

**The Corporation of the Township
of Lake of Bays
Consolidated Financial Statements
For the year ended December 31, 2014**

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Huntsville ON P1H 1L1 Canada

Independent Auditor's Report

To the Members of Council, Residents and Ratepayers of The Corporation of the Township of Lake of Bays

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Lake of Bays, which comprise the consolidated statement of financial position as at December 31, 2014, and consolidated statements of operations, 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 Consolidated Financial Statements

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

Auditor's 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 about whether the consolidated financial statements are free from 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 municipality'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 municipality'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.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Lake of Bays Library Board as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Huntsville, Ontario
June 16, 2015

**The Corporation of the Township of Lake of Bays
Consolidated Statement of Financial Position**

| December 31 | 2014 | 2013 |
|--|----------------------|----------------------|
| Financial assets | | |
| Cash | \$ 2,008,078 | \$ 1,743,250 |
| Restricted cash (Note 1) | 930,585 | 1,010,029 |
| Taxes receivable | 1,569,179 | 1,444,131 |
| Accounts receivable (Note 2) | 236,823 | 331,228 |
| Due from trust funds | 19,590 | 4,533 |
| | <u>4,764,255</u> | <u>4,533,171</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 588,818 | 822,834 |
| Tax revenue received in advance | 589,605 | 535,928 |
| Deferred revenue (Note 1) | 930,585 | 1,010,029 |
| Long-term debt (Note 3) | 955,667 | 885,463 |
| | <u>3,064,675</u> | <u>3,254,254</u> |
| Net financial assets | <u>1,699,580</u> | <u>1,278,917</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 4) | 18,934,507 | 18,745,040 |
| Prepaid expenses and inventory of supplies | 123,268 | 119,786 |
| | <u>19,057,775</u> | <u>18,864,826</u> |
| Accumulated surplus (Note 5) | <u>\$ 20,757,355</u> | <u>\$ 20,143,743</u> |

On behalf of Council:

_____ Treasurer

_____ Mayor

**The Corporation of the Township of Lake of Bays
Consolidated Statement of Operations**

| For the year ended December 31 | (Note 6) Budget 2014 | Actual 2014 | Actual 2013 |
|---|----------------------------|----------------------|----------------------|
| Revenue | | | |
| Taxation (Note 7) | \$ 4,172,101 | \$ 4,202,358 | \$ 4,129,965 |
| Government transfers - Federal | 369,651 | 19,944 | 77,687 |
| Government transfers - Provincial | 763,634 | 766,823 | 756,963 |
| Government transfers - Provincial - ODRAP | - | - | 357,885 |
| Government transfers - Municipal | 315,000 | 315,595 | 334,990 |
| User fees and service charges | 252,780 | 622,439 | 607,122 |
| Permits, licenses and fines | 491,450 | 573,646 | 576,847 |
| Gain on sale of tangible capital assets | - | 35,473 | 17,077 |
| Investment income | 19,300 | 42,913 | 34,362 |
| Interest and penalty on taxes | 210,000 | 215,907 | 235,204 |
| Donations | 25,100 | 69,847 | 36,437 |
| Other grants | - | 5,000 | 8,914 |
| Obligatory reserve funds used (Note 1) | - | 273,819 | - |
| | <u>6,619,016</u> | <u>7,143,764</u> | <u>7,173,453</u> |
| Expenses | | | |
| General government | 1,301,537 | 1,261,663 | 1,257,520 |
| Protection services | 1,085,318 | 1,127,584 | 1,053,712 |
| Transportation services | 2,708,161 | 2,632,595 | 2,830,507 |
| Environmental services | 17,064 | 13,165 | 15,380 |
| Health services | 47,664 | 38,651 | 44,157 |
| Recreation and cultural services | 1,047,055 | 1,026,378 | 1,046,783 |
| Planning and development | 461,476 | 430,116 | 354,182 |
| | <u>6,668,275</u> | <u>6,530,152</u> | <u>6,602,241</u> |
| Annual surplus (deficit) | (49,259) | 613,612 | 571,212 |
| Accumulated surplus, beginning of year | 20,143,743 | 20,143,743 | 19,572,531 |
| Accumulated surplus, end of year | <u>\$ 20,094,484</u> | <u>\$ 20,757,355</u> | <u>\$ 20,143,743</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the Township of Lake of Bays
Consolidated Statement of Change in Net Financial Assets**

| For the year ended December 31 | (Note 6) Budget 2014 | Actual 2014 | Actual 2013 |
|--|----------------------------|----------------|----------------|
| Annual surplus (deficit) | \$ (49,259) | \$ 613,612 | \$ 571,212 |
| Acquisition of tangible capital assets | (1,534,591) | (1,485,732) | (1,831,534) |
| Amortization of tangible capital assets | 1,297,122 | 1,296,265 | 1,297,122 |
| Gain on sale of tangible capital assets | - | (35,473) | (17,077) |
| Proceeds on sale of tangible capital assets | - | 35,473 | 64,002 |
| | (286,728) | 424,145 | 83,725 |
| Consumption (acquisition) of prepaid expenses and inventory of supplies | - | (3,482) | 9,976 |
| Net change in net financial assets (debt) | (286,728) | 420,663 | 93,701 |
| Net financial assets, beginning of year | 1,278,917 | 1,278,917 | 1,185,216 |
| Net financial assets, end of year | \$ 992,189 | \$ 1,699,580 | \$ 1,278,917 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the Township of Lake of Bays
Consolidated Statement of Cash Flows**

| For the year ended December 31 | 2014 | 2013 |
|---|---------------------|---------------------|
| Operating transactions | | |
| Annual surplus | \$ 613,612 | \$ 571,212 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 1,296,265 | 1,297,122 |
| Gain on sale of tangible capital assets | (35,473) | (17,077) |
| Changes in non-cash operating balances | | |
| Taxes receivable | (125,048) | (19,034) |
| Accounts receivable | 94,405 | (69,821) |
| Due from trust funds | (15,057) | 241 |
| Accounts payable and accrued liabilities | (234,016) | 263,066 |
| Tax revenue received in advance | 53,677 | 35,488 |
| Deferred revenue | (79,444) | 218,097 |
| Prepaid expenses and inventory of supplies | (3,482) | 9,976 |
| | <u>1,565,439</u> | <u>2,289,270</u> |
| Capital transactions | | |
| Acquisition of tangible capital assets | (1,485,732) | (1,831,534) |
| Proceeds on sale of tangible capital assets | 35,473 | 64,002 |
| | <u>(1,450,259)</u> | <u>(1,767,532)</u> |
| Investing transactions | | |
| Increase in restricted cash | 79,444 | (218,097) |
| Financing transactions | | |
| Proceeds from issuance of long-term debt | 293,172 | 275,275 |
| Repayment of long-term debt | (222,968) | (283,005) |
| | <u>70,204</u> | <u>(7,730)</u> |
| Increase in cash during the year | 264,828 | 295,911 |
| Cash, beginning of year | 1,743,250 | 1,447,339 |
| Cash, end of year | \$ 2,008,078 | \$ 1,743,250 |

Supplementary Information

During the year, the company paid cash interest in the amount of \$29,986 (2013 - \$38,343).

The Corporation of the Township of Lake of Bays Summary of Significant Accounting Policies

December 31, 2014

| | | | | | |
|---|--|----------------------------------|------|---|------|
| Management Responsibility | <p>The consolidated financial statements of the The Corporation of the Township of Lake of Bays are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The municipality provides municipal services such as general government, protection to persons and property, transportation and roadways, recreation and culture and planning and development.</p> | | | | |
| Basis of Consolidation | <p>The consolidated statements reflect assets, liabilities, operating revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.</p> <p>The following boards and municipal enterprises owned or controlled by Council have been consolidated:</p> <table><tr><td style="padding-left: 40px;">Libraries (Dwight and Baysville)</td><td style="text-align: right;">100%</td></tr><tr><td style="padding-left: 40px;">Cemeteries (Franklin, Sinclair, Ridout, and McLean)</td><td style="text-align: right;">100%</td></tr></table> | Libraries (Dwight and Baysville) | 100% | Cemeteries (Franklin, Sinclair, Ridout, and McLean) | 100% |
| Libraries (Dwight and Baysville) | 100% | | | | |
| Cemeteries (Franklin, Sinclair, Ridout, and McLean) | 100% | | | | |
| Basis of Accounting | <p>Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.</p> <p>The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the municipality, and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.</p> | | | | |

The Corporation of the Township of Lake of Bays Summary of Significant Accounting Policies

December 31, 2014

| | | | | | | | |
|--------------------------------|--|------------|----------------|-------------------|----------------|-------------------------------|---------------|
| Use of Estimates | <p>The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these consolidated financial statements are the determination of the estimated useful life of tangible capital assets and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.</p> | | | | | | |
| Tangible Capital Assets | <p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table><tr><td>Facilities</td><td>10 to 40 years</td></tr><tr><td>Roads and bridges</td><td>10 to 75 years</td></tr><tr><td>Equipment, fleet and vehicles</td><td>3 to 15 years</td></tr></table> | Facilities | 10 to 40 years | Roads and bridges | 10 to 75 years | Equipment, fleet and vehicles | 3 to 15 years |
| Facilities | 10 to 40 years | | | | | | |
| Roads and bridges | 10 to 75 years | | | | | | |
| Equipment, fleet and vehicles | 3 to 15 years | | | | | | |
| Leased Assets | <p>Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the municipality, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.</p> | | | | | | |
| Non-financial Assets | <p>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 revenue over expenses, provides the consolidated change in net financial assets for the year.</p> | | | | | | |
| Inventory of Supplies | <p>Inventory of supplies are recorded at the lower of cost and net realizable value. Inventory of materials is recorded at the lower of average cost and net realizable value.</p> | | | | | | |

The Corporation of the Township of Lake of Bays Summary of Significant Accounting Policies

December 31, 2014

Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

Post Retirement Benefits

The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as a pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Revenue Recognition

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

The municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the year the interest and penalties are levied.

Fees and user charges, licenses, permits and rents are recognized as revenue when the services are provided and there is reasonable assurance of collection.

Government Transfers

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

**The Corporation of the Township of Lake of Bays
Summary of Significant Accounting Policies**

December 31, 2014

District and School Boards

The municipality collects taxation revenue on behalf of the school boards and the District Municipality of Muskoka. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the District Municipality of Muskoka are not reflected in these consolidated financial statements.

Trust Funds

Funds held in trust by the municipality and their related operations are not included in these consolidated financial statements (Note 11).

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

1. Restricted Cash and Deferred Revenue

| | 2014 | 2013 |
|--------------------------|------------|--------------|
| Obligatory reserve funds | | |
| Federal gas tax | \$ 150,526 | \$ 244,152 |
| Development Charges Act | 442,966 | 412,688 |
| Parkland | 337,093 | 353,189 |
| | \$ 930,585 | \$ 1,010,029 |

The net change during the year in the deferred revenue balances is made up as follows:

| | Federal Gas Tax | Development Charges Act | Parkland |
|-------------------------------------|--------------------|----------------------------|------------|
| Deferred revenue, beginning of year | \$ 244,152 | \$ 412,688 | \$ 353,189 |
| Funds received during the year | 104,444 | 69,546 | 11,247 |
| Interest earned | 1,930 | 3,713 | 3,495 |
| Funds used during the year | (200,000) | (42,981) | (30,838) |
| Deferred revenue, end of year | \$ 150,526 | \$ 442,966 | \$ 337,093 |

The above funds held as deferred revenue are restricted in their use by their respective legislation.

2. Long-Term Receivable

The following long-term receivable is included in accounts receivable in the consolidated statement of financial position.

| | 2014 | 2013 |
|--|-----------|-----------|
| District Municipality of Muskoka for the purchase of the landfill site on January 1, 1996, receivable approximately \$20,500 annually, maturing 2015 | \$ 21,594 | \$ 41,748 |

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

3. Long-Term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Demand loan payable, secured by equipment, repayable \$884 monthly including interest at 2.97% per annum, maturing January 2015 | \$ 1,764 | \$ 11,307 |
| Demand loan payable, secured by equipment, repayable \$829 monthly including interest at 2.43% per annum, maturing May 2015 | 4,123 | 13,850 |
| Demand loan payable, secured by equipment, repayable \$894 monthly including interest at 2.34% per annum, maturing November 2015 | 9,724 | 20,095 |
| Demand loan payable, secured by equipment, repayable \$506 monthly including interest at 2.33% per annum, maturing October 2016 | 10,885 | 16,629 |
| Demand loan payable, secured by equipment, repayable \$1,217 monthly including interest at 2.67% per annum, maturing October 2017 | 39,812 | 53,162 |
| Demand loan payable, secured by equipment, repayable \$3,936 monthly including interest at the bank's prime rate plus 2.85% per annum, maturing November 2017 | 132,041 | 174,838 |
| Demand loan payable, secured by equipment, repayable \$3,637 monthly including interest at 3.01% per annum, maturing October 2018 | 158,461 | 196,086 |
| Demand loan payable, secured by equipment, repayable \$5,222 monthly including interest at 2.65% per annum, maturing July 2019 | 270,194 | - |
| Debentures payable to District Municipality of Muskoka, payable \$64,752 annually including interest at 5.00% per annum, due in 2020 | 328,663 | 374,681 |
| Loan payable, matured during the year | - | 17,671 |
| | <u>955,667</u> | <u>878,319</u> |
| Obligations under capital leases, repaid during the year | - | 7,144 |
| | <u>\$ 955,667</u> | <u>\$ 885,463</u> |

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

3. Long-Term Liabilities (continued)

Long-term debt payments for the next five years and thereafter are due as follows:

| | |
|------------|-------------------|
| 2015 | \$ 223,829 |
| 2016 | 213,468 |
| 2017 | 209,110 |
| 2018 | 152,633 |
| 2019 | 94,957 |
| Thereafter | <u>61,670</u> |
| | <u>\$ 955,667</u> |

Interest expense in the amount of \$29,986 (2013 - \$38,343) relating to the above long-term liabilities has been recognized in the consolidated statement of operations.

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

4. Tangible Capital Assets

| | 2014 | | | | 2013 | |
|--|--------------|--------------|----------------------------------|----------------------|---------------|---------------|
| | Land | Facilities | Equipment, Fleet and Vehicles | Roads and Bridges | Total | Total |
| Cost, beginning of year | \$ 2,615,639 | \$ 7,361,804 | \$ 6,337,370 | \$ 17,299,496 | \$ 33,614,309 | \$ 32,092,230 |
| Additions | - | 26,387 | 395,225 | 1,064,120 | 1,485,732 | 1,831,534 |
| Disposals | - | - | (309,232) | (16,814) | (326,046) | (309,455) |
| Cost, end of year | \$ 2,615,639 | \$ 7,388,191 | \$ 6,423,363 | \$ 18,346,802 | \$ 34,773,995 | \$ 33,614,309 |
| Accumulated amortization, beginning of year | \$ - | \$ 2,664,610 | \$ 4,613,832 | \$ 7,590,827 | \$ 14,869,269 | \$ 13,834,677 |
| Amortization | - | 180,636 | 445,215 | 670,414 | 1,296,265 | 1,297,122 |
| Disposals | - | - | (309,232) | (16,814) | (326,046) | (262,530) |
| Accumulated amortization, end of year | \$ - | \$ 2,845,246 | \$ 4,749,815 | \$ 8,244,427 | \$ 15,839,488 | \$ 14,869,269 |
| Net carrying amount, end of year | \$ 2,615,639 | \$ 4,542,945 | \$ 1,673,548 | \$ 10,102,375 | \$ 18,934,507 | \$ 18,745,040 |

The municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the consolidated financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

5. Accumulated Surplus

The municipality segregates its accumulated surplus in the following categories:

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|
| Reserves | | |
| Working Capital | \$ 184,814 | \$ 184,814 |
| OMPF | 175,000 | 175,000 |
| OLRA | 792,737 | 605,680 |
| Fire Boat | 51,321 | 52,211 |
| Fire | 157,815 | 127,815 |
| Elections | 7,081 | 30,000 |
| Building Department | 134,084 | 64,072 |
| Official Plan | - | 20,000 |
| LoB Fish Habitat | 11,435 | 12,961 |
| Library | 9,358 | 9,358 |
| Mayor's Golf | - | 5,156 |
| A. Daniels Fish | 3,135 | 2,308 |
| Pit Rehabilitation | 76,814 | 62,965 |
| Gravel | 62,379 | 62,379 |
| Green | 302 | 302 |
| Tourism/economic development fund | 16,509 | 16,509 |
| General surplus reserve | 925,000 | 550,000 |
| Roads | - | 42,328 |
| Dorset community fund | 189 | 1,396 |
| Dwight community fund | 16,025 | 10,206 |
| Fire station 20 | - | 1,000 |
| Fire station 30 | 153 | 755 |
| Fire station 40 | 768 | 2,400 |
| Fire station 50 | 37 | 240 |
| Land sale | 229,948 | 229,948 |
| Planning aerial photo | 19,580 | 14,000 |
| Dorset nursing hub | 30,000 | - |
| | <u>2,904,484</u> | <u>2,283,803</u> |
| Capital outlay financed by long-term liabilities and to be recovered in future years | (955,667) | (885,463) |
| Investment in tangible capital assets | 18,934,507 | 18,745,040 |
| Surplus (deficit) | (125,969) | 363 |
| | <u>\$ 20,757,355</u> | <u>\$ 20,143,743</u> |

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserves represent amounts set aside by bylaw or council resolution for specific purposes.

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

6. Budget

The Financial Plan (Budget) By-Law adopted by Council on January 21, 2014 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Financial Plan adopted by Council on January 21, 2014 with adjustments as follows:

| | 2014 |
|--|-------------|
| Financial Plan (Budget) Bylaw surplus for the year | \$ - |
| Add: | |
| Capital expenditures | 1,534,591 |
| Transfers to reserves | 54,512 |
| Debt repayment | 245,695 |
| Less: | |
| Amortization of tangible capital assets | (1,297,122) |
| Transfers from reserves | (276,935) |
| Proceeds from long-term debt | (310,000) |
| Budget deficit per statement of operations | \$ (49,259) |

7. Operations of School Boards and the District of Muskoka

During the year, the following taxation revenue was levied and remitted to the school boards and the District of Muskoka:

| | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| Taxation | \$ 18,387,713 | \$ 18,160,272 |
| Less: school board requisitions | (5,696,328) | (5,843,810) |
| Less: upper tier requisitions | (8,489,027) | (8,186,497) |
| | \$ 4,202,358 | \$ 4,129,965 |

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

8. Post Retirement Benefits

OMERS provides pension services to more than 451,115 active and retired members and approximately 974 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2014. The results of this valuation disclosed total actuarial liabilities of \$76,924 million in respect of benefits accrued for service with actuarial assets at that date of \$69,846 million indicating an actuarial deficit of \$7,078 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the municipality to OMERS for 2014 were \$186,339 (2013 - \$196,490).

9. Contingent Liability

During 2014, the Government of Ontario expanded regulations to include six additional cancers presumed to be work-related for firefighters under the Workplace Safety and Insurance Act. This change is retroactive to January 1, 1960. During the years 1996 to 2004, the municipality was a schedule 2 employer for WSIB, meaning that the municipality self-insured for WSIB benefits. This change in regulations may give rise to liabilities of the municipality for work-related cancers incurred by firefighters during this time. The municipality is assessing the impact of this change and is unable to determine whether a liability exists at year end. Consequently, no provision has been made in these financial statements for any liability that may result.

10. Commitments

The municipality is liable for a Workplace Safety and Insurance Board (WSIB) claim when it was a "schedule 2" employer. The municipality is required to make payments each year until 2029. The total payments remaining for this claim are approximately \$269,000. WSIB invoices the municipality for this claim annually based on the initial claim amount. Actual payments will be reflected in the consolidated statement of operations in the period in which the payment is invoiced by WSIB. Payments made in 2014 were \$36,354 (2013 - \$32,337).

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

11. Trust Funds

The trust funds administered by the municipality amounting to \$207,596 (2013 - \$207,359) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations. At December 31, 2014, the trust fund balances are as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------------|-------------------|
| Cemetery Care and Maintenance | \$ 172,654 | \$ 168,254 |
| Planning costs recoverable | 34,942 | 39,105 |
| | <u>\$ 207,596</u> | <u>\$ 207,359</u> |

The Corporation of the Township of Lake of Bays Notes to Consolidated Financial Statements

December 31, 2014

12. Segmented Information

The Corporation of the Township of Lake of Bays is a diversified municipal government institution that provides a wide range of services to its citizens such as fire and community services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General government accounts for the revenues and expenses that relate to the operations of the municipality itself and cannot be directly attributed to any specific segment.

Protection Services

Protection is comprised of fire protection, by-law enforcement services and emergency planning. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers.

Transportation and Environmental Services

Transportation is responsible for the seasonal maintenance of roads, winter control, storm sewer maintenance and streetlighting.

Health Services

Included in health services is the maintenance and upkeep of the municipally controlled cemeteries.

Recreation and Cultural Services

Recreational programs and cultural programs like skating lessons are provided at arenas, aquatic centres and community centres. Also, the municipality provides library services to assist with its citizens' informational needs.

Planning and Development

This department provides a number of services including township and economic planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of budgeted amounts.

Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

| | |
|----------|---|
| Taxation | allocated to those segments that are funded by these amounts based on the net surplus for the year. |
|----------|---|

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

12. Segmented Information (continued)

| For the year ended December 31 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Recreation and Cultural Services | Planning and Development | 2014 Total |
|--|--------------------|---------------------|-------------------------|------------------------|-----------------|----------------------------------|--------------------------|-------------------|
| Revenue | | | | | | | | |
| Taxation | \$ 711,730 | \$ 558,676 | \$ 2,097,900 | \$ 11,517 | \$ 33,078 | \$ 770,462 | \$ 18,995 | \$ 4,202,358 |
| Government transfers | 722,400 | 18,589 | 315,595 | 1,648 | - | 24,186 | 24,944 | 1,107,362 |
| User fees and service charges | 73,575 | 41,878 | 19,100 | - | 4,007 | 97,702 | 386,177 | 622,439 |
| Permits, licenses and fines | 62,992 | 485,419 | - | - | - | 25,235 | - | 573,646 |
| Gain on sale of tangible capital assets | 35,473 | - | - | - | - | - | - | 35,473 |
| Interest and penalties on tax arrears | 215,907 | - | - | - | - | - | - | 215,907 |
| Other | 41,347 | 23,022 | - | - | 1,566 | 46,825 | - | 112,760 |
| Obligatory reserve fund revenue recognized | 11,851 | - | 200,000 | - | - | 61,968 | - | 273,819 |
| | 1,875,275 | 1,127,584 | 2,632,595 | 13,165 | 38,651 | 1,026,378 | 430,116 | 7,143,764 |
| Expenses | | | | | | | | |
| Salaries and benefits | 900,101 | 479,093 | 695,578 | 7,604 | 22,798 | 482,940 | 302,356 | 2,890,470 |
| Goods and services | 176,538 | 334,961 | 650,048 | 2,662 | 12,391 | 300,994 | 69,468 | 1,547,062 |
| Contracted services | 117,025 | 206,871 | 367,729 | 2,899 | 325 | 12,187 | 56,226 | 763,262 |
| Interest | - | 1,441 | 27,982 | - | - | 563 | - | 29,986 |
| Amortization | 64,892 | 105,218 | 891,258 | - | 3,137 | 229,694 | 2,066 | 1,296,265 |
| Other | 3,107 | - | - | - | - | - | - | 3,107 |
| | 1,261,663 | 1,127,584 | 2,632,595 | 13,165 | 38,651 | 1,026,378 | 430,116 | 6,530,152 |
| | \$ 613,612 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 613,612 |

The Corporation of the Township of Lake of Bays
Notes to Consolidated Financial Statements

December 31, 2014

12. Segmented Information (continued)

| For the year ended December 31 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Recreation and Cultural Services | Planning and Development | 2013 Total |
|---|-----------------------|------------------------|----------------------------|---------------------------|--------------------|--|-----------------------------|-------------------|
| Revenue | | | | | | | | |
| Taxation | \$ 276,369 | \$ 496,343 | \$ 2,454,942 | \$ 11,126 | \$ 31,040 | \$ 854,340 | \$ 5,805 | \$ 4,129,965 |
| Government transfers | 1,121,055 | 13,940 | 336,471 | 4,254 | - | 46,357 | 5,448 | 1,527,525 |
| User fees and service charges | 84,856 | 36,121 | 39,094 | - | 11,612 | 92,510 | 342,929 | 607,122 |
| Permits, licenses and fines | 58,572 | 500,219 | - | - | - | 18,056 | - | 576,847 |
| Gain on sale of tangible capital assets | 17,077 | - | - | - | - | - | - | 17,077 |
| Interest and penalties on tax arrears | 235,204 | - | - | - | - | - | - | 235,204 |
| Other | 35,599 | 7,089 | - | - | 1,505 | 35,520 | - | 79,713 |
| | 1,828,732 | 1,053,712 | 2,830,507 | 15,380 | 44,157 | 1,046,783 | 354,182 | 7,173,453 |
| Expenses | | | | | | | | |
| Salaries and benefits | 905,068 | 479,051 | 668,454 | 7,646 | 21,758 | 457,862 | 294,889 | 2,834,728 |
| Goods and services | 127,438 | 275,556 | 657,137 | 3,277 | 19,262 | 345,381 | 31,310 | 1,459,361 |
| Contracted services | 116,652 | 181,298 | 628,261 | 4,457 | - | 11,134 | 27,525 | 969,327 |
| Interest | - | 1,314 | 35,788 | - | - | 1,241 | - | 38,343 |
| Amortization | 105,014 | 116,493 | 840,855 | - | 3,137 | 231,165 | 458 | 1,297,122 |
| Other | 3,348 | - | 12 | - | - | - | - | 3,360 |
| | 1,257,520 | 1,053,712 | 2,830,507 | 15,380 | 44,157 | 1,046,783 | 354,182 | 6,602,241 |
| | \$ 571,212 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 571,212 |