

CORPORATION OF THE TOWNSHIP

OF MALAHIDE

Consolidated Financial Statements

December 31, 2015

CORPORATION OF THE TOWNSHIP OF MALAHIDE
Consolidated Financial Statements
For the Year Ended December 31, 2015

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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, 2015, 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, 2015, 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 2, 2016

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Consolidated Statement of Financial Position December 31, 2015

	2015	2014
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	2,960,944	2,196,654
Investments (Note 2)	2,000,725	-
Taxes receivable (net of allowance of \$nil; 2014- \$237,723)	1,356,059	1,928,059
Accounts receivable	<u>1,413,307</u>	<u>1,109,978</u>
Total financial assets	<u>7,731,035</u>	<u>5,234,691</u>
FINANCIAL LIABILITIES		
Deferred revenue - obligatory reserve funds (Note 6)	367,854	76,901
Accounts payable and accrued liabilities	2,817,359	1,698,390
Net long-term liabilities (Note 4)	<u>1,020,986</u>	<u>1,156,704</u>
Total financial liabilities	<u>4,206,199</u>	<u>2,931,995</u>
NET FINANCIAL ASSETS	<u>3,524,836</u>	<u>2,302,696</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	43,045,517	43,461,782
Inventories	54,093	66,790
Prepaid expenses	<u>117,704</u>	<u>112,335</u>
Total non-financial assets	<u>43,217,314</u>	<u>43,640,907</u>
ACCUMULATED SURPLUS (NOTE 5)	<u>46,742,150</u>	<u>45,943,603</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, 2015**

	Budget (Note 10) <u>\$</u>	Actual 2015 <u>\$</u>	Actual 2014 <u>\$</u>
REVENUES			
Property taxation	6,212,293	6,170,190	5,885,288
Taxation from other governments	783,910	785,064	775,348
User charges, licenses, permits	1,680,246	1,743,860	1,731,472
Local improvement levies	-	342,976	109,771
Government transfers:			
Federal	-	-	387,235
Provincial	1,600,149	1,631,239	1,588,317
Other municipalities	1,114,778	1,141,289	1,161,495
Investment income	46,096	21,912	35,531
Penalties and interest on taxes	200,000	226,751	248,982
Other, fines and donations	57,625	88,508	69,547
Gain (loss) on disposal of tangible capital assets	-	(59,106)	(11,200)
	<u>11,695,097</u>	<u>12,092,683</u>	<u>11,981,786</u>
EXPENSES			
General government	1,210,657	1,099,617	1,265,768
Fire and police protection	1,928,424	1,863,135	1,735,884
Other protective services	457,903	395,060	383,839
Transportation services	5,281,025	4,775,954	4,687,427
Waterworks and sewer	803,611	832,967	995,488
Garbage collection and disposal	501,946	479,543	501,618
Health services	25,400	30,476	30,211
Recreation and cultural services	1,379,353	1,289,208	1,271,470
Planning and zoning	297,568	242,333	254,214
Agriculture	105,319	285,843	158,773
	<u>11,991,206</u>	<u>11,294,136</u>	<u>11,284,692</u>
Total expenses (Note 11)			
ANNUAL SURPLUS	(296,109)	798,547	697,094
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>45,943,603</u>	<u>45,943,603</u>	<u>45,246,509</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 5)	<u>45,647,494</u>	<u>46,742,150</u>	<u>45,943,603</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, 2015**

	Budget (Note 10) <u>\$</u>	Actual 2015 <u>\$</u>	Actual 2014 <u>\$</u>
ANNUAL SURPLUS	(296,109)	798,547	697,094
Acquisition of tangible capital assets	(1,741,201)	(1,741,201)	(1,605,738)
Amortization of tangible capital assets	2,082,149	2,082,149	1,947,457
Proceeds on disposal of tangible capital assets	-	16,211	28,029
Change in inventories and prepaid expenses	-	7,328	(118,589)
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>59,106</u>	<u>11,200</u>
INCREASE IN NET FINANCIAL ASSETS	44,839	1,222,140	959,453
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,302,696</u>	<u>2,302,696</u>	<u>1,343,243</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>2,347,535</u></u>	<u><u>3,524,836</u></u>	<u><u>2,302,696</u></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, 2015**

	2015	2014
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	798,547	697,094
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	2,082,149	1,947,457
Loss (gain) on disposal of tangible capital assets	<u>59,106</u>	<u>11,200</u>
	2,939,802	2,655,751
Change in non-cash assets and liabilities related to operations (Note 11 [b])	<u>1,685,921</u>	<u>(503,472)</u>
	<u>4,625,723</u>	<u>2,152,279</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(2,000,725)</u>	<u>-</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,741,201)	(1,605,738)
Proceeds on disposal of tangible capital assets	<u>16,211</u>	<u>28,029</u>
	<u>(1,724,990)</u>	<u>(1,577,709)</u>
FINANCING ACTIVITIES		
Long-term debt issued	-	75,000
Long-term debt repayment	<u>(135,718)</u>	<u>(172,194)</u>
	<u>(135,718)</u>	<u>(97,194)</u>
NET CHANGE IN CASH	764,290	477,376
CASH, BEGINNING OF YEAR	<u>2,196,654</u>	<u>1,719,278</u>
CASH, END OF YEAR	<u>2,960,944</u>	<u>2,196,654</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	<u>56,845</u>	<u>48,798</u>
Cash received for interest on investments	<u>21,912</u>	<u>35,531</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, 2015

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.

Investments

Investments, consisting of one fund pooled bond and equity securities, are recorded at the lower of cost plus accrued interest and fair market value. Investment income earned on available funds is reported as revenue in the period earned.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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, 2015

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 preformed.

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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2015 the Municipality received \$6,955,254 (2014 - \$6,660,636) 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.).

Investment Income

Investment income is recognized as revenue in the period when it is earned. When required by funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Financial Instruments

The Municipality's financial instruments consist of cash and cash equivalents, accounts receivable, taxes receivable, accounts payable and accrued liabilities and long-term liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Environmental Provisions and Contaminated Sites

The Municipality may be exposed to litigation or other costs of remediation due to contaminated properties in its jurisdiction. A liability for remediation is recognized in the financial statements when an environmental standard exists, contamination exceeds the standard, the government is responsible for the remediation and a reasonable estimate of the liability can be made. As at December 31, 2015 there were no properties that the Municipality was responsible to remedy and as such no liability has been accrued.

Use of Estimates

The preparation of consolidated 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 expenses during the period. In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. These estimates and assumptions are based on the best information and judgment and may differ significantly from actual results.

2. INVESTMENTS

Investments are comprised of the following:

	2015		2014	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	Cost	Market	Cost	Market
One pooled bond securities funds	1,500,725	1,499,889	-	-
One pooled equity securities funds	<u>500,000</u>	<u>492,088</u>	<u>-</u>	<u>-</u>
	<u>2,000,725</u>	<u>1,991,977</u>	<u>-</u>	<u>-</u>

During the year, the Municipality invested \$2,000,000 (2014- \$Nil) and earned \$725 (2014 - \$nil) of income in the One Investment Program.

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015**

3. TANGIBLE CAPITAL ASSETS

December 31, 2015				
Cost	Opening	Additions	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Linear - Roadways	38,806,650	828,592	(8,882)	39,626,360
Linear - Water Services	4,357,742	47,079	(4,333)	4,400,488
Linear - Waste Water Services	3,959,395	-	-	3,959,395
Infrastructure Total	<u>47,123,787</u>	<u>875,671</u>	<u>(13,215)</u>	<u>47,986,243</u>
<u>General</u>				
Land	711,263	-	-	711,263
Land Improvements	1,979,080	65,326	-	2,044,406
Buildings	11,132,809	33,483	-	11,166,292
Machinery and Equipment	1,873,659	76,749	(56,864)	1,893,544
Vehicles	5,961,953	612,870	(181,202)	6,393,621
General Total	<u>21,658,764</u>	<u>788,428</u>	<u>(238,066)</u>	<u>22,209,126</u>
Work in Progress	192,379	77,102	-	269,481
Total Cost	<u><u>68,974,930</u></u>	<u><u>1,741,201</u></u>	<u><u>(251,281)</u></u>	<u><u>70,464,850</u></u>
 Accumulated Amortization				
	Opening	Amortization	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Linear - Roadways	16,592,977	1,103,525	(3,553)	17,692,949
Linear - Water Services	1,086,432	62,328	(3,883)	1,144,877
Linear - Waste Water Services	543,938	39,567	-	583,505
Infrastructure Total	<u>18,223,347</u>	<u>1,205,420</u>	<u>(7,436)</u>	<u>19,421,331</u>
<u>General</u>				
Land Improvements	1,109,890	71,069	-	1,180,959
Buildings	2,717,713	266,769	-	2,984,482
Machinery and Equipment	798,626	171,710	(56,861)	913,475
Vehicles	2,663,572	367,181	(111,667)	2,919,086
General Total	<u>7,289,801</u>	<u>876,729</u>	<u>(168,528)</u>	<u>7,998,002</u>
Total Accumulated Amortization	<u><u>25,513,148</u></u>	<u><u>2,082,149</u></u>	<u><u>(175,964)</u></u>	<u><u>27,419,333</u></u>
 Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	22,213,673			21,933,411
Linear - Water Services	3,271,310			3,255,611
Linear - Waste Water Services	3,415,457			3,375,890
	<u>28,900,440</u>			<u>28,564,912</u>
<u>General</u>				
Land	711,263			711,263
Land Improvements	869,190			863,447
Buildings	8,415,096			8,181,810
Machinery and Equipment	1,075,033			980,069
Vehicles	3,298,381			3,474,535
	<u>14,368,963</u>			<u>14,211,124</u>
Work in Progress	192,379			269,481
Total Net Book Value	<u><u>43,461,782</u></u>			<u><u>43,045,517</u></u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015**

3. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2014			Disposals and	
Cost	Opening	Additions	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
	<u>27,943,500</u>			<u>28,900,440</u>
<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
	<u>14,527,800</u>			<u>14,368,963</u>
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, 2015

4. NET LONG-TERM LIABILITIES

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

	2015	2014
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	1,066,132	1,210,882
Tile drainage loans assumed by the individual	<u>(45,146)</u>	<u>(54,178)</u>
Total long-term liabilities at the end of the year	<u>1,020,986</u>	<u>1,156,704</u>

- b) Principal repayments are summarized as follows:

	2016	2017	2018	2019	2020	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	80,062	83,254	86,575	90,029	93,623	518,602	952,145
User charges	<u>28,247</u>	<u>27,267</u>	<u>13,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,841</u>
	<u>108,309</u>	<u>110,521</u>	<u>99,902</u>	<u>90,029</u>	<u>93,623</u>	<u>518,602</u>	<u>1,020,986</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 2.7% to 6.6%. Interest expense on long-term liabilities in 2015 amounted to \$56,845 (2014 - \$52,561).
- e) The Municipality is contingently liable for municipal debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2015 is \$45,146 (2014 - \$54,178) 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, 2015

5. ACCUMULATED SURPLUS

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

	2015	2014
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	48,354	22,551
Consolidated water boards reserves	650,366	338,400
Consolidated East Elgin Community Centre Complex reserve	12,551	45,663
Benefiting land owners	(166,756)	(70,874)
Invested in tangible capital assets	43,045,517	43,461,782
Unfunded capital projects	(124,046)	(647,890)
Reserves	<u>4,297,150</u>	<u>3,950,675</u>
	47,763,136	47,100,307
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(1,020,986)</u>	<u>(1,156,704)</u>
ACCUMULATED SURPLUS	<u>46,742,150</u>	<u>45,943,603</u>
RESERVES		
Reserves set aside for specific purposes by council:		
Working capital	701,943	666,943
Contingencies	39,439	39,439
Roadway purposes	833,166	561,879
Water and sewer purposes	617,644	541,022
Asset replacement purposes	1,247,374	1,401,256
Other municipal services	<u>857,584</u>	<u>740,136</u>
Total reserves	<u>4,297,150</u>	<u>3,950,675</u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

6. 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:

	2015	2014
	<u>\$</u>	<u>\$</u>
Development charges	101,521	74,394
Federal gas tax	266,333	1,507
Other deferred revenues	<u>-</u>	<u>1,000</u>
	<u>367,854</u>	<u>76,901</u>

7. 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, 2015, and the results of this valuation disclosed actuarial liabilities of \$81.9 billion in respect of benefits accrued for service with actuarial assets at that date of \$74.9 billion leaving an actuarial deficit of \$7.0 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 2015 was \$212,135 (2014 - \$203,306).

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

8. OPERATIONS OF THE SCHOOL BOARDS AND COUNTY OF ELGIN

During 2015, requisitions were made by the School Boards and the County of Elgin requiring the Municipality to collect taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards \$	County \$
Taxation	1,637,442	4,841,458
Share of payments in lieu of taxes	<u>2,846</u>	<u>321,500</u>
Amounts requisitioned	<u>1,640,288</u>	<u>5,162,958</u>

9. 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 lawsuit that will not be covered by insurance. Management has allowed for \$45,000 in 2015. 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, 2015**

10. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2015 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	6,212,293	-	6,212,293
Taxation from other governments	783,910	-	783,910
User charges	1,346,917	333,329	1,680,246
Government transfers			
Federal	324,118	(264,826)	59,292
Provincial	1,270,300	270,557	1,540,857
Other municipalities	1,114,778	-	1,114,778
Investment income	39,000	7,096	46,096
Penalties and interest on taxes	200,000	-	200,000
Other	57,625	-	57,625
Reserve transfers	<u>1,578,300</u>	<u>(1,578,300)</u>	<u>-</u>
Total revenues	<u>12,927,241</u>	<u>(1,232,144)</u>	<u>11,695,097</u>
EXPENSES			
General government	1,304,139	(93,482)	1,210,657
Fire and police protection	2,460,878	(532,454)	1,928,424
Other protective services	482,428	(24,525)	457,903
Transportation services	5,483,324	(202,299)	5,281,025
Waterworks and sewers	1,098,419	(294,808)	803,611
Garbage collection and disposal	504,946	(3,000)	501,946
Health services	41,600	(16,200)	25,400
Recreation and cultural services	1,105,437	273,916	1,379,353
Planning and zoning	336,140	(38,572)	297,568
Agriculture	<u>109,930</u>	<u>(4,611)</u>	<u>105,319</u>
Total expenses	<u>12,927,241</u>	<u>(936,035)</u>	<u>11,991,206</u>
BUDGETED ANNUAL SURPLUS (DEFICIT)	<u>-</u>	<u>(296,109)</u>	<u>(296,109)</u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2015**

11. SUPPLEMENTARY INFORMATION:

	2015	2014
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	3,746,501	3,942,592
Long-term debt interest expense	56,845	52,561
Materials	2,156,602	2,631,295
Contracted services	3,102,369	2,575,767
Amortization	2,082,150	1,947,457
Transfer to others	<u>149,669</u>	<u>135,020</u>
	<u>11,294,136</u>	<u>11,284,692</u>
 [b] Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in taxes receivable	572,000	(183,329)
(Increase) decrease in accounts receivable	(303,329)	(243,643)
(Increase) decrease in inventories and prepaid expenses	7,328	(118,589)
Increase (decrease) in accounts payable and accrued liabilities	1,118,969	82,706
Increase (decrease) in deferred revenue - obligatory reserve funds	<u>290,953</u>	<u>(40,617)</u>
	<u>1,685,921</u>	<u>(503,472)</u>

CORPORATION OF THE TOWNSHIP OF MALAHIDE

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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, 2015

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, 2015**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	1,121,137	1,879,156	2,975,995	293,138	25,400	631,293	372,111	7,298,230
Sales of services and regulatory fees	56,463	98,543	7,413	1,138,827	1,450	415,796	25,368	1,743,860
Government transfers	1,291,722	14,934	981,243	424,952	-	1,488	58,191	2,772,530
Other	243,916	66,033	-	15,220	-	12,000	-	337,169
Gain(loss) on disposal of capital assets	(59,106)	-	-	-	-	-	-	(59,106)
	<u>2,654,132</u>	<u>2,058,666</u>	<u>3,964,651</u>	<u>1,872,137</u>	<u>26,850</u>	<u>1,060,577</u>	<u>455,670</u>	<u>12,092,683</u>
EXPENSES								
Salaries, wages and employees benefits	904,957	582,747	1,386,581	136,366	6,000	482,345	247,505	3,746,501
Long-term debt interest expense	-	11,409	2,010	1,870	-	26,622	14,934	56,845
Materials	85,742	288,136	1,276,135	39,304	128	426,896	40,261	2,156,602
Contracted services, rents and financial	55,450	1,020,562	731,584	1,001,683	7,348	69,881	215,861	3,102,369
External transfers	-	99,183	-	-	17,000	33,486	-	149,669
Amortization	53,468	256,158	1,379,643	133,286	-	249,979	9,616	2,082,150
	<u>1,099,617</u>	<u>2,258,195</u>	<u>4,775,953</u>	<u>1,312,509</u>	<u>30,476</u>	<u>1,289,209</u>	<u>528,177</u>	<u>11,294,136</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,554,515</u>	<u>(199,529)</u>	<u>(811,302)</u>	<u>559,628</u>	<u>(3,626)</u>	<u>(228,632)</u>	<u>(72,507)</u>	<u>798,547</u>

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	957,387	1,707,618	2,798,500	410,246	30,270	649,083	217,303	6,770,407
Sales of services and regulatory fees	99,824	55,996	11,262	1,050,271	100	457,252	56,767	1,731,472
Government transfers	1,552,908	18,563	1,381,340	105,196	-	-	77,184	3,135,191
Other	282,644	61,009	-	10,730	-	1,533	-	355,916
Loss on disposal of capital assets	(11,200)	-	-	-	-	-	-	(11,200)
	<u>2,881,563</u>	<u>1,843,186</u>	<u>4,191,102</u>	<u>1,576,443</u>	<u>30,370</u>	<u>1,107,868</u>	<u>351,254</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	<u>43,568</u>	<u>244,017</u>	<u>1,269,004</u>	<u>132,804</u>	<u>-</u>	<u>244,412</u>	<u>13,652</u>	<u>1,947,457</u>
	<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>1,615,794</u>	<u>(276,538)</u>	<u>(496,325)</u>	<u>79,336</u>	<u>159</u>	<u>(163,602)</u>	<u>(61,730)</u>	<u>697,094</u>