

**The Corporation of
The City of Sarnia
Financial Statements
For the year ended December 31, 2009**



**THE CORPORATION OF
THE CITY OF SARNIA
FINANCIAL STATEMENTS
2009**

CORPORATION OF THE CITY OF SARNIA

2009

CITY COUNCIL

Mayor	M. Bradley
Councilors	D. Boushy
	A. Bruzewicz
	T. Burrell
	J. Foubister
	A.M. Gillis
	M. Kelch
	B. MacDougall
	J. McEachran

CITY ADMINISTRATION

City Manager	L. Fennell
City Solicitor/Clerk	B. Knott
Director of Finance	B. McKay
City Engineer	D. Fielding
Director of Planning & Building	K. Bresee
Director of Community Services	I. Smith
Director of Transit	J. Stevens
Fire Chief	P. Cayen
Chief of Police	P. Nelson

CORPORATION OF THE CITY OF SARNIA

2009

POLICE SERVICES BOARD

Chairperson - Mayor M. Bradley
Councilor D. Boushy
D. Carpani

S. Keane
D. Cook
Secretary - S. McEachran

SARNIA POWER CORPORATION

Chairperson - F. Bentley
Vice Chairperson - R. Grogan
G. Jones

AUDITORS

BDO Canada LLP

CORPORATION OF THE CITY OF SARNIA

Financial Statements
year ended December 31, 2009

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Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Sarnia

We have audited the consolidated statement of financial position of the Corporation of the City of Sarnia as at December 31, 2009 and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Sarnia as at December 31, 2009 and the results of its operations, change in net financial debt and cash flow for the year then ended in accordance with the Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
October 15, 2010

CORPORATION OF THE CITY OF SARNIA

Consolidated Statement of Financial Position as at December 31, 2009

	2009	2008 Restated
FINANCIAL ASSETS		
Cash and investments (note 5)	\$ 15,505,966	\$ 25,648,096
Taxes receivable	7,301,183	6,301,442
Accounts receivable	20,657,035	14,803,459
Long-term receivables (note 6)	974,758	1,075,873
Investment in Sarnia Power Corporation (note 7)	<u>41,390,524</u>	<u>42,256,309</u>
Total financial assets	<u>85,829,466</u>	<u>90,085,179</u>
LIABILITIES		
Accounts payable and accrued liabilities	13,000,911	11,789,634
Other current liabilities	4,121,951	4,257,003
Deferred revenue (note 9)	9,832,377	10,059,907
Net long-term liabilities (note 10)	54,046,931	60,851,828
Interest on net long-term liabilities (note 11)	527,502	573,781
Landfill closure and post closure costs (note 12)	302,801	313,428
Employee future benefits (note 13)	<u>22,762,999</u>	<u>21,708,369</u>
Total liabilities	<u>104,595,472</u>	<u>109,553,950</u>
NET FINANCIAL DEBT	<u>(18,766,006)</u>	<u>(19,468,771)</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (note 15)	501,634,417	489,840,413
Other assets	<u>5,216,816</u>	<u>5,548,885</u>
Total Non-Financial Assets	\$ <u>506,851,233</u>	\$ <u>495,389,298</u>
Accumulated Surplus (note 16)	\$ <u>488,085,227</u>	\$ <u>475,920,527</u>

Approved on behalf of City Council

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

Consolidated Statement of Operations year ended December 31, 2009

	2009 Budget (Unaudited)	2009	2008 Restated
REVENUES			
Property taxation	\$ 57,187,973	\$ 57,712,651	\$ 55,178,296
User fees and service charges	34,341,818	33,358,970	32,097,431
User fees and service charges - other municipalities	2,812,054	3,427,554	3,081,156
Government Transfers-Operating (Note 21)	1,356,119	1,400,757	1,116,392
Investment income	2,164,899	2,449,368	2,768,732
Penalty and interest on taxes	850,000	999,190	888,059
Gaming and casino revenues	1,500,000	1,592,496	1,574,971
Contributions - developers	-	142,332	43,500
Other	<u>876,369</u>	<u>3,528,435</u>	<u>1,465,575</u>
Total revenues	<u>101,089,232</u>	<u>104,611,753</u>	<u>98,214,112</u>
EXPENSES			
General government	8,699,993	9,076,162	9,142,678
Protection services	34,856,306	35,727,504	35,002,472
Transportation services	17,186,525	19,162,109	18,645,544
Environmental services	24,590,912	32,573,369	28,194,315
Health services	1,888	77,414	76,825
Social and family services	320,503	353,582	357,640
Recreation and cultural services	7,354,337	8,617,308	8,137,836
Planning and development	1,560,543	1,981,858	1,659,227
Non-functionalized unfunded liability	<u>-</u>	<u>1,167,973</u>	<u>893,100</u>
Total expenses	<u>94,571,007</u>	<u>108,737,279</u>	<u>102,109,637</u>
Net expenses	<u>6,518,225</u>	<u>(4,125,526)</u>	<u>(3,895,525)</u>
OTHER			
Government Transfers - Capital (Note 21)	-	15,235,149	18,523,195
Capital Contributions - Developers	-	593,467	333,799
Other Related to Capital	-	176,842	390,543
Donated Assets	-	834,324	4,476,282
Share of LAWSS	-	316,229	321,676
Sarnia Power Corporation, net change in equity	<u>-</u>	<u>(865,785)</u>	<u>1,094,527</u>
	<u>-</u>	<u>16,290,226</u>	<u>25,140,022</u>
Annual Surplus	<u>\$ 6,518,225</u>	12,164,700	21,244,497
Accumulated Surplus, Beginning of Year		<u>475,920,527</u>	<u>454,676,030</u>
Accumulated Surplus, End of Year		<u>\$ 488,085,227</u>	<u>\$ 475,920,527</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

Consolidated Statement of Change in Net Financial Debt year ended December 31, 2009

	2009	2008
Annual Surplus	\$ 12,164,700	\$ 21,244,497
Amortization of tangible capital assets	14,720,549	14,490,456
Proceeds on disposal of tangible capital assets	97,725	66,886
Loss on sale of tangible capital assets	2,513,340	406,799
Acquisition of tangible capital assets	(38,014,303)	(23,378,882)
Change in inventories and prepaid expenses	332,069	307,988
Other	<u>8,888,685</u>	<u>213,236</u>
Increase in Net Financial Assets	<u>702,765</u>	<u>13,350,980</u>
Net Financial Debt, Beginning of Year	<u>(19,468,771)</u>	<u>(32,819,751)</u>
Net Financial Debt, End of Year	\$ <u>(18,766,006)</u>	\$ <u>(19,468,771)</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

Consolidated Statement of Cash Flow year ended December 31, 2009

	2009	2008 Restated
OPERATING ACTIVITIES		
Annual Surplus	\$ 12,164,700	\$ 21,244,497
Items not involving cash:		
Amortization of tangible capital assets	14,720,549	14,490,456
Loss on sale of tangible capital assets	2,513,340	406,799
Change in employee future benefits	1,054,630	1,862,472
Change in landfill closure and post closure costs	(10,627)	(9,978)
Change in non-cash assets and liabilities		
Taxes receivable	(999,741)	(226,760)
Accounts receivable	(5,853,576)	(4,173,835)
Accounts payable and accrued liabilities	1,211,277	205,242
Other current liabilities	(135,052)	942,512
Deferred revenue	(227,530)	2,276,007
Other assets	<u>332,069</u>	<u>307,988</u>
	<u>24,770,039</u>	<u>37,325,400</u>
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	97,725	66,886
Acquisition of tangible capital assets	<u>(29,125,618)</u>	<u>(23,165,646)</u>
Net change in cash from capital activities	<u>(29,027,893)</u>	<u>(23,098,760)</u>
INVESTING ACTIVITIES		
Long-term receivables	101,115	124,856
Investment in Sarnia Power Corporation	<u>865,785</u>	<u>(1,094,527)</u>
Net change in cash from investing activities	<u>966,900</u>	<u>(969,671)</u>
FINANCING ACTIVITIES		
Interest on net long-term liabilities	(46,279)	(62,047)
Long-term debt issued	-	1,500,000
Long-term debt repaid	(6,394,004)	(6,419,640)
Share of LAWSS debt adjustment	<u>(410,893)</u>	<u>(402,885)</u>
Net decrease in cash from financing	<u>(6,851,176)</u>	<u>(5,384,572)</u>
Net change in cash and equivalents	(10,142,130)	7,872,397
Cash and equivalents, beginning of year	<u>25,648,096</u>	<u>17,775,699</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 15,505,966</u>	<u>\$ 25,648,096</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the municipality are the representation of management and have been 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. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates and approximations have been made using careful judgments. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Basis of Consolidation

- (i) These consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and organizations, committees, local boards and entities accountable to the City for the administration of their financial affairs and resources, and which are owned or controlled by the City. The organizations included in the consolidated financial statements are as follows:

- Transit Special Area
- Sewer Special Area
- Sarnia Waterworks
- Sarnia Police Services Board

(ii) Government Business Enterprises

Sarnia Power Corporation and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City of Sarnia's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform to those of the municipality, and inter-organizational transactions and balances are not eliminated.

(iii) Joint Local Board

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board for the previous year. Under the proportionate basis, the municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2009, the municipality's share of the System was 64.600% (2008 – 66.466%). Material inter-organizational transactions and balances have been eliminated.

(iv) Accounting for School Boards and the County of Lambton

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not included in the consolidated financial statements.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

(v) Trust Funds

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

(b) Basis of Accounting

(i) Accrual Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

(ii) 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 annual surplus, provides the Change in Net Financial Assets for the year.

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 cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land Improvements	15 to 40 years
Buildings	15 to 80 years
Machinery & Equipment	8 to 25 years
Vehicles	3 to 20 years
Computer Hardware and Software	5 to 20 years
Roads	15 to 50 years
Water Distribution	60 years
Sanitary Sewer	60 years
Storm Sewer	50 to 60 years

One half of the 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, at which time they are capitalized.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. During 2009, tangible capital assets with a value of \$834,324 were contributed to the City (2008 - \$4,476,282). These items were comprised of sanitary sewer, storm sewer, water and roads assets.

Interest Capitalization

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

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 as operating leases and the related lease payments are charged to expenses as incurred.

Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(iii) Deferred Revenue – Development Charges

The municipality receives development charges and sub-divider contributions under the authority of provincial legislation and municipal by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. These amounts will be recognized as revenue in the fiscal year they are expended.

(iv) Revenue Recognition

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. Property taxes are billed based on the assessment rolls provided by MPAC. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenue is recorded at the time tax billings are issued. Assessments and related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

The municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

User charges are recorded when the amount is determinable, collectibility is assured and the services provided.

Investment income is recorded as earned.

Donations are recorded when the amount is determinable and collectibility is reasonably assured.

(v) Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

(vi) Investments

Investments are recorded at the lower of cost and market value.

(vii) Budget Figures

City Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2009 is reflected on the Consolidated Statement of Operations.

Budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts.

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

(viii) Use of Estimates

The preparation of financial statements in conformity with Canadian 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 reporting periods. Actual results could differ from these estimates.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

2. CHANGE IN ACCOUNTING POLICY

The municipality has implemented sections 1000 Financial Statement Concepts, 1100 Financial Statement Objectives, 1200 Financial Statement Presentation and 3150 Tangible Capital Assets of PSAB. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. Tangible capital assets were formerly expensed as acquired. This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Year ended December 31, 2008

Accumulated surplus:

Current Fund Balance	\$ (400,000)
Capital Fund Balance	344,867
Reserves and Reserve Funds	22,713,002
Equity in Sarnia Power Corporation	42,256,309
Amounts to be recovered	(83,447,406)
<hr/>	
Accumulated deficit, as previously reported	(18,533,228)
Net book value of tangible capital assets recorded	489,840,413
Net book value of land inventories held for sale	4,613,342
<hr/>	
Accumulated surplus, as restated	\$ 475,920,527

Annual surplus:

Net revenues, as previously reported	\$ 13,042,992
Assets capitalized but previously expensed	23,165,646
Amortization expense not previously recorded	(14,490,456)
Loss on disposal of assets	(406,799)
Proceeds on disposal of assets	(66,886)
<hr/>	
Annual surplus, as restated	\$ 21,244,497

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

3. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

Further to note 1(a)(iv), the taxation, other revenues and requisitions for the school boards and the County of Lambton are comprised of:

	School Boards	County	Total
Taxation and user charges	\$ 29,085,218	\$ 31,629,908	\$ 60,715,126
Share of payments in lieu of taxes	<u>47,822</u>	<u>327,682</u>	<u>375,504</u>
	<u>29,133,040</u>	<u>31,957,590</u>	<u>61,090,630</u>
Share of taxes written off	1,181,705	496,493	1,678,198
Share of tax rebates	<u>175,956</u>	<u>91,080</u>	<u>267,036</u>
	<u>1,357,661</u>	<u>587,573</u>	<u>1,945,234</u>
Amounts transferred	\$ <u>27,775,379</u>	\$ <u>31,370,017</u>	\$ <u>59,145,396</u>

4. TRUST FUNDS

Trust funds administered by the municipality amounting to \$85,886 (2008 - \$85,665) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. The Trust Funds under administration include the following:

	2009	2008
Cemetery Care and Maintenance	\$ 10,728	\$ 10,700
Boarding Home Program	72,373	72,187
Election Candidate Surplus	<u>2,785</u>	<u>2,778</u>
	\$ <u>85,886</u>	\$ <u>85,665</u>

5. CASH AND INVESTMENTS

The balance of cash and investments consists of the following:

	2009	2008
Cash on hand	\$ 55,203	\$ 91,237
Cash in bank	13,894,676	24,016,696
Investments	<u>1,556,087</u>	<u>1,540,163</u>
	\$ <u>15,505,966</u>	\$ <u>25,648,096</u>

The cash in bank is held at a Canadian chartered bank and earns interest at the 30 Day Average Bankers' Acceptance rate less 30 basis points.

The investments are comprised of three GICs with effective interest rates of 2.32%, 2.30% and 1.55% maturing in 2010. The market value of these investments amounted to \$1,556,087 (2008 - \$1,540,163). Interest is receivable on an annual basis.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

6. LONG-TERM RECEIVABLES

	2009	2008
Mortgage receivable, due in annual installments increasing 4.5% each successive installment with a final installment due July 15, 2018. Provided installments are made when due, no interest is payable thereon. The mortgage may be discharged in whole or in part, at the option of the mortgagor at any time in the amount of the present value of the future installment payments calculated at the lowest rate of interest charged by the municipality's bankers to the municipality on the date of such payment. This mortgage is shown in the accompanying Consolidated Statement of Financial Position at actual amount of future installments.	\$ 211,389	\$ 230,115
Loans receivable – employees re Ontario Police College, repayable over 2 years with no interest	21,490	12,404
Loan receivable, at 4.50%, repayable in monthly installments of \$1,898 with final payment due July 2023	231,178	243,252
Loans receivable - employee purchase plan, repayable over one or two years with no interest	97,079	97,216
Long-term mortgage receivable, at 0% interest, repayable over 20 years at \$30,000 per year	190,000	220,000
Loan receivable, at 0% interest, repayable over 10 years at \$15,000 per year, forgivable based on continuation of annual Celebration of Lights display	90,000	105,000
Final lease payment, due December 31, 2030	51,286	51,286
Loans receivable, 1.875% to 3.75%, issued under Municipal Facade Improvement Program, due in quarterly installments including principal and interest of \$14,173 with a final installment due January 1, 2019	<u>307,407</u>	<u>324,222</u>
	1,199,829	1,283,495
Current portion included in accounts receivable	<u>225,071</u>	<u>207,622</u>
Total long-term receivables	\$ <u>974,758</u>	\$ <u>1,075,873</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

7. INVESTMENT IN SARNIA POWER CORPORATION

Under the provincial government's Electricity Competition Act (Bill 35), Sarnia Power Corporation, a holding company, along with its affiliates Bluewater Power Corporation and Sarnia Hydro Energy Services were incorporated October 20, 2000 under the Ontario Business Corporations Act.

On November 1, 2000 the Hydro-Electric Commission of the City of Sarnia merged its operations with the Petrolia Public Utilities Commission, Point Edward Public Utilities Commission, Alvinston Public Utilities Commission, Warwick Hydro Electric Commission and Oil Springs Hydro Electric Commission as Bluewater Power Corporation.

As part of this electricity restructuring, the municipality transferred the net assets of the former Hydro-Electric Commission of the City of Sarnia to Bluewater Power Corporation. Sarnia Power Corporation, wholly owned by the municipality, was incorporated to hold the City of Sarnia's investment in this new entity. As consideration for the transfers, the municipality took back 86.05% share in the common shares of Bluewater Power Corporation and promissory notes.

The investment is composed of the following:

	2009	2008
Sarnia Power Corporation common shares	\$ 15,566,626	\$ 15,566,626
Bluewater Power Distribution Corporation, long-term notes receivable	16,729,636	16,729,636
Share of net income since acquisition, net of dividends received	<u>9,094,262</u>	<u>9,960,047</u>
	<u>\$ 41,390,524</u>	<u>\$ 42,256,309</u>

The notes receivable are unsecured and bear interest at the rate of 7.62%. Interest received from these notes receivable amounted to \$1,254,165 (2008 - \$1,212,899) and is reported in the Consolidated Statement of Operations.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

7. INVESTMENT IN SARNIA POWER CORPORATION - continued

The following table provides condensed financial information from the consolidated financial statements of Sarnia Power Corporation for the year ended December 31:

	2009	2008
Financial Position		
Assets		
Current assets	\$ 28,746,920	\$ 28,685,969
Long-term assets	<u>53,519,205</u>	<u>47,884,214</u>
Total assets	<u>\$ 82,266,125</u>	<u>\$ 76,570,183</u>
Liabilities		
Current liabilities	\$ 18,996,900	\$ 14,055,265
Long-term liabilities	34,610,436	32,849,988
Non-controlling interest	<u>3,997,901</u>	<u>4,138,257</u>
Total liabilities	<u>57,605,237</u>	<u>51,043,510</u>
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	<u>9,094,262</u>	<u>9,960,047</u>
Total equity	<u>24,660,888</u>	<u>25,526,673</u>
Total liabilities and equity	<u>\$ 82,266,125</u>	<u>\$ 76,570,183</u>
Results of Operations		
Revenues	79,198,846	92,298,125
Operating expenses	<u>76,212,819</u>	<u>90,248,430</u>
Net income before non-controlling interest	2,986,027	2,049,695
Non-controlling interest	<u>416,551</u>	<u>285,932</u>
Net income	<u>\$ 2,569,476</u>	<u>\$ 1,763,763</u>

(a) Continuity of Investment

	2009	2008
Balance, beginning of year	<u>\$ 42,256,309</u>	<u>\$ 41,161,782</u>
Net income for the year	2,569,476	1,763,763
Adjustment to regulatory taxes payable	(2,422,308)	-
Dividends received during the year	<u>(1,012,953)</u>	<u>(669,236)</u>
Net increase in equity during the year	<u>(865,785)</u>	<u>1,094,527</u>
Balance, end of year	<u>\$ 41,390,524</u>	<u>\$ 42,256,309</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

8. BANK INDEBTEDNESS

An operating line of credit was available by way of bank overdraft in the amount of \$8,000,000 as at December 31, 2009. Amounts obtained under this credit are due on demand and bear interest at the bank's prime rate less .65%, calculated and payable monthly. There was \$8,000,000 available for use as at December 31, 2009.

9. DEFERRED REVENUE

Provincial legislation restricts how funds relating to development charges, subdivider contributions, provincial and federal gas tax and building permits may be used.

	2009	2008
Development Charges Act	\$ 7,037,345	\$ 6,545,339
Recreational land (The Planning Act)	232,705	216,679
Gasoline Tax - Canada	513,706	1,274,567
Gasoline Tax - Ontario	822,321	571,708
Building Permit (Building Code Act)	<u>1,226,300</u>	<u>1,451,614</u>
Total	<u>\$ 9,832,377</u>	<u>\$ 10,059,907</u>

Total activities for the above items is summarized as follows:

	2009	2008
Balance, beginning of the year	<u>\$ 10,059,907</u>	<u>\$ 7,783,900</u>
Developer contributions received	1,015,517	1,447,077
Canada grants	2,302,983	1,151,492
Ontario grants	928,500	915,438
Interest earned	24,665	258,074
Provincial Gasoline Tax funding utilized	(679,029)	(1,160,371)
Funds earned by municipality	(3,823,166)	(436,665)
Contribution from revenue fund	<u>3,000</u>	<u>100,962</u>
Net increase (decrease)	<u>(227,530)</u>	<u>2,276,007</u>
Balance, end of year	<u>\$ 9,832,377</u>	<u>\$ 10,059,907</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

10. NET LONG-TERM LIABILITIES

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

	2009	2008
Total long-term liabilities incurred by the municipality including those incurred on behalf of municipal enterprises issued at various interest rates ranging from 4.50% to 10.52% and outstanding at the end of the year amount to	\$ 54,093,435	\$ 60,903,845
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	<u>(46,504)</u>	<u>(52,017)</u>
Net long-term liabilities, end of year	<u>\$ 54,046,931</u>	<u>\$ 60,851,828</u>

- (b) Of the net long-term liabilities reported in (a) of this note, the annual principal payments are:

2010	\$ 7,029,171
2011	6,528,174
2012	6,333,362
2013	6,221,251
2014	5,284,003
2015 to 2019	16,710,773
2020 onwards	<u>5,940,197</u>
	<u>\$ 54,046,931</u>

- (c) All net long-term liabilities on the Consolidated Statement of Financial Position are payable in Canadian dollars.
- (d) The following is an analysis of the net-long term liabilities by debt instrument:

	2009	2008
Installment (serial) debentures	\$ 22,962,638	\$ 25,743,871
Long term bank loans	30,894,260	34,897,294
Ontario Clean Water Agency (OCWA)	<u>190,033</u>	<u>210,663</u>
Net long-term liabilities end of year	<u>\$ 54,046,931</u>	<u>\$ 60,851,828</u>

The long term bank loans are issued on a demand basis.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

10. NET LONG-TERM LIABILITIES - continued

- (e) The annual principal and interest payments required to service the long-term liabilities in (a) are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (f) The municipality is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2009 is \$46,504 (2008 - \$52,017) and is not recorded on the Consolidated Statement of Financial Position.
- (g) Total activity for the year for net long-term liabilities which are reported on the Consolidated Statement of Operations are as follows:

	2009	2008
Balance, beginning of year	60,851,828	66,174,353
Debt issued	-	1,500,000
Principal payments	(6,394,004)	(6,419,631)
Adjustment to City share of LAWSS debt	(410,893)	(402,885)
Adjustment to final payout of expiring debt	<u>-</u>	<u>(9)</u>
Balance end of year	<u>\$ 54,046,931</u>	<u>\$ 60,851,828</u>

Interest payments related to net long-term liabilities in the current year were \$3,513,021 (2008 - \$3,891,049).

- (h) Interest charges are reflected in the Consolidated Statement of Operations. Charges for long-term liabilities assumed by non-consolidated entities and individual ratepayers, in the case of tile drainage and shoreline property assistance loans, are not reflected in these financial statements.
- (i) The municipality has entered into an agreement with a private company to co-covenant a bank loan with respect to the construction and operation of the multi-use sports and entertainment complex. The demand loan has a balance outstanding in the amount of \$5,933,387 (2008 - \$6,099,547) bearing interest at a rate of 4.50%, with blended monthly payments of principal and interest of \$36,440 and due in 2030. The demand loan is to be repaid from the complex's operations.

11. INTEREST ON NET LONG-TERM LIABILITIES

A provision for the interest on long-term liabilities that has been accrued but not yet paid in the current year is estimated at \$527,502 (2008 - \$573,781) and is reported as an accrued liability on the Consolidated Statement of Financial Position.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

12. LANDFILL CLOSURE AND POST CLOSURE COSTS

The Ontario Environmental and Protection Act sets out 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.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include covering and landscaping of the landfill, pumping of ground water and leachate from the site, and ongoing environmental monitoring, site inspection and maintenance.

The estimated liability of \$302,801 (2008 - \$313,428) represents the sum of the discounted future cash flows for post closure care activities discounted at the municipality's current long term borrowing rate of 6.5%.

13. EMPLOYEE FUTURE BENEFITS

The municipality provides certain employee benefits, which will require funding in future periods. An estimate of the future liabilities for these benefits has been completed and forms the basis for the estimated liability reported in these financial statements.

	2009	2008
Sick leave benefit plan	\$ 2,240,800	\$ 2,888,721
Future payments required to WSIB	7,423,486	6,498,593
Post retirement benefits	12,102,500	11,211,500
Accrued vacation pay	750,910	882,637
Accrued overtime pay	<u>245,303</u>	<u>226,918</u>
Total	<u>\$ 22,762,999</u>	<u>\$ 21,708,369</u>

(a) Sick Leave Benefit Plan

Under the sick leave benefit plan for members of the Firefighters' Association, unused sick leave can be accumulated and employees may become entitled to a cash payment when they leave the municipality's employment. For members of the Police Association, the sick leave benefit plan was terminated in 1991 at which time the unused sick leave was frozen with payout upon employee request or termination. For all other staff, the sick leave benefit plan was terminated prior to 1980, at which time the unused sick leave was frozen with payout due when the employee leaves the municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$2,240,800 (2008 - \$2,888,721) at the end of the year, and is reported on the Consolidated Statement of Financial Position. An amount of \$215,255 (2008 - \$243,806) was paid to employees during the current year.

Reserve funds amounting to \$29,802 (2008 - \$29,725) at year-end have been established to provide for a portion of this past service liability and are reported on the Consolidated Statement of Financial Position.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

13. EMPLOYEE FUTURE BENEFITS - continued

Possible payments over the next five years to employees who are eligible to retire are:

2010	\$ 591,518
2011	157,217
2012	49,822
2013	174,305
2014	<u>186,187</u>
Total	\$ <u>1,159,049</u>

(b) Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits on behalf of the municipality as a Schedule II employer. The expense for the year was \$842,267 (2008 - \$1,007,606). The estimate of the future benefit costs for WSIB claims was provided by WSIB and was determined based on benefits currently in force with provision for benefits not yet awarded as follows:

Accidents prior to 1990 and survivor pensions	9.07%
Accidents from 1990 to 1997	15.27%
Accidents after 1997	0.15%
Health care and non-income benefits	20.53%
Administrative loading	21.31%

Reserve funds have been established to provide for a portion of this liability and are included in the Consolidated Statement of Financial Position. The balance at the end of the year is a deficit of \$1,178,638 (2008 - \$(1,274,728)).

(c) Post-Retirement Benefits

The municipality provides certain health and dental benefits on behalf of retired employees up to the age of 65 if they have at least 25 years service with the municipality.

Information about the municipality's health and dental plan is as follows:

Accrued benefit liability as at January 1, 2009	\$ 11,211,500
Current service cost	661,100
Interest cost	772,400
Amortization of actuarial experience loss	242,500
Estimated benefits paid	<u>(785,000)</u>
Estimated benefit liability as at December 31, 2009	\$ <u>12,102,500</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

13. EMPLOYEE FUTURE BENEFITS - continued

The following shows the reconciliation between the accrued benefit obligation and the post-retirement benefit liability:

Accrued benefit obligation as at December 31, 2009	\$ <u>13,813,500</u>
Less unamortized amounts:	
Experience losses	<u>1,711,000</u>
Total	<u>1,711,000</u>
Post-retirement benefit liability as at December 31, 2009	\$ <u>12,102,500</u>

The actuarial estimate of the future liability for post-retirement benefits assumes a discount rate of 5.75% and inflation rates for benefit premiums of 4.0% to 8.0%. No reserve fund has been established to provide for this liability. The date of the most recent actuarial valuation was January 1, 2007.

(d) Accrued Vacation Pay

Under the provision of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as of December 31, 2009 is \$750,910 (2008 - \$882,637).

(e) Accrued Overtime Pay

Overtime credits are earned as at December 31 but are generally unavailable for use until a later date. The approximate value of these credits as of December 31, 2009 is \$245,303 (2008 - \$226,918).

14. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 380,000 active and retired members and approximately 910 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2009. The results of this valuation disclosed total actuarial liabilities of \$54,253 million in respect of benefits accrued for service with actuarial assets at that date of \$52,734 million indicating an actuarial deficit of \$1,519 million.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2009 was \$3,448,893 (2008 - \$3,087,521) for current service. The OMERS Board rate was 6.3% to 12.8% depending on income level for 2009 (2008 - 6.5% to 10.7% depending on income level).

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements
year ended December 31, 2009

15. TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2009	2008
Cost													
Balance, beginning of year	\$ 124,571,882	\$ 28,525,804	\$ 74,926,253	\$ 64,412,278	\$ 23,249,031	\$ 1,998,490	\$ 190,762,814	\$ 118,834,838	\$ 34,012,477	\$ 61,667,031	\$ 11,793,004	\$ 734,753,902	\$ 713,065,372
Add: additions during the year	-	88,620	1,649,335	512,723	2,682,160	38,987	10,694,551	3,165,023	3,258,232	3,227,004	12,697,668	38,014,303	23,378,882
Less: disposals during the year	-	(11,613)	-	(336,700)	(2,689,237)	-	(2,769,277)	(667,993)	(239,901)	(322,782)	(7,047,725)	(14,085,228)	(1,477,116)
Other	(23,739)	(12,598)	(703,830)	(695)	-	-	-	(1,554,560)	-	-	(88,067)	(2,383,489)	(213,236)
Balance, end of year	124,548,143	28,590,213	75,871,758	64,587,606	23,241,954	2,037,477	198,688,088	119,777,308	37,030,808	64,571,253	17,354,880	756,299,488	734,753,902
Accumulated Amortization													
Balance, beginning of year	-	16,196,399	27,653,560	26,119,418	11,665,605	1,606,126	84,379,273	36,243,085	14,296,961	26,753,062	-	244,913,489	231,426,464
Add: amortization	-	1,412,504	1,618,405	2,606,934	1,336,279	166,277	4,228,401	1,640,007	580,913	1,130,829	-	14,720,549	14,490,456
Less: accumulated amortization on disposals	-	(6,677)	-	(123,011)	(2,238,045)	-	(1,462,018)	(277,538)	(142,994)	(176,155)	-	(4,426,438)	(1,003,431)
Other	-	(8,665)	(220,884)	(288)	-	-	-	(312,692)	-	-	-	(542,529)	-
Balance, end of year	-	17,593,561	29,051,081	28,603,053	10,763,839	1,772,403	87,145,656	37,292,862	14,734,880	27,707,736	-	254,665,071	244,913,489
Net book value of tangible capital assets	\$ 124,548,143	\$ 10,996,652	\$ 46,820,677	\$ 35,984,553	\$ 12,478,115	\$ 265,074	\$ 111,542,432	\$ 82,484,446	\$ 22,295,928	\$ 36,863,517	\$ 17,354,880	\$ 501,634,417	\$ 489,840,413

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

16. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2009	2008
Investment in tangible capital assets	\$ 501,634,417	\$ 489,840,413
Investment in land inventories held for sale	4,560,540	4,613,342
Current fund	(797,047)	(400,000)
Capital fund	238,304	344,867
Reserves and reserve funds	18,698,722	22,713,002
Equity in Sarnia Power Corporation	41,390,524	42,256,309
Less: unfunded liabilities	<u>(77,640,233)</u>	<u>(83,447,406)</u>
Accumulated Surplus	<u>\$ 488,085,227</u>	<u>\$ 475,920,527</u>

17. RESERVES AND RESERVE FUNDS

The total balances of reserves and reserve funds are made up of:

	2009	2008
Reserves		
Set aside for specific purpose by Council for		
working funds	\$ 1,586,720	\$ 1,183,552
replacement of equipment	3,757,452	3,020,685
capital projects	4,660,606	3,925,767
other	<u>353,372</u>	<u>323,404</u>
Total reserves	<u>\$ 10,358,150</u>	<u>\$ 8,453,408</u>
Discretionary Reserve Funds		
Set aside for specific purpose by Council for		
sick leave	\$ 29,802	\$ 29,725
self-insurance	311,419	421,094
Workplace Safety and Insurance Board	(1,178,638)	(1,274,728)
sub-division development	45,173	42,728
parking revenues	581	579
watermain construction	248,730	871,580
waterfront development	29,572	29,496
Sarnia Bay improvements	221,481	364,098
operation of Airport	497,858	508,838
capital projects	6,639,638	12,041,855
special projects	1,390,199	1,076,864
legacy	62,914	62,752
other current purposes	<u>41,843</u>	<u>84,713</u>
Total discretionary reserve funds	<u>\$ 8,340,572</u>	<u>\$ 14,259,594</u>
Total reserves and reserve fund balances, end of year	<u>\$ 18,698,722</u>	<u>\$ 22,713,002</u>

The municipality is committed to pay the interest earned on approximately \$1.1 million of the reserve funds to outside agencies.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

18. JOINT LOCAL BOARD CONSOLIDATION - LAWSS

The following summarizes the financial position and operations of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's 64.600% (2008 - 66.466%) proportionate interest of the following:

	2009	2008
Statement of Financial Position		
Financial Assets	\$ <u>4,068,453</u>	\$ <u>5,961,992</u>
Liabilities		
Current liabilities	\$ 1,021,203	\$ 888,930
Long-term liabilities	<u>20,301,000</u>	<u>22,091,000</u>
Total liabilities	<u>21,322,203</u>	<u>22,979,930</u>
Net Financial Debt	(17,253,750)	(17,017,938)
Non-Financial Assets		
Tangible Capital Assets	<u>94,282,187</u>	<u>94,070,986</u>
Accumulatd Surplus	\$ <u>77,028,437</u>	\$ <u>77,053,048</u>
Statement of Operations		
Revenues	\$ 9,003,700	\$ 9,754,821
Expenses - excluding amortization	7,272,063	6,595,370
Amortization	<u>1,756,248</u>	<u>1,711,788</u>
Net revenues	\$ <u>(24,611)</u>	\$ <u>1,447,663</u>

19. CONTRACTUAL OBLIGATIONS - ONTARIO CLEAN WATER AGENCY

- (a) In accordance with service agreements entered into with the Ontario Clean Water Agency ("OCWA"), a portion of the sewage and water system is operated by the Agency. The municipality is obligated to meet all operating costs and repay the long-term liabilities related to these projects.

The Consolidated Statement of Financial Position reflects the long term liabilities due to the Agency for the sewer project in the amount of \$123,365 (2008 - \$136,637). The Consolidated Statement of Financial Position also reflects long term liabilities due to the Agency for the water project in the amount of \$66,668 (2008 - \$74,026).

- (b) OCWA has contracted to operate the water treatment plant on behalf of the LAWSS. Included in the Consolidated Statement of Operations for 2009 are charges for the operation of the water treatment plant in the amount of \$2,790,906 (2008 - \$2,719,389).

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

20. EXPENDITURE BY OBJECT

The following is a summary of the total current expenditures on the Consolidated Statement of Operations by the object of expenditures:

	2009	2008
Salaries, wages and employee benefits	\$ 54,771,733	\$ 53,097,753
Net long-term debt interest charges	3,513,021	3,891,049
Materials and supplies	25,643,686	23,766,132
Contracted services	11,021,124	9,026,321
Amortization	<u>14,720,548</u>	<u>14,490,455</u>
Total	<u>\$ 109,670,112</u>	<u>\$ 104,271,710</u>

21. GOVERNMENT TRANSFERS

	2009	2008
Operating		
Province of Ontario		
OMPF - Unconditional	\$ 228,000	\$ 228,000
Program Support	479,236	252,355
Provincial Gas Tax	<u>658,021</u>	<u>616,803</u>
	1,365,257	1,097,158
Government of Canada		
Program Support	<u>35,500</u>	<u>19,234</u>
Total Operating	<u>1,400,757</u>	<u>1,116,392</u>
Capital		
Province of Ontario		
Provincial Gas Tax	21,007	477,593
Investing in Ontario Act	-	4,901,371
Municipal Road and Bridge Fund	-	1,214,541
Ministry of Transportation	289,283	928,992
Ministry of Finance - JEPP	-	12,799
ISF	524,642	-
RinC	143,520	-
COMRIF	134,453	1,202,494
CSIF	3,942,246	1,301,005
Ministry of Finance - MIII funding	-	5,250,000
Drainage Grants	<u>60,389</u>	<u>20,667</u>
	<u>5,115,540</u>	<u>15,309,462</u>
Government of Canada		
Federal Gas Tax	3,063,844	59,366
ACAP	286,972	-
ISF	524,642	-
RinC	143,520	-
COMRIF	134,453	1,202,494
CSIF	<u>5,966,178</u>	<u>1,951,873</u>
	<u>10,119,609</u>	<u>3,213,733</u>
Total Capital	<u>15,235,149</u>	<u>18,523,195</u>
Total Government Transfers	<u>\$ 16,635,906</u>	<u>\$ 19,639,587</u>

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

22. SEGMENTED REPORTING

The City of Sarnia has adopted a business approach to the various responsibilities carried out by the municipality and has separated the financial transactions to better reflect the true cost of each segment. The following provides a brief description of the individual segments used.

General Government

General Government is comprised of various departments including the Clerk's, Finance and Taxation, Legal, and Corporate Services departments. These departments support and provide a variety of services to other departments within the municipality and the public.

Protection Services

Protection is comprised of the Police Services and Fire Services departments. The Police Services mandate is to ensure public safety within the municipality. Through patrols, detective, education, and other efforts the police department works to deter and prevent crime. The Sarnia Fire Rescue Service serves the residents of the City of Sarnia by providing fire prevention, public education and fire suppression services. It operates out of five stations covering an area of 168 square kilometres and over 72,000 residents. The services provided range from fire suppression and prevention, land-based water rescue, high-angle, confined space, specialized vehicle extrication and industrial firefighting.

Transportation Services

Transportation Services consists of road maintenance and construction as well as Sarnia Transit, winter control, parking, and streetlighting. Sarnia Transit is responsible for providing public transportation within the transit service area of the city. Our employees operate and maintain a fleet of 25 buses on the conventional transit system and 6 specialized vehicles on our Care-a-Van service. Road maintenance and construction maintains approximately 460 kilometres of road and takes care of pothole maintenance, hot mix patching, paving, street cleaning, signage, and winter control.

Environmental Services

Environmental Services consists of sanitary sewer, storm sewer maintenance, waterworks system construction and maintenance, waste collection, waste disposal, and recycling. The sewage division constructs and maintains the City's storm and sanitary sewage systems. Environmental Services also ensures the maintenance and proper operation of 51 sewage pump stations, and catch basins. The municipality also runs and maintains a wastewater treatment plant.

Health Services

Health Services consists of grants to the Physician Recruitment Taskforce and Bluewater Health Foundation.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

22. SEGMENTED REPORTING - continued

Social and Family Services

Social and Family Services consists of the Strangway Centre and general assistance. The Strangway Centre provides leisure, educational and social activities and services.

Recreation and Cultural Services

Recreation and Cultural Services provide for all of the City's parks, trees, floral displays, sports and recreation facilities, beaches, pools, arenas, special events and more. Numerous recreational programs are offered throughout the year for the enjoyment of the general public.

Planning and Development

The Planning and Building department's function is to assist City Council, the development community and the public in matters relating to land use planning, building construction and By-law enforcement.

23. OUTSTANDING LITIGATION

The municipality and/or its related board have been named defendants in certain legal actions. The final liability, if any, of these claims is indeterminable as the municipality and/or its related board have established defence actions.

24. CONTINGENCIES AND COMMITMENTS

- (a) A settlement with respect to a mortgage receivable held by the municipality in the amount of \$3,390,812 saw the municipality foreclose upon the mortgage in 2003 and receive title to approximately 87.6 acres of future residential land with 5 acres of land being retained by the mortgagee. As the mortgage balance recoverable was contingent upon development requirements, it has not been included in the accompanying Consolidated Statement of Financial Position. During 2009, the City sold 43.64 acres of the land to a private developer. The City has retained ownership to the remaining 43.96 acres. The net proceeds on disposition of the 43.64 acres was recorded in the Land Purchase Reserve as per Council resolution.
- (b) The municipality has guaranteed a bank loan with respect to the private company that operates the multi-use sports and entertainment complex on behalf of the municipality. The balance of the demand loan outstanding as at December 31, 2009 was \$1,922,674 (2008 - \$1,971,448). This loan was refinanced in 2006 with the amount repayable of \$2,100,000 amortized over 25 years at an interest rate of 5.23%.

CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements year ended December 31, 2009

24. CONTINGENCIES AND COMMITMENTS - continued

- (c) A class action claiming \$500,000,000 in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario who have charged late payment charges on overdue utility bills at any time since April 1, 1981. At this time it is not possible to quantify the effect, if any, that this claim may have on the financial statements of Sarnia Power Corporation. Consequently, no provision has been made in these Consolidated Financial Statements with respect to any possible losses that may arise as a result of this matter.

25. PUBLIC LIABILITY INSURANCE

In recent years, there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the municipality has undertaken some portion of the risk which would normally have been covered by outside insurers.

The municipality is self-insured for public liability claims up to \$25,000 for any individual claim and \$25,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The municipality has made provision for a reserve fund for self-insurance which at December 31, 2009 amounted to \$311,419 (2008 - \$421,094) and is reported on the Consolidated Statement of Financial Position.

Claims settled during the year, amounting to \$469,049 (2008 - \$628,134), have been provided for from the reserve fund and are accordingly reported as an expenditure on the Consolidated Statement of Operations.

26. PROPERTY TAX CAPPING

The province has required municipalities to limit assessment related tax increases for individual, commercial, industrial and multi-residential properties to 10% for 2009 (2008 - 10%). The total amount of protection for these properties amounted to \$293,680 (2008 - \$399,173).

These tax reductions are funded on a pooled basis by the municipalities within the County of Lambton by limiting same class tax reductions.

27. RELATED PARTY TRANSACTIONS

The municipality has contracted with Bluewater Power Distribution Corporation to provide billing and collection services for water and sewer charges on a cost recovery basis. Starting in 2009, the municipality has also contracted with Bluewater Power Distribution Corporation to provide water meter management, repair and replacement services. Charges for the year were \$879,244 (2008 - \$588,801)

CORPORATION OF THE CITY OF SARNIA

Schedule A

Schedule of Segment Disclosure
year ended December 31, 2009

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2009 Total
REVENUES									
Taxation	\$ 54,851,581	\$ -	\$ 2,793,207	\$ 67,863	\$ -	\$ -	\$ -	\$ -	\$ 57,712,651
Fees and service charges	948,083	788,721	3,413,444	24,991,866	-	158,110	2,385,593	1,408,951	34,094,768
Grants	272,295	344,970	1,248,557	14,387,468	-	78,427	297,463	-	16,629,180
Rents and financial	3,363,521	3,247	16,040	16,855	-	-	29,392	19,503	3,448,558
Other municipal	-	1,292,200	939,136	273,564	-	-	13,000	909,653	3,427,553
Other	1,977,193	8,821	2,644,479	4,623,960	-	8,272	669,851	2,233,731	12,166,307
	<u>61,412,673</u>	<u>2,437,959</u>	<u>11,054,863</u>	<u>44,361,576</u>	<u>-</u>	<u>244,809</u>	<u>3,395,299</u>	<u>4,571,838</u>	<u>127,479,017</u>
EXPENSES									
Salaries and benefits	4,929,449	31,221,796	9,455,978	4,121,886	-	178,977	4,256,292	607,355	54,771,733
Materials	2,922,565	3,028,479	5,348,987	10,780,987	526	149,977	2,551,843	860,322	25,643,686
Contracted services	359,519	165,633	367,137	9,996,101	-	-	-	132,734	11,021,124
Long-term debt - interest	29,578	103,339	104,135	2,492,530	-	-	464,726	318,713	3,513,021
Amortization	1,191,030	900,946	5,005,047	6,489,375	-	-	1,134,150	-	14,720,548
Other	5,100	343,166	1,517,388	2,227,468	76,888	13,000	348,837	114,635	4,646,482
Unfunded Liabilities	1,139,744	(32,192)	(4,864)	(45,933)	-	11,628	(64,260)	(6,400)	997,723
	<u>10,576,985</u>	<u>35,731,167</u>	<u>21,793,808</u>	<u>36,062,414</u>	<u>77,414</u>	<u>353,582</u>	<u>8,691,588</u>	<u>2,027,359</u>	<u>115,314,317</u>
NET SURPLUS (DEFICIT)	<u>\$ 50,835,688</u>	<u>\$ (33,293,208)</u>	<u>\$ (10,738,945)</u>	<u>\$ 8,299,162</u>	<u>\$ (77,414)</u>	<u>\$ (108,773)</u>	<u>\$ (5,296,289)</u>	<u>\$ 2,544,479</u>	<u>\$ 12,164,700</u>

CORPORATION OF THE CITY OF SARNIA

Schedule A

**Schedule of Segment Disclosure
year ended December 31, 2008**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2008 Total
REVENUES									
Taxation	\$ 52,148,624	\$ -	\$ 2,779,076	\$ 250,596	\$ -	\$ -	\$ -	\$ -	\$ 55,178,296
Fees and service charges	931,587	524,654	3,044,403	24,229,399	-	152,647	2,415,744	911,159	32,209,593
Grants	5,149,360	194,068	3,297,295	10,959,439	-	35,965	31,796	-	19,667,923
Rents and financial	3,415,033	3,521	33,912	175,264	-	-	25,625	4,156	3,657,511
Other municipal	-	1,098,863	1,091,022	435,993	-	-	12,000	443,278	3,081,156
Other	7,570,732	41,818	2,510,565	5,364,699	-	6,776	607,599	48,701	16,150,890
	<u>69,215,336</u>	<u>1,862,924</u>	<u>12,756,273</u>	<u>41,415,390</u>	<u>-</u>	<u>195,388</u>	<u>3,092,764</u>	<u>1,407,294</u>	<u>129,945,369</u>
EXPENSES									
Salaries and benefits	5,926,779	29,846,787	9,574,334	2,944,044	-	153,259	3,993,756	658,794	53,097,753
Materials	1,820,117	2,709,409	5,597,414	10,563,292	-	178,513	2,254,879	642,508	23,766,132
Contracted services	263,226	224,123	357,910	8,177,212	-	-	-	3,850	9,026,321
Long-term debt - interest	36,723	138,263	138,069	2,729,809	-	-	498,165	350,020	3,891,049
Amortization	1,305,496	875,053	4,752,798	6,397,574	-	-	1,159,534	-	14,490,455
Other	16,954	486,112	348,429	1,334,422	76,825	9,500	341,638	49,703	2,663,583
Unfunded liabilities	949,563	827,112	-	(27,413)	-	16,368	98	(149)	1,765,579
	<u>10,318,858</u>	<u>35,106,859</u>	<u>20,768,954</u>	<u>32,118,940</u>	<u>76,825</u>	<u>357,640</u>	<u>8,248,070</u>	<u>1,704,726</u>	<u>108,700,872</u>
NET SURPLUS (DEFICIT)	<u>\$ 58,896,478</u>	<u>\$ (33,243,935)</u>	<u>\$ (8,012,681)</u>	<u>\$ 9,296,450</u>	<u>\$ (76,825)</u>	<u>\$ (162,252)</u>	<u>\$ (5,155,306)</u>	<u>\$ (297,432)</u>	<u>\$ 21,244,497</u>



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Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Sarnia

We have audited the statement of financial position of the trust funds of the Corporation of the City of Sarnia as at December 31, 2009 and the statement of continuity of trust funds for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the City of Sarnia as at December 31, 2009 and the continuity of the trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
October 15, 2010

**CORPORATION OF THE CITY OF SARNIA
TRUST FUNDS**

**Statement of Continuity of Trust Funds
year ended December 31, 2009**

	Cemetery Care and Maintenance	Boarding Home Program	Election Candidate Surplus	2009 Total	2008 Total
FUND BALANCES, BEGINNING OF YEAR	\$ <u>10,700</u>	\$ <u>72,187</u>	\$ <u>2,778</u>	\$ <u>85,665</u>	\$ <u>82,881</u>
REVENUES					
Contributions received	-	-	-	-	1,255
Interest earned					
Investment income	28	186	7	221	2,407
Program loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total revenues	<u>28</u>	<u>186</u>	<u>7</u>	<u>221</u>	<u>3,664</u>
EXPENDITURES					
Maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880</u>
FUND BALANCES, END OF YEAR	\$ <u>10,728</u>	\$ <u>72,373</u>	\$ <u>2,785</u>	\$ <u>85,886</u>	\$ <u>85,665</u>

The accompanying notes are an integral part of this financial statement

**CORPORATION OF THE CITY OF SARNIA
TRUST FUNDS**

**Statement of Financial Position
as at December 31, 2009**

	Cemetery Care and Maintenance	Boarding Home Program	Election Candidate Surplus	2009 Total	2008 Total
ASSETS					
Due from municipality	<u>10,728</u>	<u>72,373</u>	<u>2,785</u>	<u>\$ 85,886</u>	<u>\$ 85,665</u>
Total assets	<u>\$ 10,728</u>	<u>\$ 72,373</u>	<u>\$ 2,785</u>	<u>\$ 85,886</u>	<u>\$ 85,665</u>
FUND BALANCES	<u>\$ 10,728</u>	<u>\$ 72,373</u>	<u>\$ 2,785</u>	<u>\$ 85,886</u>	<u>\$ 85,665</u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE CITY OF SARNIA TRUST FUNDS

Notes to the Financial Statements
year ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The Trust Fund financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Precise determination of some assets and liabilities may be dependent upon future events and involves the use of estimates and approximations. These estimates have been based upon the information available using careful judgment and review.

(a) Basis of Accounting

- i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- ii) 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.

2. NATURE OF TRUST FUNDS

The Cemetery Care and Maintenance trust fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetery grounds.

The Boarding Home Program trust fund was established by the Ministry of Health in order to provide municipalities with funds to be used for loans to owners of existing boarding, lodging or rooming houses which provide a home for former psychiatric patients in order that the houses can be upgraded to meet the Ontario Building Code, Ontario Fire Code and Local Housing Standards.

The Election Candidate Surplus trust fund was established in accordance with the Municipal Elections Act to hold surplus municipal election campaign funds on behalf of candidates.