set aside for specific purposes by Council:		
Environmental	106,990	106,990
Recreation	67,404	63,404
Total reserve funds	174,394	170,394
	\$ 80,303,807	\$ 78,789,514

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

10. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2012 operating and capital budgets approved by the Council on March 19, 2012. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget amount
Revenues:	
Operating budget	\$ 12,734,062
Total revenue	12,734,062
Expenses:	
Operating budget	10,344,822
Total expenses	10,344,822
Annual surplus, as budgeted	\$ 2,389,240
Amortization	\$ (3,357,696)
Capital expenditures	6,319,968
Annual surplus, revised	\$ 2,962,272

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

11. Government grants:

The Municipality recognized the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occur. The Government transfers reported on the Statement of Operations are:

	2012	2011
Provincial grants:		
Aggregate resource fees	\$ 137,669	\$ 177,766
Ministry of Agriculture, drainage superintendent	52,216	45,482
Roads and bridges	-	174,038
Building Canada Fund	464,386	1,166,187
Ontario Municipal Partnership Fund	1,137,700	1,180,700
Waste diversion	103,831	104,499
MTO/401 accidents	15,170	15,990
Ontario Nursing Home Grant, Seniors Centre	45,400	35,400
Ontario Building Grant	-	2,572
	<u>1,956,372</u>	<u>2,902,634</u>
Federal grants:		
Building Canada Fund	464,386	1,166,188
Community Adjustment Fund	52,000	1,967,123
Canada Day	1,000	692
Federal gas tax	495,147	197,935
	<u>1,012,533</u>	<u>3,331,938</u>
Other grants:		
Middlesex/grant in lieu of taxes	58,510	160
	<u>\$ 3,027,415</u>	<u>\$ 6,234,732</u>

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

12. Fair value of financial assets and financial liabilities:

The Municipality's financial instruments include cash and term deposits, investments, accounts receivable, long-term receivables, accounts payable and accrued liabilities, and long-term liabilities. The fair values of these financial instruments approximate their carrying value due to the expected short-term maturity of these instruments. Long-term liabilities approximate their fair value as interest rates are equivalent to market rates available to the Municipality, unless otherwise noted.

The fair value of the non-interest bearing loan payable to the Corporation of the County of Middlesex, included in long-term liabilities, is not readily determinable due to the related party nature of the instrument.

Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

13. Trust funds:

Trust funds administered by the Municipality amounting to \$384,159 (2011 - \$370,513) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

14. Pension agreements:

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

Contributions made by the Municipality to OMERS for 2012 were \$201,387 (2011 - \$171,982).

15. Comparative figures:

Certain of the 2011 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

16. Segmented information:

The Municipality is a municipal government institution that provides a range of services to its citizens including police, fire, transportation, recreational and environmental. For management reporting purposes the Municipality's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) Administration:

Includes corporate services and governance to the Municipality. Administration is responsible for human resource management. Support to Council for policy development, by-law development in compliance with Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

(b) Protection services:

Includes policing, fire protection, conservation authority, protective inspection and control, and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders, and enforce the law. Fire protection includes detection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services:

This department provides the winter and summer maintenance, the repair and construction of the municipal roads system including bridges and culverts.

(d) Environmental services:

Includes the management and maintenance of Thames Centre landfill site and recycling depot that services the Municipality as well as the waste and recycling pick-up services for water, sewer and storm.

MUNICIPALITY OF THAMES CENTRE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

16. Segmented information (continued):

(e) Parks and recreation:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and the arena.

(f) Planning and development:

Manages rural development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services and drains.

For each segment separately reported, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and the amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

MUNICIPALITY OF THAMES CENTRE

Schedule - Segmented Financial Information

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012 (unaudited)	Actual 2012	Actual 2011
General Government:			
Revenue:			
Property taxation	\$ 7,096,158	\$ 6,970,755	\$ 6,537,610
User charges	23,765	25,562	21,505
Government grants	1,138,450	1,197,210	1,181,553
Penalties and interest on taxes	107,500	228,470	361,413
Investment income	200,000	119,418	137,653
Gain on disposal of asset	-	-	20,426
Rents and leases	31,250	30,177	29,324
License and permits	5,000	7,220	6,738
Other	65,000	1,176	71,162
Total revenues	8,667,123	8,579,988	8,367,384
Expenditures:			
Salary and wages	969,250	1,017,081	986,596
Materials	311,342	238,405	220,221
Contracted services	129,850	37,223	207,854
Rents and financial	340,000	376,433	278,450
Amortization	-	75,808	67,080
Allocated costs	(326,425)	(326,425)	(297,229)
Other	1,250	105,606	1,190
Total expenditures	1,425,267	1,524,131	1,464,162
Excess of revenue over expenditures	7,241,856	7,055,857	6,903,222
Reserved levies and rates	265,000	-	-
Net excess of revenue over expenditures	\$ 6,976,856	\$ 7,055,857	\$ 6,903,222

MUNICIPALITY OF THAMES CENTRE

Schedule - Segmented Financial Information

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012	Actual 2012	Actual 2011
	(unaudited)		
Protection Services:			
Revenue:			
User charges	\$ 254,484	\$ 243,055	\$ 232,997
Government grants	15,015	15,170	15,989
Donations	3,000	27,740	16,881
Development levies earned	-	9,822	215,808
Other	-	9,081	12,517
Total revenues	272,499	304,868	494,192
Expenditures:			
Salary and wages	471,930	496,995	417,442
Materials	176,160	88,526	157,902
Contracted services	1,854,350	1,729,495	1,627,336
Rents and financial	-	7,249	9,173
Amortization	-	34,856	36,219
Other	14,570	6,939	11,682
Allocated costs	312,300	312,300	158,641
External transfers	161,880	103,112	96,900
Total expenditures	2,991,190	2,779,472	2,515,295
Deficiency of revenue over expenditures	(2,718,691)	(2,474,604)	(2,021,103)
Reserved levies and rates	53,374	-	-
Net deficiency of revenue over expenditures	\$ (2,772,065)	\$ (2,474,604)	(2,021,103)

MUNICIPALITY OF THAMES CENTRE

Schedule - Segmented Financial Information

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012	Actual 2012	Actual 2011
	(unaudited)		
Transportation Services:			
Revenue:			
User charges	\$ 8,300	\$ 15,654	\$ 3,527
Government grants	199,614	632,815	513,670
Donations	-	-	-
Development levies earned	-	250,041	338,543
Gain on disposal of asset	-	29,091	90,348
License and permits	-	-	-
Rents and leases	5,500	5,656	3,399
Other	2,000	183,825	50,960
Total revenue	215,414	1,117,082	1,000,447
Expenditures:			
Salary and wages	811,500	956,416	822,005
Materials	1,218,618	1,263,143	1,160,336
Contracted services	5,000	53,889	6,065
Rents and financial	184,650	386,036	557,376
Amortization	-	2,321,247	2,612,797
Allocations	(290,500)	(290,500)	(87,039)
Capital recoveries	-	-	(63,565)
Other	3,250	11,209	4,573
Total expenditures	1,932,518	4,701,440	5,012,548
Deficiency of revenue over expenditures	(1,717,104)	(3,584,358)	(5,012,548)
Reserved levies and rates	871,851	-	-
Net deficiency of revenue over expenditures	\$ (2,588,955)	\$ (3,584,358)	\$ (5,012,548)

MUNICIPALITY OF THAMES CENTRE

Schedule - Segmented Financial Information

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012	Actual 2012	Actual 2011
	(unaudited)		
Environment Services:			
Revenue:			
User charges	\$ 2,416,340	\$ 1,994,241	\$ 1,975,007
Government grants	80,000	1,032,604	4,414,686
Investment income	20,000	22,560	24,651
Development levies earned	-	947,880	979,171
Other	-	-	-
Donations	-	210,000	-
Total revenue	2,516,340	4,207,285	7,393,515
Expenditures:			
Salary and wages	514,700	497,304	442,277
Materials	318,403	327,310	416,865
Contracted services	799,100	1,021,201	906,128
Rents and financial	49,300	106,305	57,952
Amortization	-	505,938	513,016
Deferred costs	-	-	-
Capital costs recoveries	-	-	(9,501)
Allocated costs	186,625	186,625	143,746
Other	-	-	-
Total expenditures	1,868,128	2,644,683	2,470,483
Excess of revenue over expenditures	648,212	1,562,602	4,923,032
Principle payments	209,600	-	-
Reserved levies and rates	303,975	-	-
Net excess of revenue over expenditures	\$ 134,637	\$ 1,562,602	\$ 4,923,032

MUNICIPALITY OF THAMES CENTRE

Schedule - Segmented Financial Information

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012 (unaudited)	Actual 2012	Actual 2011
Health Services:			
Revenue:			
User charges	\$ 54,150	\$ 63,549	\$ 58,905
Government grants	-	-	-
License and permits	-	-	-
Other	-	-	-
Investment income	9,000	11,561	6,360
Total revenue	63,150	75,110	65,265
Expenditures:			
Materials	20,615	8,781	7,167
Contracted services	46,300	43,079	56,653
Rents and financial	-	750	750
Amortization	-	1,863	1,012
Allocated costs	800	800	738
Other	-	-	-
Total expenditures	67,715	55,273	66,320
Excess (deficiency) of revenue over expenditures	(4,565)	19,837	(1,055)
Reserved levies and rates	24,000	-	-
Net excess (deficiency) of revenue over expenditures	\$ (28,565)	\$ 19,837	\$ (1,055)

MUNICIPALITY OF THAMES CENTRE

Schedule - Segmented Financial Information

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012 (unaudited)	Actual 2012	Actual 2011
Community Services:			
Revenue:			
User charges	\$ 283,479	\$ 318,158	\$ 186,966
Government grants	32,000	97,399	63,352
Investment income	-	-	-
Management fee refund	-	-	(52,866)
Donations	16,000	59,872	116,578
Development levies earned	-	111,736	91,885
Naming rights	-	-	-
Gain on disposal of asset	-	24,428	229,895
Rents and leases	561,657	699,008	604,212
Other	7,050	672	6,151
Total revenue	900,186	1,311,273	1,246,173
Expenditures:			
Salary and wages	796,060	838,976	810,425
Materials	544,487	532,010	600,854
Contracted services	155,314	173,258	172,659
Rents and financial	96,925	46,732	78,898
Amortization	-	417,946	397,653
Allocated costs	115,163	113,238	76,841
Other	3,600	5,960	10,897
Total expenditures	1,711,549	2,128,120	2,148,227
Deficiency of revenue over expenditures	(811,363)	(816,847)	(902,054)
Principle payments	89,500	-	-
Reserved levies and rates	350,000	-	-
Net deficiency of revenue over expenditures	\$ (1,250,863)	\$ (816,847)	\$ (902,054)

MUNICIPALITY OF THAMES CENTRE

Schedule - Segmented Financial Information

Year ended December 31, 2012, with comparative figures for 2011

	Budget 2012	Actual 2012	Actual 2011
	(unaudited)		
Development Services:			
Revenue:			
User charges	\$ 56,250	\$ 69,814	\$ 54,579
Government grants	43,000	52,216	45,482
Investment income	-	-	-
Other	100	150	328,088
Total revenue	99,350	122,180	428,149
Expenditures:			
Salary and wages	250,730	261,973	255,542
Materials	42,075	39,082	66,381
Contracted services	49,950	61,030	53,009
Rents and financial	200	2,850	327
Allocated costs	4,400	4,400	5,807
Other	1,100	1,039	37
Total expenditures	348,455	370,374	381,103
Deficiency of revenue over expenditures	(249,105)	(248,194)	(381,103)
Reserved levies and rates	225,000	-	-
Net deficiency of revenue over expenditures	\$ (474,105)	\$ (248,194)	\$ (381,103)