

CORPORATION OF THE TOWNSHIP

OF MALAHIDE

Consolidated Financial Statements

December 31, 2014

CORPORATION OF THE TOWNSHIP OF MALAHIDE
Consolidated Financial Statements
For the Year Ended December 31, 2014

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GRAHAM SCOTT ENNS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

P. 519-633-0700 · F. 519-633-7009
450 Sunset Drive, St. Thomas, ON N5R 5V1

P. 519-773-9265 · F. 519-773-9683
25 John Street South, Aylmer, ON N5H 2C1

www.grahamscottenns.com

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Township of Malahide:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the **Corporation of the Township of Malahide**, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated statement of financial position of the **Corporation of the Township of Malahide** as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

June 4, 2015

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Consolidated Statement of Financial Position December 31, 2014

	2014	2013
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	2,196,654	1,719,278
Taxes receivable (net of allowance of \$237,723; 2013 - \$222,723)	1,928,059	1,744,730
Accounts receivable	<u>1,109,978</u>	<u>866,335</u>
Total financial assets	<u>5,234,691</u>	<u>4,330,343</u>
FINANCIAL LIABILITIES		
Deferred revenue - obligatory reserve funds (Note 5)	76,901	117,518
Accounts payable and accrued liabilities	1,698,390	1,615,683
Net long-term liabilities (Note 3)	<u>1,156,704</u>	<u>1,253,898</u>
Total financial liabilities	<u>2,931,995</u>	<u>2,987,099</u>
NET FINANCIAL ASSETS	<u>2,302,696</u>	<u>1,343,244</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	43,461,782	43,842,728
Inventories	66,790	48,916
Prepaid expenses	<u>112,335</u>	<u>11,621</u>
Total non-financial assets	<u>43,640,907</u>	<u>43,903,265</u>
ACCUMULATED SURPLUS (NOTE 4)	<u>45,943,603</u>	<u>45,246,509</u>

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

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2014**

	Budget (Note 9) <u>\$</u>	Actual 2014 <u>\$</u>	Actual 2013 <u>\$</u>
REVENUES			
Property taxation	5,836,927	5,885,288	5,562,794
Taxation from other governments	776,679	775,348	766,643
User charges, licenses, permits	1,655,495	1,705,857	1,604,356
Local improvement levies	-	109,771	121,576
Government transfers:			
Federal	264,826	387,235	618,683
Provincial	1,447,265	1,588,317	1,626,398
Other municipalities	1,094,204	1,187,110	1,291,002
Investment income	42,877	35,531	29,059
Penalties and interest on taxes	200,000	248,982	234,237
Other, fines and donations	57,625	69,547	150,196
Gain (loss) on disposal of tangible capital assets	<u>70,000</u>	<u>(11,200)</u>	<u>179,476</u>
Total revenues	<u>11,445,898</u>	<u>11,981,786</u>	<u>12,184,420</u>
EXPENSES			
General government	1,280,426	1,265,768	1,225,758
Fire and police protection	2,090,047	1,735,884	1,687,586
Other protective services	464,565	383,839	386,649
Transportation services	4,608,118	4,687,427	5,385,882
Waterworks and sewer	770,915	995,488	806,491
Garbage collection and disposal	539,455	501,618	465,194
Health services	24,100	30,211	30,898
Recreation and cultural services	1,333,706	1,271,470	1,245,797
Planning and zoning	304,814	254,214	255,957
Agriculture	<u>123,438</u>	<u>158,773</u>	<u>348,944</u>
Total expenses (Note 10)	<u>11,539,584</u>	<u>11,284,692</u>	<u>11,839,156</u>
ANNUAL SURPLUS	(93,686)	697,094	345,264
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>45,246,509</u>	<u>45,246,509</u>	<u>44,901,245</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 4)	<u>45,152,823</u>	<u>45,943,603</u>	<u>45,246,509</u>

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

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2014**

	Budget (Note 9) \$	Actual 2014 \$	Actual 2013 \$
ANNUAL SURPLUS	(93,686)	697,094	345,264
Acquisition of tangible capital assets	(1,605,739)	(1,605,739)	(1,299,996)
Amortization of tangible capital assets	1,947,457	1,947,457	1,842,179
Proceeds on disposal of tangible capital assets	-	28,029	237,934
Change in inventories and prepaid expenses	-	(118,589)	(13,740)
Gain on disposal of tangible capital assets	-	11,200	(179,476)
INCREASE IN NET FINANCIAL ASSETS	248,032	959,452	932,165
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,343,244</u>	<u>1,343,244</u>	<u>411,079</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>1,591,276</u>	<u>2,302,696</u>	<u>1,343,244</u>

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

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Consolidated Statement of Cash Flows For the Year Ended December 31, 2014

	2014	2013
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	697,094	345,264
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	1,947,457	1,842,179
Loss (gain) on disposal of tangible capital assets	<u>11,200</u>	<u>(179,476)</u>
	2,655,751	2,007,967
Change in non-cash assets and liabilities related to operations (Note 10 [b])	<u>(503,471)</u>	<u>811,725</u>
Net change in cash from operating activities	<u>2,152,280</u>	<u>2,819,692</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,605,739)	(1,299,996)
Proceeds on disposal of tangible capital assets	<u>28,029</u>	<u>237,934</u>
Net change in cash from capital activities	<u>(1,577,710)</u>	<u>(1,062,062)</u>
FINANCING ACTIVITIES		
Long-term debt issued	75,000	129,288
Long-term debt advances (repayment)	<u>(172,194)</u>	<u>(1,392,471)</u>
Net change in cash from financing activities	<u>(97,194)</u>	<u>(1,263,183)</u>
NET CHANGE IN CASH	477,376	494,447
CASH, BEGINNING OF YEAR	<u>1,719,278</u>	<u>1,224,831</u>
CASH, END OF YEAR	<u>2,196,654</u>	<u>1,719,278</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	<u>52,560</u>	<u>88,555</u>
Cash received for interest on investments	<u>35,531</u>	<u>30,662</u>

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

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

The Corporation of the Township of Malahide (the "Municipality") is a municipality in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Consolidated Entities

There are no organizations or local boards that are consolidated in these financial statements.

Proportionate Consolidation

The East Elgin Community Complex, a joint local board with the Town of Aylmer, is consolidated on a proportionate basis. Operation of the facility is shared equally between the two municipalities.

The Aylmer Area Secondary Water Supply System and the Port Burwell Area Secondary Water Supply System have been consolidated on a proportionate basis, based upon the water flow used by the Municipality in proportion to the total water flow provided by the joint boards.

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenses 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.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Financial Assets

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

i) 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	10 to 50 years
Buildings	10 to 95 years
Equipment	2 to 10 years
Vehicles	7 to 20 years
Transportation infrastructure	20 to 50 years
Water system infrastructure	15 to 100 years
Wastewater infrastructure	50 to 100 years

Amortization begins the first month of the year following the year the asset is placed in service and continues to the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

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

iii) Inventories

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

iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

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

Accounting for County and School Board Transactions

Although the Municipality collects taxation on behalf of the County of Elgin and the School Boards, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the County and the school boards are not reflected in these financial statements.

Government Transfers

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

In addition, the Municipality 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 the gas tax funds.

Employee Benefit Plans

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on length of service and rates of pay. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2014 the Municipality received \$6,660,636 (2013 - \$6,329,437) in property tax revenues for municipal purposes. 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 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 revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time 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 Municipality may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value 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 (e.g. uncollectible amounts, write-offs, etc.).

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for public sector entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, allowances for vacancies, rebates and uncollectible property taxes and in performing actuarial valuations of employee future benefits.

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

Actual results could differ from these estimates.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

2. TANGIBLE CAPITAL ASSETS

December 31, 2014				
Cost	Opening	Additions	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Linear - Roadways	37,466,214	1,449,207	(108,771)	38,806,650
Linear - Water Services	3,490,929	949,348	(82,535)	4,357,742
Linear - Waste Water Services	3,959,395	-	-	3,959,395
Infrastructure Total	<u>44,916,538</u>	<u>2,398,555</u>	<u>(191,306)</u>	<u>47,123,787</u>
<u>General</u>				
Land	730,245	43,622	(62,604)	711,263
Land Improvements	1,945,465	33,615	-	1,979,080
Buildings	11,130,169	41,425	(38,785)	11,132,809
Machinery and Equipment	1,662,515	299,781	(88,637)	1,873,659
Vehicles	5,696,279	265,674	-	5,961,953
General Total	<u>21,164,673</u>	<u>684,117</u>	<u>(190,026)</u>	<u>21,658,764</u>
Work In Progress	1,371,428	84,386	(1,263,435)	192,379
Total Cost	<u>67,452,639</u>	<u>3,167,058</u>	<u>(1,644,767)</u>	<u>68,974,930</u>
Accumulated Amortization				
	Opening	Amortization	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Linear - Roadways	15,474,580	1,021,406	96,991	16,592,977
Linear - Water Services	994,087	62,293	30,052	1,086,432
Linear - Waste Water Services	504,371	39,567	-	543,938
Infrastructure Total	<u>16,973,038</u>	<u>1,123,266</u>	<u>127,043</u>	<u>18,223,347</u>
<u>General</u>				
Land Improvements	1,047,666	62,700	(476)	1,109,890
Buildings	2,492,601	270,253	(45,141)	2,717,713
Machinery and Equipment	714,185	156,415	(71,974)	798,626
Vehicles	2,382,421	334,823	(53,672)	2,663,572
General Total	<u>6,636,873</u>	<u>824,191</u>	<u>(171,263)</u>	<u>7,289,801</u>
Total Accumulated Amortization	<u>23,609,911</u>	<u>1,947,457</u>	<u>(44,220)</u>	<u>25,513,148</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	21,991,634			22,213,673
Linear - Water Services	2,496,842			3,271,310
Linear - Waste Water Services	3,455,024			3,415,457
	27,943,500			28,900,440
<u>General</u>				
Land	730,245			711,263
Land Improvements	897,799			869,190
Buildings	8,637,568			8,415,096
Machinery and Equipment	948,330			1,075,033
Vehicles	3,313,858			3,298,381
	14,527,800			14,368,963
Work in Progress	1,371,428			192,379
Total Net Book Value	<u>43,842,728</u>			<u>43,461,782</u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014**

2. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2013					
Cost	Opening	Additions	Disposals and Adjustments	Ending	
<u>Infrastructure</u>					
Linear - Roadways	36,620,730	1,192,713	(347,229)	37,466,214	
Linear - Water Services	3,456,366	34,563	-	3,490,929	
Linear - Waste Water Services	3,959,395	-	-	3,959,395	
Infrastructure Total	<u>44,036,491</u>	<u>1,227,276</u>	<u>(347,229)</u>	<u>44,916,538</u>	
<u>General</u>					
Land	732,772	-	(2,527)	730,245	
Land Improvements	1,858,651	114,243	(27,429)	1,945,465	
Buildings	11,122,842	7,327	-	11,130,169	
Machinery and Equipment	1,625,204	71,620	(34,309)	1,662,515	
Vehicles	5,313,210	652,133	(269,064)	5,696,279	
General Total	<u>20,652,679</u>	<u>845,323</u>	<u>(333,329)</u>	<u>21,164,673</u>	
Work in Progress	2,144,031	265,000	(1,037,603)	1,371,428	
Total Cost	<u>66,833,201</u>	<u>2,337,599</u>	<u>(1,718,161)</u>	<u>67,452,639</u>	
Accumulated Amortization	Opening	Amortization	Disposals and Adjustments	Ending	
<u>Infrastructure</u>					
Linear - Roadways	14,861,589	921,306	(308,315)	15,474,580	
Linear - Water Services	931,177	62,910	-	994,087	
Linear - Waste Water Services	464,777	39,594	-	504,371	
Infrastructure Total	<u>16,257,543</u>	<u>1,023,810</u>	<u>(308,315)</u>	<u>16,973,038</u>	
<u>General</u>					
Land Improvements	1,010,076	57,009	(19,419)	1,047,666	
Buildings	2,222,599	270,002	-	2,492,601	
Machinery and Equipment	582,423	166,071	(34,309)	714,185	
Vehicles	2,317,191	325,287	(260,057)	2,382,421	
General Total	<u>6,132,289</u>	<u>818,369</u>	<u>(313,785)</u>	<u>6,636,873</u>	
Total Accumulated Amortization	<u>22,389,832</u>	<u>1,842,179</u>	<u>(622,100)</u>	<u>23,609,911</u>	
Net Book Value	Opening			Ending	
<u>Infrastructure</u>					
Linear - Roadways	21,759,141			21,991,634	
Linear - Water Services	2,525,189			2,496,842	
Linear - Waste Water Services	3,494,618			3,455,024	
	27,778,948			27,943,500	
<u>General</u>					
Land	732,772			730,245	
Land improvements	848,575			897,799	
Buildings	8,900,243			8,637,568	
Machinery and Equipment	1,042,781			948,330	
Vehicles	2,996,019			3,313,858	
	14,520,390			14,527,800	
Work in Progress	2,144,031			1,371,428	
Total Net Book Value	<u>44,443,369</u>			<u>43,842,728</u>	

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

3. NET LONG-TERM LIABILITIES

- a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position consists of the following:

	2014	2013
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	1,210,882	1,316,596
Tile drainage loans assumed by the individual	<u>(54,178)</u>	<u>(62,698)</u>
Total long-term liabilities at the end of the year	<u>1,156,704</u>	<u>1,253,898</u>

- b) Principal repayments are summarized as follows:

	2015	2016	2017	2018	2019	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	76,993	80,062	83,254	86,575	90,029	612,223	1,029,136
User charges	<u>58,728</u>	<u>28,247</u>	<u>27,266</u>	<u>13,327</u>	-	-	<u>127,568</u>
	<u>135,721</u>	<u>108,309</u>	<u>110,520</u>	<u>99,902</u>	<u>90,029</u>	<u>612,223</u>	<u>1,156,704</u>

- c) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued after January 31, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- d) Interest rates range from 2.4% to 6.6%. Interest expense on long-term liabilities in 2014 amounted to \$52,560 (2013 - \$88,555).
- e) The Municipality is contingently liable for municipal debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2014 is \$54,178 (2013 - \$62,698) and is not recorded on the Consolidated Statement of Financial Position.
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CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

4. ACCUMULATED SURPLUS

The accumulated surplus consists of individual fund surplus and reserves as follows:

	2014	2013
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	22,551	6,704
Consolidated water boards reserves	338,400	285,862
Consolidated East Elgin Community Centre Complex reserve	45,663	33,414
Benefiting land owners	(70,873)	(60,903)
Invested in tangible capital assets	43,461,782	43,842,728
Unfunded capital projects	(647,890)	(612,605)
Reserves	<u>3,950,674</u>	<u>3,005,207</u>
	47,100,307	46,500,407
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(1,156,704)</u>	<u>(1,253,898)</u>
ACCUMULATED SURPLUS	<u>45,943,603</u>	<u>45,246,509</u>
RESERVES		
Reserves set aside for specific purposes by council:		
Working capital	666,943	633,943
Contingencies	39,439	39,439
Roadway purposes	561,878	813,221
Water and sewer purposes	541,022	459,352
Asset replacement purposes	1,401,256	538,645
Other municipal services	<u>740,136</u>	<u>520,607</u>
Total reserves	<u>3,950,674</u>	<u>3,005,207</u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2014	2013
	<u>\$</u>	<u>\$</u>
Development charges	74,394	838
Federal gas tax	1,507	116,681
Other deferred revenues	<u>1,000</u>	<u>-</u>
	<u>76,901</u>	<u>117,519</u>

6. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (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. 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 the members have earned to date. The most recent actuarial valuation of the Plan was conducted December 31, 2014, and the results of this valuation disclosed actuarial liabilities of \$77.3 billion in respect of benefits accrued for service with actuarial assets at that date of \$70.2 billion leaving an actuarial deficit of \$7.1 billion.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS Pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2014 was \$203,306 (2013 - \$181,124).

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

7. OPERATIONS OF THE SCHOOL BOARDS AND COUNTY OF ELGIN

During 2014, requisitions were made by the school boards and the County of Elgin requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards \$	County \$
Taxation	2,085,230	4,691,318
Share of payments in lieu of taxes	<u>2,967</u>	<u>314,780</u>
Amounts requisitioned	<u>2,088,197</u>	<u>5,006,098</u>

8. CONTINGENT LIABILITIES

From time to time, the Municipality is subject to claims and lawsuits that arise in the ordinary course of business. These claims may be covered by the Municipality's insurance up to a maximum amount per occurrence. In the opinion of management, any litigation, if successful would not have a material impact on the financial position of the Municipality.

Management has identified a specific lawsuits that will not be covered by insurance. Management has allowed for \$45,000 in 2014. These lawsuits are vigorously defended and as such any additional costs related to these lawsuits will be expensed when incurred or when additional information becomes available.

Estimated costs to settle claims are based on available information and projections of estimated future expenses developed based on the Municipality's historical experience. Claims are reported as an operating expense in the year of the loss, where the costs are deemed to be likely and can be reasonable determined. Claim provisions are reported as a liability in the consolidated statement of financial position.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

9. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2014 is reflected on the consolidated statement of operations. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures, amortization and debt financing and repayment.

	Approved Budget \$	Adjustments \$	PSAB Budget \$
REVENUES			
Property taxation	5,836,927	-	5,836,927
Taxation from other governments	776,679	-	776,679
User charges	1,284,977	370,518	1,655,495
Government transfers			
Federal	264,826	-	264,826
Provincial	1,413,100	34,165	1,447,265
Other municipalities	1,094,204	-	1,094,204
Investment income	39,000	3,877	42,877
Penalties and interest on taxes	200,000	-	200,000
Other	131,734	(74,109)	57,625
Reserve transfers	1,592,150	(1,592,150)	-
Gain on disposal of tangible capital assets	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Total revenues	<u>12,703,597</u>	<u>(1,257,699)</u>	<u>11,445,898</u>
EXPENSES			
General government	1,415,458	(135,032)	1,280,426
Fire and police protection	2,230,220	(140,173)	2,090,047
Other protective services	489,740	(25,175)	464,565
Transportation services	5,636,879	(1,028,761)	4,608,118
Waterworks and sewers	785,297	(14,382)	770,915
Garbage collection and disposal	542,355	(2,900)	539,455
Health services	27,000	(2,900)	24,100
Recreation and cultural services	1,106,738	226,968	1,333,706
Planning and zoning	337,010	(32,196)	304,814
Agriculture	<u>132,900</u>	<u>(9,462)</u>	<u>123,438</u>
Total expenses	<u>12,703,597</u>	<u>(1,164,013)</u>	<u>11,539,584</u>
BUDGETED ANNUAL SURPLUS (DEFICIT)	<u>-</u>	<u>(93,686)</u>	<u>(93,686)</u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

10. SUPPLEMENTARY INFORMATION:

	2014	2013
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	3,942,592	3,628,776
Long-term debt interest expense	52,561	88,555
Materials	2,631,295	2,578,852
Contracted services	2,575,767	3,613,148
Amortization	1,947,457	1,842,179
Transfer to others	<u>135,020</u>	<u>87,646</u>
	<u>11,284,692</u>	<u>11,839,156</u>
 [b] Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in taxes receivable	(183,329)	(294,634)
(Increase) decrease in accounts receivable	(243,643)	1,600,238
(Increase) decrease in inventories and prepaid expenses	(118,589)	(13,740)
Increase (decrease) in accounts payable and accrued liabilities	82,707	(101,602)
Increase (decrease) in deferred revenue - obligatory reserve funds	<u>(40,617)</u>	<u>(378,537)</u>
	<u>(503,471)</u>	<u>811,725</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2014 consolidated financial statement presentation.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

12. SEGMENTED INFORMATION

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

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

General government

General government is comprised of municipal council, corporate management and program support.

Protection services

Protection services are comprised of the fire, police, conservation authority, building inspection and animal control, emergency measures and provincial offences.

Transportation services

Transportation services are comprised of roads, bridges, winter control, parking and street lighting.

Environmental services

Environmental services are comprised of the provision of safe drinking water, the collection and treatment of waste water and waste collection, disposal and recycling.

Health services

Health services are comprised of public health services and cemeteries.

Recreation and cultural services

Recreation and cultural services are comprised of parks, recreation programs, recreation and community facilities, and cultural services.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

12. SEGMENTED INFORMATION (CONTINUED)

Planning and development

Planning and development is comprised of planning and zoning, commercial and industrial development, economic development and tourism, and agricultural and reforestation.

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Consolidated Schedule of Segment Disclosure
For the Year Ended December 31, 2014**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	957,386	1,707,618	2,798,500	410,246	30,270	649,083	217,303	6,770,406
Sales of services and regulatory fees	233,717	52,288	17,831	876,947	-	457,252	101,600	1,739,635
Government transfers	1,519,669	18,563	1,348,321	105,196	-	-	27,251	3,019,000
Other	355,118	61,009	30,456	10,730	-	1,533	5,099	463,945
Gain(loss) on disposal of capital assets	(11,200)	-	-	-	-	-	-	(11,200)
	<u>3,054,690</u>	<u>1,839,478</u>	<u>4,195,108</u>	<u>1,403,119</u>	<u>30,270</u>	<u>1,107,868</u>	<u>351,253</u>	<u>11,981,786</u>
EXPENSES								
Salaries, wages and employees benefits	1,018,902	606,857	1,418,383	133,046	3,700	484,626	277,078	3,942,592
Long-term debt interest expense	14	12,400	-	2,752	-	28,562	8,833	52,561
Materials	108,385	217,439	1,549,690	265,019	22,147	431,457	37,158	2,631,295
Contracted services, rents and financial	94,900	945,299	450,350	963,486	4,364	41,105	76,263	2,575,767
External transfers	-	93,712	-	-	-	41,308	-	135,020
Amortization	43,568	244,017	1,269,004	132,804	-	244,412	13,652	1,947,457
	<u>1,265,769</u>	<u>2,119,724</u>	<u>4,687,427</u>	<u>1,497,107</u>	<u>30,211</u>	<u>1,271,470</u>	<u>412,984</u>	<u>11,284,692</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,788,921</u>	<u>(280,246)</u>	<u>(492,319)</u>	<u>(93,988)</u>	<u>59</u>	<u>(163,602)</u>	<u>(61,731)</u>	<u>697,094</u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Consolidated Schedule of Segment Disclosure
For the Year Ended December 31, 2013**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation Services	Planning and Development Services	Total
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Taxation and local improvements	637,993	1,707,618	2,798,500	410,246	30,270	649,083	217,303	6,451,013
Sales of services and regulatory fees	161,770	51,148	44,531	858,926	-	456,974	31,006	1,604,355
Government transfers	1,637,051	35,922	1,711,304	92,265	-	5,726	67,473	3,549,741
Other	237,333	54,772	2,488	44,056	-	11,186	50,000	399,835
Loss on disposal of capital assets	<u>155,073</u>	<u>-</u>	<u>360</u>	<u>-</u>	<u>-</u>	<u>24,043</u>	<u>-</u>	<u>179,476</u>
	<u>2,829,220</u>	<u>1,849,460</u>	<u>4,557,183</u>	<u>1,405,493</u>	<u>30,270</u>	<u>1,147,012</u>	<u>365,782</u>	<u>12,184,420</u>
EXPENSES								
Salaries, wages and employees benefits	964,855	545,447	1,281,621	122,397	3,702	428,227	282,527	3,628,776
Long-term debt interest expense	-	-	-	7,484	-	74,717	6,354	88,555
Materials	54,410	373,895	1,426,088	137,940	22,817	489,488	74,214	2,578,852
Contracted services, rents and financial	141,698	834,077	1,507,783	870,135	4,379	16,651	238,425	3,613,148
External transfers	-	87,646	-	-	-	-	-	87,646
Amortization	<u>64,795</u>	<u>233,170</u>	<u>1,170,390</u>	<u>133,729</u>	<u>-</u>	<u>236,714</u>	<u>3,381</u>	<u>1,842,179</u>
	<u>1,225,758</u>	<u>2,074,235</u>	<u>5,385,882</u>	<u>1,271,685</u>	<u>30,898</u>	<u>1,245,797</u>	<u>604,901</u>	<u>11,839,156</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,603,462</u>	<u>(224,775)</u>	<u>(828,699)</u>	<u>133,808</u>	<u>(628)</u>	<u>(98,785)</u>	<u>(239,119)</u>	<u>345,264</u>