

**Town of Stratford**  
**Non-Consolidated Financial Statements**

December 31, 2006

Grant Thornton 

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## Auditors' Report

His Worship the Mayor and  
Members of Town Council

We have audited the non-consolidated statement of financial position of the Town of Stratford as at December 31, 2006 and the non-consolidated statements of financial activities, surplus and reserves and changes in financial position for the year then ended. These financial statements are the responsibility of the town'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 Town of Stratford as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Charlottetown, Prince Edward Island  
February 28, 2007

Grant Thornton LLP  
Chartered Accountants

# Town of Stratford

## Non-Consolidated Statement of Financial Activities

Year Ended December 31	Budget	2006	2005
<b>Revenue</b>			
Real property tax – Town levy, net	\$2,699,800	<b>\$2,763,118</b>	\$2,567,477
Rental	224,800	<b>240,509</b>	237,663
Utility Corporation wage allocation	232,500	<b>238,711</b>	217,300
Police fines	50,000	<b>47,654</b>	62,878
Development permits	30,000	<b>45,178</b>	34,628
Miscellaneous	1,000	<b>9,284</b>	13,516
Interest	7,000	<b>9,222</b>	15,201
Equalization grant	17,400	<b>17,445</b>	17,446
Recreation programs	12,000	<b>11,870</b>	10,829
Fire rated water	9,800	<b>9,800</b>	10,023
Seniors Complex wage allocation	7,500	<b>7,500</b>	7,500
Events	5,000	<b>2,551</b>	4,512
Field maintenance levy	3,300	<b>3,580</b>	3,290
Animal control	2,800	<b>3,665</b>	2,930
	<u>3,302,900</u>	<u><b>3,410,087</b></u>	<u>3,205,193</u>
<b>Expenditures</b>			
Depreciation	325,000	<b>395,467</b>	356,016
Finance and administration (page 11)	703,600	<b>654,125</b>	659,744
General government (page 12)	993,700	<b>1,000,236</b>	905,744
Planning (page 13)	241,000	<b>227,372</b>	163,887
Public works (page 14)	564,500	<b>556,402</b>	548,528
Recreation (page 15)	372,900	<b>358,416</b>	346,924
	<u>3,200,700</u>	<u><b>3,192,018</b></u>	<u>2,980,843</u>
Excess revenue over expenditures	<u>\$ 102,200</u>	<u><b>\$ 218,069</b></u>	<u>\$ 224,350</u>

See accompanying notes to the non-consolidated financial statements.

# Town of Stratford

## Non-Consolidated Statement of Surplus and Reserves

Year Ended December 31

2006

2005

### Surplus

Balance, beginning of year	\$ 181,968	\$ (42,382)
Excess revenue over expenditures	<u>218,069</u>	<u>224,350</u>
Balance, end of year	<u>\$ 400,037</u>	<u>\$ 181,968</u>

### Reserves

#### Externally restricted

##### Subdivision dedication fees (Note 14)

Balance, beginning of year	\$ 29,096	\$ 29,096
Allocation from revenue for the year	<u>2,512</u>	<u>-</u>
Balance, end of year	<u>31,608</u>	<u>29,096</u>

#### Internally restricted

##### Water and sewer project reserve

Balance, beginning of year	\$ 112,202	\$ 137,566
Contribution to Utility	<u>(26,123)</u>	<u>(25,364)</u>
Balance, end of year	<u>86,079</u>	<u>112,202</u>

##### Election reserve

Balance, beginning of year	\$ 24,000	\$ 5,000
Allocation from revenue for the year	5,541	19,000
Election reserve expenditures	<u>(29,541)</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>24,000</u>

Total reserves	<u>\$ 117,687</u>	<u>\$ 165,298</u>
Total surplus and reserves	<u>\$ 517,724</u>	<u>\$ 347,266</u>

See accompanying notes to the non-consolidated financial statements.

# Town of Stratford

## Non-Consolidated Statement of Financial Position

December 31 2006 2005

### Assets

Current		
Cash	\$ 192,876	\$ 383,944
Receivables		
Trade	139,647	109,660
Rent	72,378	32,749
New Deal Gas Tax Funding	88,911	-
Inventory	5,182	7,530
Prepays	31,508	27,766
Current portion of lease and loan receivables	<u>16,603</u>	<u>16,251</u>
	<u>547,105</u>	577,900
Investments (Note 2)	517,600	385,100
Lease receivable (Note 3)	99,269	105,872
Loan receivable (Note 4)	30,000	40,000
Advances to Stratford Community Seniors' Complex Ltd., non-interest bearing, no set terms of repayment	9,263	12,359
Advances to Stratford Utility Corporation, non-interest bearing, no set terms of repayment	111,037	-
Advances to Stratford Business Park Corporation, non-interest bearing, no set terms of repayment	3,600	-
Capital assets (Note 5)	<u>6,165,118</u>	<u>6,332,005</u>
	<u>\$ 7,482,992</u>	<u>\$ 7,453,236</u>

### Liabilities

Current		
Bank indebtedness (Note 6)	\$ 329,416	\$ -
Payables and accruals		
Trade	270,239	257,795
Stratford Business Park Corporation Inc	-	97,314
Stratford Utility Corporation	-	151,670
Deferred revenues	-	13,805
Current portion of long term debt	<u>263,095</u>	<u>251,824</u>
	<u>862,750</u>	772,408
Employee benefits payable (Note 7)	43,211	60,475
Long term debt (Note 8)	<u>5,970,396</u>	<u>6,095,265</u>
	<u>6,876,357</u>	<u>6,928,148</u>
Deferred funding (Note 9)	<u>88,911</u>	<u>177,822</u>

### Surplus and Reserves

Surplus	400,037	181,968
Reserves	<u>117,687</u>	<u>165,298</u>
	<u>517,724</u>	<u>347,266</u>
	<u>\$ 7,482,992</u>	<u>\$ 7,453,236</u>

Contingency (Note 10)  
Commitments (Note 11)  
On behalf of the Council

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Administrative Officer

See accompanying notes to the non-consolidated financial statements.

# Town of Stratford

## Non-Consolidated Statement of Changes in Financial Position

Year Ended December 31

2006

2005

Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Property tax revenues received	\$2,763,118	\$2,567,477
Rents received	200,880	267,906
Cash received from other revenues	107,235	118,851
Principal payments received on capital lease	6,251	5,920
Payments to suppliers	(1,315,641)	(1,378,150)
Payments to employees	(926,461)	(729,776)
Interest received	9,222	15,201
Interest paid	(332,064)	(333,899)
Donation to Pownal Sports Centre	(30,000)	(30,000)
	<u>482,540</u>	<u>503,530</u>
<b>Financing</b>		
Repayment of long term debt	(246,098)	(244,376)
Advances from Stratford Soccer Association	10,000	10,000
Advances (to) from Stratford Utility Corporation	(262,707)	136,986
Advances to Stratford Business Park Corporation Inc.	(100,914)	(3,250)
Advances from Stratford Community Seniors' Complex Ltd.	3,096	-
New Deal Gas Tax Funding received	88,911	177,822
New Deal Gas Tax Funding utilized	(266,733)	-
Bank indebtedness advances	329,416	-
	<u>(445,029)</u>	<u>77,182</u>
<b>Investing</b>		
Purchase of property and equipment, net of grants	(228,580)	(416,555)
Net (decrease) increase in cash and cash equivalents	(191,069)	164,157
Cash and cash equivalents		
Beginning of year	<u>383,945</u>	<u>219,788</u>
End of year	<u>\$ 192,876</u>	<u>\$ 383,945</u>

See accompanying notes to the non-consolidated financial statements.

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# Town of Stratford

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 1. Summary of significant accounting policies

#### Reporting entity

The non-consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the municipality and which are owned or controlled by the municipality.

The financial activities of certain entities associated with the Town of Stratford (the Town) and considered to be separate government business enterprises are not consolidated. The Town's transactions with these entities are recorded in the Non-Consolidated Statement of Financial Activities. These entities include:

Stratford Utility Corporation  
Stratford Business Park Corporation Inc.  
Stratford Community Seniors' Complex Ltd.

#### Inventory

Inventory is valued at the lower of cost and net realizable value.

#### Capital assets

Equipment, furniture, software, buildings, and improvements with a cost in excess of \$500 and an estimated useful life of two years or more are capitalized at cost net of government assistance and contributions.

All costs associated with placing an asset in service, including freight, installation costs, site preparation costs, alterations, and professional fees are included in the capitalized value.

Interest expense on capital debt incurred during the construction or renovation of an asset are included in the capitalized value.

#### Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Multi purpose facility	25 year straight line
Buildings	10 year straight line
Sidewalks, trails and parks	10 year straight line
Other assets	10 year straight line
Roadways and paving	10 year straight line
Vehicles	5 year straight line
Equipment	5 year straight line
Computer hardware and software	3 year straight line

#### Revenue recognition

The Town follows the deferral method for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Interest expense

Interest expense on capital debt incurred during the construction or renovation of capital assets is capitalized. The interest capitalization period begins with the first expenditure for the asset, except for projects financed by the proceeds of tax-exempt debt restricted to the specific projects in which case interest is capitalized from the date of borrowing. The interest capitalization period ends when the asset is substantially complete.



# Town of Stratford

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

<b>2. Investments, at cost</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Stratford Business Park Corporation Inc., 100 common shares	\$ 100	\$ 100
Capital Area Recreation Inc. (Note 11)	385,000	385,000
Charlottetown Area Development Corporation (CADC), 50 common shares (Note 12)	<u>132,500</u>	<u>-</u>
	<b><u>\$ 517,600</u></b>	<b><u>\$ 385,100</u></b>

<b>3. Lease receivable</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
CHANCES Inc., 5.48% capital lease, repayable in equal monthly instalments of \$1,020 consisting of principal and interest.	\$ 105,872	\$ 112,123
Less: current portion	<u>6,603</u>	<u>6,251</u>
	<b><u>\$ 99,269</u></b>	<b><u>\$ 105,872</u></b>

<b>4. Loan receivable</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Stratford Soccer Association, non-interest bearing, repayable in annual principal instalments of \$10,000.	\$ 40,000	\$ 50,000
Less: current portion	<u>10,000</u>	<u>10,000</u>
	<b><u>\$ 30,000</u></b>	<b><u>\$ 40,000</u></b>

<b>5. Capital assets</b>				<b><u>2006</u></b>	<b><u>2005</u></b>
	<u>Cost</u>	<u>Grants and Contributions</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 810,402	\$ -	\$ -	\$ 810,402	\$ 810,402
Public art	8,669	1,500	-	7,169	5,314
Multi purpose facility	6,011,180	743,300	737,666	4,530,214	4,729,845
Buildings	639,302	46,512	266,689	326,101	340,132
Sidewalks, trails and parks	1,264,677	173,865	851,278	239,534	259,068
Other assets	1,064,512	334,499	641,644	88,369	98,160
Roadways and paving	153,890	79,780	3,706	70,404	-
Vehicles	96,005	-	61,939	34,066	22,745
Equipment	516,702	-	462,800	53,902	59,962
Computer hardware and software	88,385	-	83,428	4,957	6,377
	<b><u>\$10,653,724</u></b>	<b><u>\$ 1,379,456</u></b>	<b><u>\$ 3,109,150</u></b>	<b><u>\$ 6,165,118</u></b>	<b><u>\$ 6,332,005</u></b>

# Town of Stratford

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

### 6. Bank indebtedness

Bank indebtedness consists of an operating loan. The Company has an authorized operating line of credit of \$750,000, of which \$513,498 was unused at December 31, 2006. Bank indebtedness consists of:

	<u>2006</u>	<u>2005</u>
Bank Indebtedness	\$ (236,502)	\$ -
Outstanding cheques	(93,697)	-
Outstanding deposits	<u>783</u>	<u>-</u>
	<u>\$ (329,416)</u>	<u>\$ -</u>

### 7. Employee benefits payable

The liability of \$43,211 (2005 - \$60,475) has been accrued for future employee benefits for sick leave and vacation pay.

### 8. Long term debt

	<u>2006</u>	<u>2005</u>
5.25% Bank of Montreal loan payable in equal monthly instalments of \$1,002 including interest, maturing in September 2011, amortized to September 2011.	\$ 50,396	\$ 55,897
4.67% Bank of Montreal loan payable in equal monthly instalments of \$2,685 including interest, maturing in November 2016, amortized to December 2021.	345,744	360,106
5.20% Metro Credit Union Ltd. loan payable in equal monthly instalments of \$701 including interest, maturing in January 2008, amortized to January 2023.	91,927	95,509
4.87% Bank of Montreal loan payable in equal monthly instalments of \$13,186 including interest, maturing in February 2008, amortized to February 2023.	1,756,804	1,827,631
5.05% Bank of Montreal loan payable in equal monthly instalments of \$21,150 including interest, maturing in March 2008, amortized to March 2028.	3,290,801	3,376,112
4.23% Bank of Montreal loan payable in equal monthly instalments of \$7,662 including interest, maturing in February 2009, amortized to February 2014.	565,319	631,834

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# Town of Stratford

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 8. Long term debt (cont'd)

5.50% PEI Business Development loan, semi-annual payments of interest only, maturing in June 2008.	<u>132,500</u>	-
	<b>6,233,491</b>	6,347,089
Less: current portion	<u>263,095</u>	<u>251,824</u>
	<b><u>\$ 5,970,396</u></b>	<b><u>\$ 6,095,265</u></b>

Principal repayments in each of the next five years are due as follows: 2007 - \$263,095; 2008 - \$275,915; 2009 - \$289,367; 2010 - \$302,519; 2011 - \$316,141.

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### 9. Deferred funding

During the year the Town was allocated \$177,822 (2005 - \$177,822) under the New Deal Gas Tax Funding for Incorporated Communities agreement. The Town must use their allocation of the New Deal Gas Tax funds for eligible infrastructure and capacity building projects as outlined in the agreement dated November 22, 2005. During the year \$266,733 was allocated to eligible projects.

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### 10. Contingency

The National Bank holds a \$1,500,000 letter of guarantee from the Town as security for loans of the Stratford Business Park Corporation Inc.

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### 11. Commitments

As part of an agreement dated November 28, 2002 the Town agreed to provide fixed capital funding to Capital Area Recreation Inc. (CARI) for the construction of an aquatic facility. As part of the agreement CARI shall submit an annual business plan and budget for approval by the Town relating to the Town's recreation programs to include scheduling, rates and subsidies. As part of the agreement the Town can appoint a member to the Board of Directors of CARI.

The Town has made a commitment to CARI to fund 8% of the aquatic facility's operational shortfall to a maximum of \$3,000 per year as well as contributing 8% to the capital replacement sinking fund to a maximum of \$6,582 per year, adjusted for inflation.

The Town Council has approved the payment of a \$30,000 grant to the Pownal Sports Centre in 2007.

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### 12. Charlottetown Area Development Corporation

During the year the Town purchased 50 common shares of CADC from the Province of Prince Edward Island. As part of this agreement the Town can sell the shares back to the Province for the original purchase price, any time during the two year period from the date of purchase. As a shareholder of CADC the Town is entitled to appoint one member to the Board of Directors of CADC.

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# Town of Stratford

## Notes to the Non-Consolidated Financial Statements

December 31, 2006

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### 13. Robert L. Cotton Memorial Park

During 1998, the Town received from the Province of Prince Edward Island, for a nominal fee of \$1, the land and buildings currently known as the Robert L. Cotton Memorial Park. The purchase agreement with the Province stipulates that no income can be generated from this property and the property cannot be sold in part or as a whole. The property must be returned to the Province for the same nominal fee of \$1 should the Town no longer desire to own the property.

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### 14. External restrictions

The Town has agreements with external parties that stipulate the purpose for which certain funds can be used. The subdivision dedication fees received totalling \$31,608 (2005 - \$29,096) are to be used only for parkland development and are shown in reserves.

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### 15. Related party transactions

The Company had the following transactions with related parties:

- (a) Received rent revenue of approximately \$33,600 (2005 - \$26,711) and wage reimbursements of approximately \$238,711 (2005 - \$217,300) from a common controlled company, Stratford Utility Corporation. The Town also paid to the Utility a capital contribution of \$26,123 (2005 - \$25,364).
  - (b) Received administration fees of approximately \$7,500 (2005 - \$7,500) from a common controlled company, the Stratford Community Seniors' Complex Ltd.
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### 16. Government grants

During the year, the Town received \$21,172 (2005 - \$45,877) in wage grants from the Federal and Provincial governments which were netted against wage expenses. The Town also received \$249,894 (2005 - \$24,321) in grants during the year for capital asset additions. These grants have been credited to the cost of the applicable asset.

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### 17. Budget

The budget figures have not been audited and have been included on the financial statements for comparative purposes only.

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### 18. Comparative figures

Certain of the figures on the 2005 financial statements have been reclassified to conform to the 2006 financial statement presentation.

# Town of Stratford

## Schedule of Expenditures

Year Ended December 31	Budget	2006	2005
<b>Finance and administration</b>			
Advertising	\$ 11,000	\$ 10,383	\$ 16,529
Bank charges and interest	14,000	16,511	11,860
Community group support	2,000	-	2,000
Computer support services	9,000	10,275	5,922
Fees and journals	3,700	2,722	3,121
Insurance	50,000	47,779	57,000
Interest on long term debt	332,000	315,553	322,039
Leased equipment	7,300	6,390	5,640
Office supplies	20,000	25,265	19,168
Postage and courier	4,500	4,432	4,351
Professional fees	15,000	10,916	20,041
Property taxes	23,000	20,279	7,139
Property tax rebates	11,600	11,751	10,374
Salaries and benefits	160,100	140,523	131,679
Sister Cities reunion	-	-	2,500
Staff development and travel	6,900	2,864	2,742
Telephone and fax	23,000	20,351	26,543
Workers compensation	10,500	8,131	11,096
	<u>\$ 703,600</u>	<u>\$ 654,125</u>	<u>\$ 659,744</u>

# Town of Stratford

## Schedule of Expenditures

Year Ended December 31	Budget	2006	2005
<b>General government</b>			
Animal control	\$ 23,100	\$ 22,702	\$ 21,875
Committee expenses	20,500	17,608	21,712
Contingency fund	10,000	6,923	-
Donations and gifts	8,000	12,558	6,600
Dues - Federations of PEI and Canadian Municipalities	9,100	8,208	8,208
Economic development	10,000	13,380	5,885
Election	6,000	5,541	18,830
Fire protection	147,900	147,900	142,273
Mayor and council expenses			
Council honorariums	41,200	43,172	39,115
Discretionary fund	4,000	3,320	2,759
Council development and travel	20,000	29,115	20,849
RCMP contract	429,300	403,114	352,102
RCMP office lease	8,800	8,800	8,800
Professional fees			
Consulting	10,000	6,628	16,858
Legal	15,000	29,914	21,802
Promotional expenditures	13,500	19,869	8,226
Salaries and benefits	113,800	111,962	105,000
Staff development and travel	7,000	7,904	9,159
Staff EAP and incentives	4,500	4,254	6,059
Street lighting	92,000	97,364	89,632
	<u>\$ 993,700</u>	<u>\$ 1,000,236</u>	<u>\$ 905,744</u>

# Town of Stratford

## Schedule of Expenditures

Year Ended December 31	Budget	2006	2005
<b>Planning</b>			
Administrative expenses	\$ 4,500	\$ 3,649	\$ -
Heritage	2,000	-	-
Newsletter	9,500	9,059	12,266
Planning board	-	-	3,694
Professional fees	73,200	65,208	-
Salaries and benefits	144,000	144,247	141,075
Staff development and travel	<u>7,800</u>	<u>5,209</u>	<u>6,852</u>
	<u>\$ 241,000</u>	<u>\$ 227,372</u>	<u>\$ 163,887</u>

# Town of Stratford

## Schedule of Expenditures

Year Ended December 31	Budget	2006	2005
<b>Public works</b>			
Beautification plan	\$ 8,000	\$ 8,735	\$ 7,607
Buildings maintenance	97,000	133,280	105,483
Electricity	67,000	46,996	65,962
Fuel	14,000	10,243	8,182
Grass cutting	23,300	25,174	19,626
Professional fees	3,000	-	-
Salaries and benefits	280,000	280,983	273,847
Sewer charges	10,000	8,005	7,601
Sidewalk maintenance	3,000	976	1,195
Signage	2,100	1,863	1,196
Small tools	3,000	2,631	3,047
Snow removal	28,100	16,242	31,919
Staff development and travel	4,000	2,775	1,735
Truck operating	22,000	18,499	21,128
	<u>\$ 564,500</u>	<u>\$ 556,402</u>	<u>\$ 548,528</u>



# Town of Stratford

## Schedule of Expenditures

Year Ended December 31	Budget	2006	2005
<b>Recreation</b>			
Events	\$ 20,500	\$ 16,554	\$ 20,779
Grants and agreements			
CARI operating	10,000	15,000	9,364
Glen Stewart playground	15,000	15,000	16,000
Pownal rink	30,000	30,000	30,000
School levy	700	-	700
Maintenance			
Playground	11,000	11,103	15,369
Sports fields	18,000	14,795	16,421
Trails	5,000	5,949	1,063
Professional fees	3,000	4,454	-
Programs	12,000	9,732	10,070
Promotion	1,000	240	2,851
Rink operations	2,000	1,856	628
Salaries and benefits	237,700	223,351	216,594
Staff development and travel	7,000	10,382	7,085
	<u>\$ 372,900</u>	<u>\$ 358,416</u>	<u>\$ 346,924</u>