



Grant Thornton

## Auditors' report

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

We have audited the consolidated statement of financial position of the Corporation of the City of Stratford as at December 31, 2009 and the consolidated statement of operations, statement of changes in net debt, and statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated 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 Stratford as at December 31, 2009 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

The comparative figures for 2008 were derived from financial statements which were reported on by another firm of chartered accountants.

*Grant Thornton LLP*

Hamilton, Ontario  
August 30, 2010

Chartered Accountants  
Licensed Public Accountants

**CORPORATION OF THE CITY OF STRATFORD**Consolidated Statement of Financial Position  
December 31, 2009, with comparative figures for 2008

	2009	2008
		(Note 1)
<b>Financial Assets</b>		
Cash and equivalents	\$ 3,489,115	\$ 9,010,080
Other receivables	7,062,241	3,916,701
Taxes receivable	2,642,022	2,974,820
Loans receivable (note 3)	1,102,876	846,396
Long-term investments (note 5)	14,144,586	13,209,187
Investment in government business enterprises (note 4)	35,133,429	36,812,805
<b>Total financial assets</b>	<b>63,574,269</b>	<b>66,769,989</b>
<b>Liabilities</b>		
Bank indebtedness	\$ 7,380,000	\$ -
Accounts payable and accrued liabilities	19,581,991	12,409,201
Deferred revenue (note 8)	9,819,504	10,015,336
Solid waste landfill closure and post-closure liability (note 11)	682,997	554,803
Employee benefits payable (note 10)	10,032,102	8,536,288
Long-term debt (note 7)	72,423,737	66,384,373
<b>Total financial liabilities</b>	<b>119,920,331</b>	<b>97,900,001</b>
<b>Net debt</b>	<b>(56,346,062)</b>	<b>(31,130,012)</b>
<b>Non-financial assets</b>		
Tangible capital assets	234,686,848	213,148,800
Prepaid expenses	573,203	498,859
Inventory	247,509	243,895
<b>Total non-financial assets</b>	<b>235,507,560</b>	<b>213,891,554</b>
<b>Accumulated surplus (note 13)</b>	<b>\$ 179,161,498</b>	<b>\$ 182,761,542</b>
Commitments (note 9)		
Contingencies (note 14)		

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

**CORPORATION OF THE CITY OF STRATFORD**

## Consolidated Statement of Operations

For the year ended December 31, 2009, with comparative figures for 2008

	2009 Budget	2009	2008 (Note 1)
<b>Revenue</b>			
Net municipal taxation	\$ 39,707,807	\$ 38,156,652	\$ 36,281,628
Payments-in-lieu of taxation		465,606	557,365
Ontario unconditional grants	1,685,800	1,685,800	2,298,000
Conditional grants	15,735,940	21,722,176	22,554,624
Revenue from other municipalities	4,340,597	2,351,648	1,970,283
User fees and service charges	19,212,586	18,091,698	18,187,955
Licences, permits and rents	3,157,888	7,170,454	6,887,249
Fines and penalties	535,285	498,812	552,165
Other revenue	3,647,256	6,332,435	6,886,502
Net earnings (loss) from government business enterprises		(1,679,376)	271,914
<b>Total revenue</b>	<b>\$ 88,023,159</b>	<b>\$ 94,795,905</b>	<b>\$ 96,447,685</b>
<b>Expenses</b>			
General government	9,406,701	10,633,071	6,214,872
Protection services	15,657,368	15,157,436	14,431,177
Transportation services	11,171,913	9,302,056	12,894,766
Environmental services	11,283,784	9,642,238	12,968,849
Health services	6,096,144	5,987,299	5,506,285
Social and family services	19,501,601	21,240,659	19,117,543
Social housing	6,801,528	12,264,411	10,375,855
Recreation and cultural services	9,879,081	7,953,524	6,717,578
Planning and development	2,802,030	6,215,255	2,598,384
<b>Total expenses</b>	<b>\$ 92,600,150</b>	<b>\$ 98,395,949</b>	<b>\$ 90,825,309</b>
<b>Annual (deficit) surplus</b>	<b>(4,576,991)</b>	<b>(3,600,044)</b>	<b>5,622,376</b>
<b>Accumulated surplus</b>			
<b>Beginning of year</b>		182,761,542	177,139,166
<b>End of year</b>		<b>\$ 179,161,498</b>	<b>\$ 182,761,542</b>

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

**CORPORATION OF THE CITY OF STRATFORD**

## Consolidated Statement of Changes in Net Debt

For the year ended December 31, 2009, with comparative figures for 2008

	2009	2008
		(Note 1)
Annual (deficit) surplus	\$ (3,600,044)	\$ 5,622,376
Acquisition of tangible capital assets	(32,506,040)	(17,497,367)
Amortization of tangible capital assets	7,066,442	6,915,025
Proceeds from the sale of tangible capital assets net of gain	3,901,550	
	<u>\$ (21,538,048)</u>	<u>\$ (10,582,342)</u>
Increase in inventory	(3,614)	(30,512)
(Increase) decrease in prepaid expenses	(74,344)	72,555
<b>Change in net debt</b>	<b>\$ (25,216,050)</b>	<b>\$ (4,917,923)</b>
<b>Net debt</b>		
<b>Beginning of the year</b>	(31,130,012)	(26,212,089)
<b>End of the year</b>	<u>\$ (56,346,062)</u>	<u>\$ (31,130,012)</u>

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

**CORPORATION OF THE CITY OF STRATFORD**

Consolidated Statement of Cash Flows

For the year ended December 31, 2009, with comparative figures for 2008

	2009	2008 (Note 1)
Cash provided by (used in):		
Operating activities:		
Annual (deficit) surplus	\$ (3,600,044)	\$ 5,622,376
Items not involving cash:		
Government Business Enterprise net earnings	486,013	(1,871,524)
Amortization of tangible capital assets	7,066,442	6,915,025
Changes in non-cash operating working capital:		
Other receivables	(3,145,540)	(429,762)
Taxes receivable	332,798	(600,463)
Inventory	(3,614)	(30,512)
Prepaid expenses	(74,344)	72,555
Accounts payable and accrued liabilities	7,172,790	(696,953)
Deferred revenue	(195,832)	1,836,573
Employee benefits payable	1,495,814	(823,857)
Solid waste landfill closure and post closure liability	128,194	387,668
	<u>9,662,677</u>	<u>10,381,126</u>
Financing activities:		
Increase in bank indebtedness	7,380,000	-
Proceeds from long-term debt	8,472,145	8,735,229
Repayment of long-term debt	(2,432,781)	(2,077,846)
	<u>13,419,364</u>	<u>6,657,383</u>
Investing activities:		
Dividends from Government Business Enterprise	1,193,363	1,599,610
Redemption of shares in Government Business Enterprise	-	485,173
Net decrease (increase) in long-term investments	(935,399)	(571,814)
Net decrease (increase) in loans receivable	(256,480)	(586,315)
	<u>1,484</u>	<u>926,654</u>
Capital transactions:		
Proceeds from the sale of tangible capital assets, net of gain	3,901,550	-
Purchase of tangible capital assets	(32,506,040)	(17,497,367)
	<u>(28,604,490)</u>	<u>(17,497,367)</u>
Change in cash and cash equivalents	(5,520,965)	467,796
Cash and cash equivalents, beginning of the year	9,010,080	8,542,284
Cash and cash equivalents, end of the year	<u>\$ 3,489,115</u>	<u>\$ 9,010,080</u>

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

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements  
Year ended December 31, 2009

## 1. Significant accounting policies:

The consolidated financial statements of the Corporation of the City of Stratford (the "Corporation") are prepared by management in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of Canadian Institute of Chartered Accountants. Significant aspects of accounting policies are as follows:

Effective January 1, 2009, the City adopted CICA Public Sector Accounting Handbook section PS1200 Financial Statement Presentation and section PS3150 Tangible Capital Assets. As result of these changes, the City has recorded tangible capital assets for 2009 with prior year comparative information to conform to the presentation adopted for the current year.

The changes to the comparative 2008 figures in these financial statements for the adoption of the new accounting standards are as follows:

Accumulated Surplus:		<u>2008</u>
Operating surplus	\$	474,708
Capital deficit		(8,286,589)
Reserves and Reserve Funds		23,977,854
Equity in investment in Government Business Enterprises		36,812,805
Amounts to be recovered		(83,366,036)
Investment in tangible capital assets		<u>213,148,800</u>
Accumulated surplus, as restated	\$	<u>182,761,542</u>
Annual Surplus:		
Net Expenditures	\$	(4,959,967)
Tangible Capital Assets previously		17,497,368
Amortization expense		<u>(6,915,025)</u>
Annual surplus, as restated	\$	<u>5,622,376</u>

### (a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, and expenditures of the Corporation and include the activities of all committees of Council and the following local boards, municipal enterprises and utilities which are accountable to the Corporation for the administration of their financial affairs and resources and are owned or controlled by the Corporation.

#### (i) Consolidated entities:

- Stratford Public Library
- Board of Parks
- Stratford City Centre Committee
- Perth & Stratford Housing Corporation
- Stratford Municipal Golf Association

#### (ii) Proportionally consolidated entities:

The following entities are proportionally consolidated with the financial statements of the Corporation based on population within Perth County.

	<u>2009</u>	<u>2008</u>
Perth District Health Unit	40.1%	40.1%
Spruce Lodge Home for the Aged	63.6%	63.6%
Spruce Lodge Home Assistance Corporation	63.6%	63.6%
Spruce Lodge Foundation	63.6%	63.6%

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (a) Reporting entity (continued):

#### (iii) Equity accounting:

Government business enterprises are accounted for by the modified equity method. Under the modified equity method, the accounting principles of government business enterprises are not adjusted to conform to the Corporation's accounting principles and inter-organizational transactions and balances are not eliminated. However, inter-organizational gains and losses are eliminated on assets remaining with the government reporting entities at the reporting date.

The government business enterprises include:

- Festival Hydro Inc.
- Festival Hydro Services Inc.

### (b) Accrual accounting:

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

### (c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, cash held in financial institutions and temporary investments with maturities of 365 days or less.

### (d) 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, and include interest charges when these charges are directly attributable to the capital project. Donated or contributed assets are capitalized and recorded at their estimated fair value upon acquisition. Leased capital assets are valued at the present value of the future minimum lease payments. Certain tangible capital assets for which historical cost information is not available have been recorded at current replacement cost deflated by a relevant inflation factor.

Works of art and other historical treasures are accounted for in the same method as the other tangible capital assets, with the exception that they are not amortized.

Work in progress identified in this and subsequent notes relates to assets under construction. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land Improvements	20 to 30 years
Buildings and building equipment	15 to 20 years
Furniture and fixtures	15 to 30 years
Vehicles	2 to 25 years
Machinery and equipment	5 to 25 years
Linear	20 to 40 years
Other capital assets	50 years
Roads	15 to 60 years
Bridges	40 to 60 years
Water and wastewater facilities	35 to 100 years
Underground and other networks	100 years

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (e) Tax revenues:

In 2009 the Corporation billed over \$38 million in property tax revenue for municipal purposes. A further \$15 million in provincial education taxes were billed on behalf of the Province of Ontario for education purposes and remitted to the Province during the year. The authority to levy and collect property taxes is established under the Municipal Act, 2001, the Assessment Act, the Education Act and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province of Ontario each year in order to fund the costs of education on a Province wide basis.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Corporation may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplemental/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any given year may also be reduced as a result of reductions in assessment values rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue.

### (f) Deferred revenue:

The recreational land (Planning Act), development charges funds, and sub divider contributions are prescribed by legislation, or agreement and are reported as deferred revenue on the consolidated statement of financial position. Grants that are received in the year, but are subject to external restrictions that have not been fulfilled, are recorded in deferred revenue until those obligations are met. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

### (g) Long-term investments:

Long-term investments are recorded at cost less any amounts written-off to reflect a permanent decline in market value below cost. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures, pooled investment funds and short-term instruments of various financial institutions.

Investment income earned are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

## CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

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### 1. Significant accounting policies (continued):

#### (h) Inventory:

Inventory is valued at the lower of cost and net realizable value on a first-in, first-out basis.

#### (i) Employee benefits payable:

The Corporation provides post-retirement health care, life insurance and unused sick leave benefits to eligible retired employees. The benefits earned by employees are actuarially determined using management's best estimate of salary escalation, retirement ages of employees and expected benefit costs.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted at the Corporation's cost of borrowing using estimated rates for debt with maturities similar to expected benefit payments in the future. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

#### (j) Use of estimates:

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The amounts subject to such estimates include employee benefits payable, assessment appeals, claims provisions, and solid waste landfill closure and post-closure liability. Actual results could differ significantly from those estimates.

#### (k) Transactions on behalf of others:

Trust funds operated by the Corporation amounting to \$2,427,316 (2008 - \$2,377,893) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations, as they are reported on separately.

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 2. Government transfer revenue:

Government transfer revenue is recorded once it is authorized by the transferring government and the Corporation is eligible to receive the transfer. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

Government transfers include social assistance program funding representing 80% of certain social services programs, social service administration funding covering 50% of certain administration costs and transfers for social housing totaling approximately 20% of costs of the program.

In addition, the Corporation periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of gas tax funds.

## 3. Loans receivable:

The following loans are outstanding at December 31, 2009:

	2009	2008
Stratford Perth Museum	\$ 405,461	\$ 414,720
Stratford Tourism	106,478	141,978
Heritage Conservation District Loans	340,987	279,748
Loan to local organization	9,950	9,950
Stratford Perth Museum (2)	240,000	-
	\$ 1,102,876	\$ 846,396

The Stratford Perth Museum loan matures in 2038, has an interest rate of 3% with repayments of \$1,791 being

The Stratford Tourism loan is a 4 year interest free loan, with no specific repayment terms, maturing December

The Heritage Conservative District loans are interest free 10 year loans with maturity dates ranging between July

The loan to local organization of \$9,950 is an interest free loan with no specific term of repayment.

The Stratford Perth Museum (2) has an interest rate of .5% and is due April 30, 2010.

## CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 4. Investment in Government Business Enterprises:

The Corporation holds a 100% interest in Festival Hydro Inc. and Festival Hydro Services Inc. as follows:

	2009	2008
Festival Hydro Inc (a)	\$ 34,093,979	\$ 35,869,233
Festival Hydro Services Inc. (b)	1,039,450	943,572
	<b>\$ 35,133,429</b>	<b>\$ 36,812,805</b>

#### (a) Festival Hydro Inc.:

	2009	2008
<b>Financial position:</b>		
Current assets	\$ 11,840,046	\$ 12,896,599
Capital assets	32,179,897	31,340,701
Future payments in lieu of corporate income taxes	2,585,975	2,083,000
Other Assets	564,199	610,851
<b>Total assets</b>	<b>47,170,117</b>	<b>46,931,151</b>
<b>Current liabilities</b>		
Demand loan payable to the City of Stratford	15,600,000	15,600,000
Post-employment benefits	1,234,998	1,286,629
Other liabilities	4,979,109	2,748,813
<b>Total liabilities</b>	<b>28,676,138</b>	<b>26,661,918</b>
<b>Net assets</b>	<b>\$ 18,493,979</b>	<b>\$ 20,269,233</b>
<b>Financial activities:</b>		
Revenues	\$ 9,854,811	\$ 9,752,670
Operating expenses	(6,200,563)	(5,948,336)
Change in accounting policy	(2,083,000)	
Interest expense	(1,189,619)	(1,170,471)
Income tax	(988,000)	(872,000)
Net assets, beginning of year	20,269,233	19,732,300
Dividends on common shares	(1,168,883)	(1,224,930)
<b>Net assets, end of year</b>	<b>\$ 18,493,979</b>	<b>\$ 20,269,233</b>

A change in accounting policy was disclosed in the notes to Festival Hydro Inc.'s financial statements for the recognition of regulatory liabilities.

	2009	2008
<b>Investment in Festival Hydro Inc.:</b>		
Net assets, end of year	\$ 18,493,979	\$ 20,269,233
Demand loan payable to the City of Stratford	15,600,000	15,600,000
	<b>\$ 34,093,979</b>	<b>\$ 35,869,233</b>

## CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

### 4. Investment in Government Business Enterprises (continued):

#### (b) Festival Hydro Services Inc.:

	2009		2008	
<b>Financial position:</b>				
Current assets	\$	197,328	\$	219,094
Capital assets		1,081,196		921,266
Other assets		810		1,080
<b>Total assets</b>		<b>1,279,334</b>		<b>1,141,440</b>
Current liabilities		24,480		39,057
Demand loan payable to the City of Stratford		372,000		372,000
Other liabilities		215,404		158,811
<b>Total liabilities</b>		<b>611,884</b>		<b>569,868</b>
<b>Net assets</b>	\$	<b>667,450</b>	\$	<b>571,572</b>
<b>Financial activities:</b>				
Revenues	\$	402,718	\$	401,058
Operating expenses		(247,360)		(255,397)
Income tax		(35,000)		(36,000)
Cancellation of capital stock				(485,173)
Net assets, beginning of year		571,572		1,321,764
Dividends on common shares		(24,480)		(374,680)
<b>Net assets, end of year</b>	\$	<b>667,450</b>	\$	<b>571,572</b>
<b>Investment in Festival Hydro Services Inc.:</b>				
Net assets, end of year	\$	667,450	\$	571,572
Demand loan payable to the City of Stratford		372,000		372,000
	\$	<b>1,039,450</b>	\$	<b>943,572</b>

During the year, and within the normal course of operations, the Corporation was provided water and sewer billing and collection services by Festival Hydro. Amounts paid to Festival Hydro Inc. by the Corporation were \$411,498 (2008 - \$397,814).

The Corporation also leases space from Festival Hydro for which it paid rent of \$30,420 (2008 - \$30,000) during the year.

### 5. Long-term investments:

	2009		2008	
	Cost	Market Value	Cost	Market Value
Bankers' acceptances	\$ 3,065,583	\$ 3,186,514	\$ 2,155,847	\$ 2,122,408
Deposit notes	838,703	838,478	821,711	1,057,140
Serial debentures	232,880	233,393	335,947	336,847
Fixed rate deposit notes	109,392	109,568	514,636	496,297
Sinking fund debenture	363,225	371,819	363,504	375,696
Provincial notes	9,534,803	9,174,571	9,017,542	8,992,796
	<b>\$ 14,144,586</b>	<b>\$ 13,914,343</b>	<b>\$ 13,209,187</b>	<b>\$ 13,381,184</b>

Long-term investments earn interest between 0.45% and 4.95% and have maturity dates between January 2010 and June 2037.

The cost of certain investments exceeds market values at December 31, 2009. Given the current volatility of the investment marketplace, management is monitoring the situation, and is of the opinion that the loss in value is a temporary decline.

## CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 6. Pension agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. 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 2009 contribution rates are 6.5% for employee earnings below the year's maximum pensionable earnings and 9.6% thereafter. Employees and employers contribute jointly to the plan.

OMERS is a multi-employer pension plan, therefore any pension plan surplus or deficit is a joint responsibility of all Ontario municipalities and their employees. As a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit. Employer contributions for current service amounted to \$1,783,226 (2008 - \$1,744,393) and are matched by employee contributions in a similar manner. Employer contributions are recognized as an expenditure in the consolidated statement of financial activities in the year contributions are made.

### 7. Long-term debt:

The balance of long-term debt reported on the consolidated statement of financial position consists of total long-term debt incurred by municipal enterprises. The amount outstanding at the end of the year is as follows:

	2009	2008
Ontario Financing Authority, bearing interest at variable rates	\$ -	\$ 15,139,865
OSIFA debenture bearing interest at 2.57%, due June 2032	30,146,516	31,486,360
OSIFA debenture bearing interest at 2.47%, due June 2017	1,265,076	1,433,753
OSIFA debenture bearing interest at 2.78%, due September 2024	1,005,000	1,072,000
OSIFA debenture bearing interest at 2.74% due November 2028	5,494,824	5,784,025
OMEIFA debenture bearing interest at 4.96% due November 2034	16,816,370	-
OMEIFA debenture bearing interest at 2.70% due November 2034	1,295,639	-
OMEIFA debenture bearing interest at 4.28% due December 2024	5,500,000	-
Royal Bank loan payable, interest at 4.72% per annum, due February 2026	8,355,067	8,809,977
Royal Bank loan payable, interest at 4.51% per annum, due June 2024	2,539,706	2,650,317
Local improvements debenture bearing interest at 6%, due December 2011	5,539	8,076
	<b>\$ 72,423,737</b>	<b>\$ 66,384,373</b>

Principal repayments are summarized as follows:

2010	\$ 3,542,777
2011	3,571,217
2012	3,597,880
2013	3,628,750
2014	3,661,006
Thereafter	54,422,107
	<b>\$ 72,423,737</b>

Long-term liabilities and commitments to be financed from reserves beyond the term of Council are covered by by-law. The principal and interest payments required to service existing and pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

Total interest expense on long term debt was \$1,678,255 (2008 - \$1,933,988).

## CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 8. Deferred revenue:

	2009	2008
Development charges	\$ 5,078,376	\$ 6,242,348
Subdivider contributions	90,495	86,732
Recreational land (The Planning Act)	778,900	733,793
Federal gas tax	2,227,539	1,046,443
Federal public transit	153,570	147,184
Provincial gas tax	1,142,859	735,326
Opportunities for renters	-	946,457
MTO Economic Development	282,962	-
Other	64,803	77,053
	\$ 9,819,504	\$ 10,015,336

### 9. Commitments:

In accordance with a service agreement entered into by the municipality in 1970 with the Ontario Clean Water Agency (the "Agency"), the existing sewage system is operated by the Agency. The municipality is obligated to meet all operating costs related to the project. This agreement was renewed January 1, 2007 for 5 years. Our future payments are \$743,686 for 2010 with a CPI adjustment each year thereafter until December 31, 2011 when a new agreement will be executed.

The Corporation entered into a five year lease in 2007 to house the City's economic development department. The commitment for 2010 is \$41,735. A portion of the rent increases each year based on the previous year actual for common area charges.

The Corporation leases vehicles. The leases are renewed every one or two years. The 2010 commitment is \$53,476. The commitment thereafter will be affected by changes to the leased fleet and inflation.

The City of Stratford has an agreement with the University of Waterloo committing the City to provide \$10,000,000 as well as fully remediated land of up to 8 acres. The City is currently remediating parcel 1 which should be ready by mid November 2010. 80% of the financial commitment is due as construction proceeds which is anticipated to be late Fall 2010 and into 2011. The remaining 20% will be paid upon substantial completion.

## CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 10. Employee benefits payable:

Employee future benefits are liabilities of the Corporation to its employees and early retirees for benefits earned but not taken. Details are as follows:

	2009	2008
Post-retirement benefits (a)	\$ 7,663,200	\$ 6,248,300
Workplace Safety and Insurance Board Obligation (b)	2,368,902	2,287,988
	\$ 10,032,102	\$ 8,536,288

The Corporation provides benefits to retirees until they reach 65 years of age, provides certain benefits to employees on long-term disability, allows certain employees to accumulate unused sick leave to be taken as a cash payment on termination. Above values are based on actuarial reviews which were completed as at December 31, 2009.

(a) Significant assumptions used in the actuarial valuation are as follows:

	2009	2008
Discount rate	5.50%	6.75%
Rate of compensation increase	3.00%	3.00%
Healthcare cost increase	5.00%	5.00%

The benefit obligation continuity is as follows:

	2009	2008
Accrued benefit obligation, January 1	\$ 6,248,300	\$ 6,607,400
Current period benefit cost	369,300	418,200
Retirement interest expenditure	428,200	340,700
Benefits paid	(548,700)	(425,100)
Accrued benefit obligation, December 31	6,497,100	6,941,200
Unamortized actuarial loss (gain)	1,166,100	(692,900)
Liability for post-retirement benefits	\$ 7,663,200	\$ 6,248,300

Post-retirement benefits expense is as follows:

	2009	2008
Current period benefit cost	\$ 369,300	\$ 418,200
Retirement interest expenditure	428,200	340,700
Amortization of actuarial (gain) loss	(36,000)	51,600
Total post-retirement benefits expense	\$ 761,500	\$ 810,500

The actuarial loss is amortized over the expected average remaining service life of 7.5 years (2008 - 7.5 years).

Reserves and reserve funds have been established to partially provide for this past service liability. The balance at the end of the year is \$4,565,320 (2008 - \$4,603,888). An amount of \$265,124 (2008 - \$269,669) was paid out of reserves to employees who left the Corporation's employment during the current year.

(b) The City of Stratford is a Workplace Safety and Insurance Board (WSIB) Schedule 2 employer. The City has recorded an accrual for the estimate of future benefit costs and administrative loading as calculated by the WSIB. During the year \$342,940 (2008 - \$ 303,393) was paid by the City to the WSIB in relation to those benefits.

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

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## 11. Solid waste landfill closure and post-closure liability:

Solid waste landfill closure and post-closure liability, accounts for anticipated closure and post-closure costs for the existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenditures related to those activities required when the site or phase stops accepting waste.

Post-closure activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage system and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs. The liability includes the portion of the landfill that was closed in 1995. This liability is not funded with reserves.

Key assumptions in arriving at the liability are:

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The landfill is expected to reach capacity in 2040	
Remaining capacity as at December 31, 2009	2.2 million tonnes
Expected closing cost in 2009 dollars	\$682,997
Expected inflation rate	3%
Discount rate	5.50%
Estimated time needed for post-closure care	50 Years

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## 12. 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 Corporation has undertaken some portion of the risk, which would normally have been covered by outside insurers.

The Corporation is self insured for public liability claims up to \$50,000 for any individual claim and \$50,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

Claims settled during the year amounted to \$32,579 (2008 - \$131,060) have been provided for in the revenue fund and are accordingly reported as an expenditure in the consolidated statement of financial activities. There were no significant unsettled claims as at the end of the year other than as disclosed in note 14.

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 13. Accumulated surplus:

The accumulated surplus balance is comprised of balances in reserves and reserve funds, operating surplus, capital surplus, unfunded liabilities to be recovered in the future, investment in government business enterprises and investment in tangible capital assets.

	2009	2008
<b>Reserves set aside for specific purpose by Council:</b>		
Revenue purposes	\$ 10,843,143	\$ 10,271,614
Current purposes	476,306	342,197
Capital purposes	3,096,084	10,997,429
<b>Total reserves</b>	<b>14,415,534</b>	<b>21,611,240</b>
<b>Reserve Funds set aside for specific purpose by Council:</b>		
Revenue purposes	\$ 301,002	\$ 146,981
Current purposes	943,318	720,472
Capital purposes	342,344	1,499,161
<b>Total reserve funds</b>	<b>1,586,664</b>	<b>2,366,614</b>
<b>Amounts to be recovered:</b>		
Investment in Government Business Enterprises	\$ (7,800,000)	\$ (7,800,000)
Solid waste landfill closure and post closure liability	(682,997)	554,803
Employee benefits payable	(10,032,105)	(8,536,288)
Long-term debt	(72,423,737)	(66,384,373)
Interest accrual on debt	(200,198)	90,572
<b>Total amounts to be recovered</b>	<b>\$ (91,139,037)</b>	<b>\$ (82,075,286)</b>
	2009	2008
Cumulative operating deficit	(15,521,940)	(7,811,881)
Investment in Government Business Enterprise	35,133,429	36,812,805
Investment in tangible capital assets	234,686,848	213,148,800
<b>Total accumulated surplus</b>	<b>\$ 179,161,498</b>	<b>\$ 242,149,724</b>

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

## 14. Contingencies:

As of December 31, 2009, certain legal actions and other contingent liabilities are pending against the Corporation. Reference can be made to note 12 for details of the public liability insurance maintained by the Corporation. Not all contingencies can be estimated at year end since the outcome of these matters is indeterminate at this time.

## 15. Financial Information for the Library Board:

The Ministry of Culture provides operating and pay equity grants to the Library. A condition of this grant is that the Library Board supply its financial information to the Ministry. This information may be included in the consolidated financial statements provided that the financial information of the library is identified either by a separate schedule or a note.

	2009	2008
Revenue		
Grant revenue	\$ 62,496	\$ 65,689
Fees and charges	216,661	220,736
Donations	23,565	38,300
Total revenue	302,722	324,725
Expenses		
Wages	1,479,999	1,391,088
Materials	294,321	315,692
Services	252,844	267,513
Other	17,378	12,700
Total expenses	2,044,542	1,986,993
Deficiency of revenue over expenses	\$ 1,741,820	\$ 1,662,268
Deficiency was funded as follows:		
Transfer to reserves and reserve funds	\$ (36,954)	\$ (28,994)
Contribution from the Corporation	1,778,773	1,691,262
	\$ 1,741,819	\$ 1,662,268

# CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

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## 16. Segmented information:

The Corporation of the City of Stratford is a diversified municipal government institution that provides a wide range of services to its citizens. For reporting purposes the Corporation's operations and activities are organized in segments. The services and activities of each segment are as follows:

### General government

This item is related to the revenues and expenses of the operations of the Corporation itself and cannot be directly attributed to a specific segment.

### Protection to Persons and Property

Protection is comprised of police services, fire department and building department. The police services department is to ensure the safety and protection of the citizens and their property, preserve peace and good order, detect offenders and enforce the law. The fire department provides fire suppression service, fire prevention programs, training and education related to prevention and detection of fires. The building department enforces the building and construction codes and municipal by-laws.

### Transportation

Transportation services includes public works services related to planning, development and maintenance of the roadway systems, street lighting, transit and parallel transit, parking administration and control and the operations of the Stratford Municipal Airport.

### Environmental

Environmental services include providing sanitary and storm sewer, water, waste collection and disposal and recycling services.

### Health

Health services are comprised of public health services which works to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities. This segment also includes ambulance services and cemetery operations.

### Social and Family

Social Services provides services that are meant to help the less fortunate in society through Ontario Works assistance, child care subsidy program and best start and special needs programs. This segment also includes the operations of a municipal day care.

### Housing

Housing services are meant to help the less fortunate through social housing, affordable housing and public housing programs.

### Recreational and Cultural

Recreation and cultural services are meant to improve the health and development of the citizens. Programs such as swimming, skating, day camps, festivals and library services are provided at locations such as parks, library, art gallery, recreation complexes, arenas, sports fields and other municipal buildings. This segment also includes grants to numerous community organizations providing recreation and cultural activities.

### Planning and Development

Planning and development services manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the city centre. This segment also includes economic development and tourism.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are used in preparation of segmented financial information. The revenue fund reports on municipal services that are funded primarily by property taxation revenues. Taxation and payments-in-lieu of taxes are apportioned based on the segment's net surplus. The segmented information follows the same accounting policies as disclosed in note 1.

**CORPORATION OF THE CITY OF STRATFORD**  
Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

16. Segmented Information (continued)

For the year end December 31	General Government	Protection to Persons/Property	Transportation	Environmental	Health	Social and Family	Housing	Recreation and Culture	Planning & Development	2009 Total
<b>Revenue</b>										
Taxation	\$ 4,173,680	\$ 5,949,578	\$ 3,651,232	\$ 3,784,760	\$ 2,350,127	\$ 8,337,357	\$ 4,814,012	\$ 3,121,908	\$ 2,439,604	\$ 38,622,258
Grants	1,714,135		1,747,353	2,811,414	2,369,993	12,722,930	1,850,755	137,606	53,790	23,407,976
Other Municipalities	370,946					1,954,338		26,365		2,351,649
Fees, user charges, licences, permits, rents, fines, penalties	1,922,269	445,169	1,807,587	10,840,625	365,249	728,101	6,985,326	2,617,893	48,745	25,760,964
Other	1,140,520		20,518	3,292,273				18,500	181,248	4,653,059
	9,321,550	6,394,747	7,226,690	20,729,072	5,085,369	23,742,726	13,650,093	5,922,272	2,723,387	94,795,906
<b>Expenses</b>										
Salaries & benefits	2,854,012	13,095,992	3,831,524	2,467,105	3,179,750	7,822,909	621,912	4,473,720	453,610	38,800,534
Material	246,601	473,600	1,510,126	1,134,067	144,538	633,015	1,275,179	1,261,218	104,273	6,782,617
Contracted Services	1,973,252	601,471	974,712	2,919,460	262,565	1,667,231	3,948,058	80,398	1,532,062	13,959,209
External Transfers	362,410				1,992,773	10,926,070	4,571,238	724,118	984,206	19,560,815
Amortization	444,674	437,384	2,386,671	1,703,854	152,955		230,634	1,251,107	160,374	6,767,653
Other	4,752,123	548,989	599,023	1,417,752	254,718	191,434	1,617,390	162,963	2,980,730	12,525,122
	10,633,072	15,157,436	9,302,056	9,642,238	5,987,299	21,240,659	12,264,411	7,953,524	6,215,255	98,395,950
<b>Net Revenue (expenditures)</b>	\$ (1,311,522)	\$ (8,762,689)	\$ (2,075,366)	\$ 11,086,833	\$ (901,930)	\$ 2,502,067	\$ 1,385,662	\$ (2,031,252)	\$ (3,491,866)	\$ (3,600,044)

**CORPORATION OF THE CITY OF STRATFORD**  
Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

16. Segmented Information (continued)

	For the year end December 31	General Government	Protection to Persons/Property	Transportation	Environmental	Health	Social and Family	Housing	Recreation and Culture	Planning & Development	2008 Total
<b>Revenue</b>											
Taxation	\$	8,472,968	\$ 12,893,648	\$ 5,525,849	\$ 368,390		\$ 2,762,924	\$ 1,105,170	\$ 5,157,459	\$ 552,585	\$ 36,638,993
Grants		2,456,578		170,286	5,538,957	2,200,672	11,546,532	2,733,262	106,769	99,568	24,852,624
Other Municipalities		240,418					1,710,219		19,646		1,970,283
Fees, user charges, licences, permits, rents, fines, penalties		1,910,645	503,087	749,729	10,860,193	70,727	2,734,290	6,233,162	2,564,677	860	25,627,370
Other		3,380,622	6,189	18,140	2,039,947	120,729	31,336	1,062,600	201,472	297,382	7,158,416
		16,461,231	13,402,923	6,464,004	18,807,487	2,392,128	18,785,301	11,134,194	8,050,022	950,395	96,447,685
<b>Expenses</b>											
Salaries & benefits		2,549,352	12,664,442	4,910,744	1,767,390	3,049,797	7,494,966	590,715	4,343,255	418,926	37,789,587
Material		265,933	466,403	1,853,372	1,047,085	36,501	671,041	735,038	(117,818)	97,912	5,055,467
Contracted Services		1,947,519	552,909	1,298,106	2,529,733	440,028	1,085,783	3,460,157	543,406	931,809	12,789,450
External Transfers		285,138	252,135			1,809,771	9,408,361	4,326,145	728,411	944,873	17,754,834
Amortization		468,112	472,712	2,334,597	1,632,361	154,393	292,393	113,998	1,277,957	168,501	6,915,024
Other		698,818	22,576	2,497,947	5,992,280	15,795	164,999	1,149,802	(57,633)	36,363	10,520,947
		6,214,872	14,431,177	12,894,766	12,968,849	5,506,285	19,117,543	10,375,855	6,717,578	2,598,384	90,825,309
<b>Net Revenue (expenditures)</b>	\$	10,246,359	\$ (1,028,254)	\$ (6,430,762)	\$ 5,838,638	\$ (3,114,157)	\$ (332,242)	\$ 758,339	\$ 1,332,444	\$ (1,647,989)	\$ 5,622,376

## **CORPORATION OF THE CITY OF STRATFORD**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### **17. Subsequent events:**

A class action was commenced June 8, 2005 in the amount of \$220,000,000 plus post judgement interest, pre judgement interest and costs. A settlement was reached in 2010, resulting in a payment subsequent to year end of \$7,700,000. The Corporation has accrued funds in 2009 in respect of this matter. The liability will be funded using the Sanitary Sewer Reserves.

### **18. Comparative figures:**

Certain of the comparative figures have been reclassified to conform to the 2009 financial statement presentation.

CORPORATION OF THE CITY OF STRATFORD  
Notes to Consolidated Financial Statements (continued)  
Year ended December 31, 2009

19. Tangible Capital Assets

	General								Infrastructure				Total
	Land	Land Improvements	Buildings and Building Equipment	Furniture and fixtures	Vehicles	Linear Assets	Machinery and Equipment	Other	Roads	Bridges	WWW Facilities	Underground and Other Networks	
<b>Cost</b>													
Balance, Dec 31, 2008	\$ 9,685,123	\$ 1,748,776	\$ 56,703,403	\$ 1,825,244	\$ 8,108,057	\$ 4,682,776	\$ 18,390,549	\$ 80,872	\$ 93,512,672	\$ 5,847,546	\$ 60,980,937	\$ 60,621,385	\$ 322,187,339
Additions	10,607,721	94,811	3,317,886	10,284	109,565	-	850,549	28,867	3,856,944	453,553	4,547,522	8,628,337	32,506,040
Disposals	3,885,019	-	-	-	25,000	-	73,542	-	-	-	-	-	3,983,561
Balance, Dec 31, 2009	16,407,825	1,843,587	60,021,289	1,835,529	8,192,622	4,682,776	19,167,556	109,739	97,369,616	6,301,099	65,528,459	69,249,722	350,709,818
<b>Accumulated Amortization</b>													
Balance, Dec 31, 2008	-	930,448	15,932,565	460,746	3,770,499	4,088,845	8,589,826	-	34,397,217	2,340,547	21,143,074	17,384,772	109,038,539
Amortization	-	48,257	1,481,141	83,966	713,464	64,262	1,435,399	1,085	1,669,034	77,648	820,772	671,414	7,066,442
Disposals	-	-	-	-	20,000	-	62,011	-	-	-	-	-	82,011
Balance, Dec 31, 2009	-	978,705	17,413,706	544,712	4,463,963	4,153,107	9,963,214	1,085	36,066,251	2,418,195	21,963,846	18,056,186	116,022,971
Net Book Value Dec 31, 2009	\$ 16,407,825	\$ 864,882	\$ 42,607,583	\$ 1,290,817	\$ 3,728,659	\$ 529,669	\$ 9,204,342	\$ 108,654	\$ 61,303,365	\$ 3,882,904	\$ 43,564,613	\$ 51,193,536	\$ 234,686,848
<b>Cost</b>													
Balance, Dec 31, 2007	\$ 9,685,123	\$ 1,748,776	\$ 48,095,976	\$ 1,771,258	\$ 6,958,699	\$ 4,682,776	\$ 14,064,688	\$ 80,872	\$ 92,020,478	\$ 5,847,546	\$ 59,751,231	\$ 59,982,549	\$ 304,689,972
Additions	-	-	8,607,427	53,986	1,149,358	-	4,325,860	-	1,492,194	-	1,229,706	638,836	17,497,367
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, Dec 31, 2008	9,685,123	1,748,776	56,703,403	1,825,244	8,108,057	4,682,776	18,390,549	80,872	93,512,672	5,847,546	60,980,937	60,621,385	322,187,339
<b>Accumulated Amortization</b>													
Balance, Dec 31, 2007	-	883,376	14,657,407	376,780	3,070,129	3,949,025	7,051,799	-	32,761,972	2,265,923	20,350,605	16,756,499	102,123,515
Amortization	-	47,072	1,275,158	83,966	700,370	139,820	1,538,027	-	1,635,245	74,624	792,469	628,273	6,915,024
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, Dec 31, 2008	-	930,448	15,932,565	460,746	3,770,499	4,088,845	8,589,826	-	34,397,217	2,340,547	21,143,074	17,384,772	109,038,539
Net Book Value Dec 31, 2008	\$ 9,685,123	\$ 818,328	\$ 40,770,838	\$ 1,364,498	\$ 4,337,558	\$ 593,931	\$ 9,800,723	\$ 80,872	\$ 59,115,455	\$ 3,506,999	\$ 39,837,863	\$ 43,236,613	\$ 213,148,800