

Consolidated Financial Statements

City of Orillia

December 31, 2014

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Independent Auditor's Report

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To the Members of Council, Inhabitants and
Ratepayers of the City of Orillia

We have audited the accompanying consolidated financial statements of the City of Orillia, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, the consolidated statement of changes in net financial assets, and the consolidated statement of 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 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Orillia as at December 31, 2014, and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Orillia, Canada
June 22, 2015

Chartered Accountants
Licensed Public Accountants

City of Orillia

Consolidated Statement of Financial Position

December 31

2014

2013

Financial assets

Cash and cash equivalents (Note 4)	\$ 8,402,662	\$ 8,301,599
Investments (Note 5)	5,410,803	6,514,037
Taxes receivable	6,439,297	6,140,254
Receivables	3,813,293	3,486,553
Inventories for resale	42,652	41,665
Investment in Orillia Power Corporation (Note 6)	<u>39,682,000</u>	<u>37,959,000</u>

63,790,707

62,443,108

Financial liabilities

Payables and accruals	10,258,792	10,450,543
Deferred revenue - obligatory reserves (Note 7)	1,642,640	1,767,888
Deferred revenue - other	137,732	120,084
Long term debt (Note 8)	16,025,472	18,028,656
Landfill closure and post-closure costs (Note 9)	4,806,000	4,655,000
Employee future benefits payable (Note 10)	<u>6,435,575</u>	<u>1,694,920</u>

39,306,211

36,717,091

Net financial assets (Page 5)

24,484,496

25,726,017

Non-financial assets

Other assets (Note 11)	515,809	504,367
Tangible capital assets (Note 12)	<u>342,690,726</u>	<u>340,060,364</u>
	<u>343,206,535</u>	<u>340,564,731</u>

Accumulated surplus (Note 13)

\$ 367,691,031

\$ 366,290,748

Contingencies (Note 20)

See accompanying notes to the consolidated financial statements

City of Orillia

Consolidated Statements of Operations and Accumulated Surplus

Year Ended December 31

2014

2013

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 14)	\$ 47,491,992	\$ 47,268,575	\$ 46,126,480
Grants (Note 16)	2,702,554	3,219,519	3,206,771
User charges (Note 17)	16,277,902	16,249,210	15,483,672
Other revenue (Note 18)	5,340,752	5,016,496	5,245,515
Developer contributions earned	1,846,000	530,411	1,136,208
Dividend from Orillia Power Corporation (Note 6)	1,100,000	1,600,000	1,100,000
	<u>74,759,200</u>	<u>73,884,211</u>	<u>72,298,646</u>
Expenditures			
General government	6,410,747	6,173,416	6,095,315
Protection to persons and property	16,581,119	15,966,133	15,448,352
Transportation services	12,737,625	13,275,425	12,576,541
Environmental services	11,862,873	11,989,976	11,603,316
Health services	1,738,000	1,388,240	1,819,604
Social and family services	4,914,695	4,779,900	4,832,036
Recreation and cultural services	12,534,646	12,527,994	12,462,633
Planning and development	2,429,567	2,517,833	2,477,746
	<u>69,209,272</u>	<u>68,618,917</u>	<u>67,315,543</u>
Net revenue	<u>5,549,928</u>	<u>5,265,294</u>	<u>4,983,103</u>
Other revenues (expenditures)			
Change in equity for Orillia Power Corporation (Note 6)	-	1,723,000	2,305,000
Gain/(loss) on disposal of tangible capital assets	-	62,910	(83,054)
Donated tangible capital assets	-	-	1,199,603
Writedown of assets	-	(376,705)	(728,077)
Change in Workers Compensation Liability	-	(4,822,673)	(76,607)
Debenture interest	(462,699)	(451,543)	(504,427)
	<u>(462,699)</u>	<u>(3,865,011)</u>	<u>2,112,438</u>
Annual surplus	<u>\$ 5,087,229</u>	<u>1,400,283</u>	<u>7,095,541</u>
Accumulated surplus, beginning of year		<u>366,290,748</u>	<u>359,195,207</u>
Accumulated surplus, end of year		<u>\$ 367,691,031</u>	<u>\$ 366,290,748</u>

See accompanying notes to the consolidated financial statements.

City of Orillia
Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31

2014

2013

Annual surplus	\$ <u>1,400,283</u>	\$ <u>7,095,541</u>
Acquisition of tangible capital assets	(17,369,803)	(14,526,835)
Writedown of assets	376,705	728,077
Amortization of tangible capital assets	14,305,863	13,841,971
Proceeds from sale of tangible capital assets	119,783	168,451
Contributed tangible capital assets	-	(1,199,603)
(Gain)/loss on disposal of tangible capital assets	<u>(62,910)</u>	<u>83,054</u>
	<u>(2,630,362)</u>	<u>(904,885)</u>
Change in other assets	<u>(11,442)</u>	<u>15,184</u>
Change in net financial assets	<u>(1,241,521)</u>	<u>6,205,840</u>
Net financial assets, beginning of the year	<u>25,726,017</u>	<u>19,520,177</u>
Net financial assets, end of the year	\$ <u>24,484,496</u>	\$ <u>25,726,017</u>

See accompanying notes to the consolidated financial statements.

City of Orillia

Consolidated Statement of Cash Flows

Year Ended December 31

2014

2013

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$ 1,400,283	\$ 7,095,541
Amortization of tangible capital assets	14,305,863	13,841,971
Change in equity in Orillia Power Corporation	(1,723,000)	(2,305,000)
(Gain)/loss on sale of tangible capital assets	(62,910)	83,054
Writedown of assets	376,705	728,077
Increase in landfill closure and post closure costs	151,000	152,000
Increase in employee future benefits payable	4,740,655	363,830
Change in non-operating working capital		
Inventories for resale	(987)	(428)
Taxes receivable	(299,043)	375,131
Receivables	(326,740)	1,707,910
Other assets	(11,442)	15,184
Payables and accruals	(191,751)	2,346,389
Deferred revenue	(107,600)	(508,704)
Cash provided by operating activities	<u>18,251,033</u>	<u>23,894,955</u>

Financing activities

Repayments of long term debt	<u>(2,003,184)</u>	<u>(2,003,184)</u>
Cash provided by financing activities	<u>(2,003,184)</u>	<u>(2,003,184)</u>

Investing activities

Proceeds from sale of tangible capital assets	119,783	168,451
Acquisition of tangible capital assets	(17,369,803)	(14,526,835)
Contributed tangible capital assets	-	(1,199,603)
Change in investments	<u>1,103,234</u>	<u>(5,292,745)</u>
Cash used in investing activities	<u>(16,146,786)</u>	<u>(20,850,732)</u>

Net increase in cash and cash equivalents 101,063 1,041,039

Cash and cash equivalents, beginning of year 8,301,599 7,260,560

Cash and cash equivalents, end of year \$ 8,402,662 \$ 8,301,599

See accompanying notes to the consolidated financial statements.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

1. Summary of significant accounting policies

The consolidated financial statements of the City of Orillia (the Municipality) are prepared by management in accordance with public sector accounting standards 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:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenditures and surplus and financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, the larger enterprises include the following:

City of Orillia Police Services Board
Orillia Public Library Board
Orillia Youth Opportunities Committee

As detailed in legislation, the Orillia Downtown Management Board has a reporting relationship with the City.

Inter-departmental and organizational transactions and balances are eliminated.

Orillia Power Corporation is a wholly-owned subsidiary corporation of the Municipality and is accounted for on a modified equity basis, consistent with the Canadian generally accepted accounting treatment for government enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated.

b) Accrual accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as result of receipt of goods or services and the creation of a legal obligation to pay.

c) School board transactions

The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

1. Summary of significant accounting policies (continued)

d) Deferred revenue for obligatory reserves

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenue. When qualifying expenditures are incurred, restricted revenues are brought into revenue at equal amounts. Revenue received in advance of expenditures, which will be incurred in a later period, are deferred until they are earned by being matched against these expenditures.

e) Non-financial assets

(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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The costs, less residual value of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Useful life - years</u>
General	
Buildings	10 - 50
Vehicles	3 - 20
Equipment and furniture	4 - 50
Other	4 - 10
Infrastructure	
Facilities	40 - 50
Roads and bridges	15 - 100
Underground and other networks	2 - 100
Vehicles and equipment infrastructure	5 - 15

Assets under construction are not amortized until the asset is available for productive use. Half year amortization is charged in the year of acquisition.

(ii) Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at time of registration. The value contributed during the year was \$ nil (2013 – \$1,199,603).

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

1. Summary of significant accounting policies (continued)

e) Non-financial assets (continued)

(iii) Interest capitalization

Interest of \$nil (2013 - \$nil) was capitalized for the external debt issued to finance the construction of tangible capital assets.

(iv) Nominal value

The Municipality owns several assets which are listed at nominal value in the tangible capital assets. These include fully amortized assets such as library books acquired prior to 2001, some older buildings, and donated land under certain pedestrian trails.

(v) Works of art

The Municipality owns various works of art and historic artifacts displayed at various locations including the Orillia Public Library, Leacock Museum and the Orillia Opera House. The historic cost of these items is not included in tangible capital assets.

(vi) Disposal of tangible capital assets /writedown of assets under construction

Gain and (loss) on disposal of assets are recorded as the difference between proceeds received and the net book value. Writedown of assets under construction have been written off as a result of the project being cancelled or finished with no future benefit to the Municipality.

f) Revenue recognition

The Municipality recognizes taxation revenue on an annual basis using total assessment values for the year and annually established tax rates. Property assessment values are provided by the Municipal Property Assessment Corporation and tax rates are established and approved by Council.

Government transfers are recognized as revenue in the year in which events giving rise to the transfer occur, providing that the transfer is authorized, any eligibility criteria have been met and the amount can be reasonably estimated.

Grants are recognized as revenue when approved, to the extent the related expenditures have been incurred and collection can be reasonably assured.

User charges and other revenue are recognized as revenue when the services are provided and there is reasonable assurance of collection. Interest is recognized when earned.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

1. Summary of significant accounting policies (continued)

g) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction and does not budget for either the contribution from the developer or the capital expenditure.

h) Local improvement

The Municipality records expenditures funded by local improvement bylaws as they are incurred. Revenue is recognized over the term of the local improvement bylaws, as they are collected.

i) Water and sewer area improvement charges

The Municipality records expenditures funded by bylaws to impose charges on property owners as they are incurred. Revenue is recognized over the term of the bylaw, as they are collected.

j) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operations and capital purposes. Further disclosure of the amounts are part of accumulated surplus in Note 13 of the financial statements.

2. Future accounting pronouncements

The CICA Section 3450 "Financial Instruments" is a new section that establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal periods beginning on or after April 1, 2016.

The CICA Section 3260 "Liability for Contaminated Sites" establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites. It provides guidance surrounding the requirement to recognize a liability when an entity has contamination at a site that exceeds an environmental standard, the entity is responsible or accepts responsibility, the entity expects to have to give up future economic benefits and the amount can be reasonably estimated. The guidance further states that if an entity cannot reasonably estimate the amount, they must still provide disclosures concerning the liability. This section applies to fiscal periods beginning on or after April 1, 2014.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

3. Budget reconciliation

The budget approved by Council differs from the budget in the Consolidated Statement of Operations and Accumulated Surplus as the approved budget has been adjusted to account for the material changes due to PSAB reporting requirements.

	<u>Revenues</u>	<u>Expenses</u>
Total Council's approved budgets	\$ 74,759,200	\$ 100,045,909
Less: Acquisition of tangible capital assets budgeted		(45,142,500)
Add: Amortization expense		<u>14,305,863</u>
Adjusted budget per consolidated statement of operations	\$ <u>74,759,200</u>	\$ <u>69,209,272</u>

4. Cash and cash equivalents

2014

2013

Cash is comprised of:

Unrestricted cash, held at the bank and on hand	\$ 6,760,022	\$ 6,533,711
Restricted cash, held at the bank	<u>1,642,640</u>	<u>1,767,888</u>
	\$ <u>8,402,662</u>	\$ <u>8,301,599</u>

5. Investments

Investments are guaranteed investments certificates, recorded at cost plus accrued interest. Investments are due at various times between 2015 and 2022 and earning interest rates between 2.1% and 4.37%.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

6. Investment in Orillia Power Corporation

Orillia Power Corporation, established by Municipal Council under Municipal By-Law 2000-155, is wholly owned by the City of Orillia and provides electric utility services.

The following table provides condensed supplementary financial information of Orillia Power Corporation.

	<u>2014</u>	<u>2013</u>
Financial position		
Current assets	\$ 13,457,000	\$ 16,410,000
Capital assets	37,084,000	30,593,000
Other assets	<u>1,696,000</u>	<u>1,971,000</u>
	<u>52,237,000</u>	<u>48,974,000</u>
Current liabilities	9,475,000	7,450,000
Non-current liabilities	<u>3,080,000</u>	<u>3,565,000</u>
	<u>12,555,000</u>	<u>11,015,000</u>
Net assets	\$ <u>39,682,000</u>	\$ <u>37,959,000</u>
Results of operations		
	<u>2014</u>	<u>2013</u>
Revenue	\$ 48,321,000	\$ 45,939,000
Operating expenses	(43,026,000)	(40,532,000)
Financing expenses	(902,000)	(911,000)
Payments in lieu of taxes	<u>(1,070,000)</u>	<u>(1,091,000)</u>
Net earnings	3,323,000	3,405,000
Dividend	<u>(1,600,000)</u>	<u>(1,100,000)</u>
Change in equity	\$ <u>1,723,000</u>	\$ <u>2,305,000</u>

The above information is as reported by Orillia Power Corporation.

The following summarizes the Municipality's related party transactions with Orillia Power Corporation during the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the party:

	<u>2014</u>	<u>2013</u>
Electricity purchased	\$ 2,229,919	\$ 2,069,546
Other services purchased	84,866	253,343
Property taxes and other taxes	65,616	62,908
Interest received	924,750	924,750
Dividend received	1,600,000	1,100,000
Other services sold	116,632	115,759

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

6. Investment in Orillia Power Corporation (Continued)

The investment consists of:	<u>2014</u>	<u>2013</u>
Promissory note	\$ 14,796,000	\$ 14,796,000
Equity	<u>24,886,000</u>	<u>23,163,000</u>
	<u>\$ 39,682,000</u>	<u>\$ 37,959,000</u>
Balance outstanding at December 31		
Due to Orillia Power Corporation	<u>\$ 54,901</u>	<u>\$ 209,577</u>

7. Deferred revenue – obligatory reserves	<u>2014</u>	<u>2013</u>
Lot levies and subdivider contributions	\$ -	\$ 127,203
Provincial and federal gas tax revenue	<u>1,642,640</u>	<u>1,640,685</u>
	<u>\$ 1,642,640</u>	<u>\$ 1,767,888</u>

8. Long term debt	<u>2014</u>	<u>2013</u>
Ontario Infrastructure and Lands Corporation, repayable in semi-annual principal payments of \$1,001,592 plus interest at 2.64%, The debentures are direct, general, unsecured and subordinated obligation of the Municipality, maturing October 2022	<u>\$ 16,025,472</u>	<u>\$ 18,028,656</u>

Five year principal repayments

2015	\$ 2,003,184
2016	2,003,184
2017	2,003,184
2018	2,003,184
2019	2,003,184
Thereafter	<u>6,009,552</u>
	<u>\$ 16,025,472</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

9. Landfill closure and post-closure costs

Solid waste landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, management of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the landfill site is recorded at \$4,806,000 (2013 - \$4,655,000) and represents the present value of closure and post-closure costs for 48.7% (2013 – 47.9%) of the current sites total cells, using an estimated long term borrowing rate of 4% (2013 - 4%) and inflation rate of 2.5% (2013 – 2.5%). The liability is recorded based on the capacity of the landfill used to date.

The total estimated future expenditures representing the sum of the discounted future cash flows for closure and post-closure care are \$9,861,000 leaving an amount to be recognized of \$5,055,000. The estimated remaining capacity of the sites unused cells are approximately 666,400 (2013 – 677,500) cubic metres, estimated to be filled in 52 years. Post-closure care is estimated to continue for a period of 25 years.

In the 2014 budget, Council established a Reserve Fund to partially offset the future closure costs. The 2014 funding level is \$50,000 per year.

10. Employee future benefits payable

2014

2013

The Municipality provides certain employee benefits which will require funding in future periods:

Dental, medical, workers compensation, etc.	\$ <u>6,435,575</u>	\$ <u>1,694,920</u>
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The Municipality pays certain medical and dental benefits on behalf of its retired employees. The Municipality recognizes these post-retirement costs in the period in which the employees rendered the services. The amount for workers compensation was determined by Workplace Safety and Insurance Board.

	<u>2014</u>	<u>2013</u>
Accrued benefit liability, beginning of year	\$ 1,694,920	\$ 1,331,090
Expense for the period	4,817,877	430,795
Benefits paid	<u>(77,222)</u>	<u>(66,965)</u>
Accrued benefit liability, end of year	\$ <u>6,435,575</u>	\$ <u>1,694,920</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

10. Employee future benefits payable (Continued)

The main assumptions employed for the valuations of medical and dental costs by management are as follows:

	<u>2014</u>	<u>2013</u>
Total eligible employees	256	259
Eligible employees not in a position to retire early	59	61
Estimated future employee turnover based on previous 5 year history	29.8%	15.9%
Average retirement - fire	57	57
- other	61	61
Yearly benefit costs per employee		
- fire	\$ 3,192	\$ 3,192
- city	1,692	1,692
- other	1,692	1,692
Benefits inflation rate per year	2.5%	2.5%
Discount rate	4.0%	4.0%

11. Other assets

Other assets are comprised of:

	<u>2014</u>	<u>2013</u>
Prepays	\$ 77,499	\$ 83,979
Supplies inventory	<u>438,310</u>	<u>420,388</u>
	<u>\$ 515,809</u>	<u>\$ 504,367</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

12. Tangible capital assets

Cost	<u>2013</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>2014</u>
Land	\$ 60,099,442	\$ -	\$ (46,966)	\$ 60,052,476
Buildings	62,770,479	7,157,577	(1,524,780)	68,403,276
Vehicles	6,554,700	485,738	(151,233)	6,889,205
Equipment and furniture	21,599,461	3,598,568	(1,549,827)	23,648,202
Other	20,995,646	929,851	(513,740)	21,411,757
Facilities	28,323,307	55,693	-	28,379,000
Roads and bridges	149,170,669	3,486,039	-	152,656,708
Underground and other networks	136,053,592	2,641,185	-	138,694,777
Infrastructure - vehicles and equipment	<u>35,298,755</u>	<u>843,833</u>	<u>(531,893)</u>	<u>35,610,695</u>
	520,866,051	19,198,484	(4,318,439)	535,746,096
Assets under construction	<u>5,288,227</u>	<u>-</u>	<u>(1,828,681)</u>	<u>3,459,546</u>
	<u>\$ 526,154,278</u>	<u>\$ 19,198,484</u>	<u>\$ (6,147,120)</u>	<u>\$ 539,205,642</u>
Accumulated amortization	<u>2013</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2014</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings	11,663,993	1,753,973	(1,313,997)	12,103,969
Vehicles	2,345,698	448,629	(151,233)	2,643,094
Equipment and furniture	8,911,225	1,366,104	(1,373,998)	8,903,331
Other	6,444,864	978,900	(513,740)	6,910,024
Facilities	7,669,646	712,739	-	8,382,385
Roads and bridges	79,082,338	4,942,442	-	84,024,780
Underground and other networks	54,987,146	2,558,265	-	57,545,411
Infrastructure - vehicles and equipment	<u>14,989,004</u>	<u>1,544,811</u>	<u>(531,893)</u>	<u>16,001,922</u>
	<u>\$ 186,093,914</u>	<u>\$ 14,305,863</u>	<u>\$ (3,884,861)</u>	<u>\$ 196,514,916</u>
Net book value		<u>2013</u>		<u>2014</u>
Land		\$ 60,099,442		\$ 60,052,476
Buildings		51,106,486		56,299,307
Vehicles		4,209,002		4,246,111
Equipment and furniture		12,688,236		14,744,871
Other		14,550,782		14,501,733
Facilities		20,653,661		19,996,615
Roads and bridges		70,088,331		68,631,928
Underground and other networks		81,066,446		81,149,366
Infrastructure - vehicles and equipment		<u>20,309,751</u>		<u>19,608,773</u>
		334,772,137		339,231,180
Assets under construction		<u>5,288,227</u>		<u>3,459,546</u>
		<u>\$ 340,060,364</u>		<u>\$ 342,690,726</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

13. Accumulated surplus	<u>2014</u>	<u>2013</u>
Accumulated surplus is comprised of the following		
Reserves set aside by Council		
For contingencies	\$ (147,025)	\$ 652,593
For future capital purposes	4,140,103	2,789,006
For current purposes	<u>800,472</u>	<u>186,990</u>
Total reserves	<u>4,793,550</u>	<u>3,628,589</u>
Reserve funds set aside by Council		
For insurance	130,241	350,800
For future capital purposes	(1,970,138)	(9,417,070)
For current purposes	<u>49,492</u>	<u>46,284</u>
Total reserve funds	<u>(1,790,405)</u>	<u>(9,019,986)</u>
Total reserves and reserve funds	<u>\$ 3,003,145</u>	<u>\$ (5,391,397)</u>
Surpluses		
Invested in tangible capital assets	\$ 342,690,726	\$ 340,060,364
Committed capital funding	(6,467,204)	(33,612)
Equity in Orillia Power Corporation (Note 6)	39,682,000	37,959,000
BIA fund surplus	23,939	46,313
Less unfunded liabilities:		
Employee benefit and post-employment liabilities (Note 10)	(6,435,575)	(1,694,920)
Landfill and post-closure liabilities (Note 9)	<u>(4,806,000)</u>	<u>(4,655,000)</u>
Total surpluses	<u>364,687,886</u>	<u>371,682,145</u>
Accumulated surplus	<u>\$ 367,691,031</u>	<u>\$ 366,290,748</u>

14. Taxation		<u>2014</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Real property	\$ 56,070,824	\$ 55,850,382	\$ 54,793,506
Payments in lieu of taxes	<u>4,103,151</u>	<u>4,100,176</u>	<u>4,001,368</u>
	60,173,975	59,950,558	58,794,874
Less: taxes collected on behalf of school boards (Note 15)	<u>12,681,983</u>	<u>12,681,983</u>	<u>12,668,394</u>
Net taxes available for municipal purposes	<u>\$ 47,491,992</u>	<u>\$ 47,268,575</u>	<u>\$ 46,126,480</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

14. Taxation (continued)	2014		2013
	Budget	Actual	Actual
Residential and farm	\$ 29,496,972	\$ 29,369,341	\$ 28,900,132
Multi-residential	2,997,940	2,997,940	2,963,094
Commercial	13,879,714	13,831,339	13,070,152
Industrial	<u>1,117,366</u>	<u>1,069,955</u>	<u>1,193,102</u>
Net taxes available for municipal purposes	\$ <u>47,491,992</u>	\$ <u>47,268,575</u>	\$ <u>46,126,480</u>

15. Collection on behalf of school boards	2014	2013
Total taxes and development charges received or receivable on behalf of the school boards are as follows:		
Taxes	\$ 12,845,915	\$ 13,102,586
Less: writeoffs	<u>(163,932)</u>	<u>(434,192)</u>
	12,681,983	12,668,394
Development charges	<u>90,441</u>	<u>65,517</u>
	\$ 12,772,424	\$ 12,733,911

The Municipality is required to levy and collect taxes on behalf of the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned, are recorded as accounts payable (receivable).

The Municipality is also required to bill and collect development charges on behalf of the school boards. Development charges collected in excess of those paid to the school boards are recorded as accounts payable.

16. Grants	2014		2013
	Budget	Actual	Actual
Operating			
Province of Ontario	\$ 787,070	\$ 760,656	\$ 806,706
Government of Canada	<u>65,484</u>	<u>41,377</u>	<u>27,926</u>
	<u>852,554</u>	<u>802,033</u>	<u>834,632</u>
Capital			
Province of Ontario	-	31,504	(65,633)
Government of Canada	<u>1,850,000</u>	<u>2,385,982</u>	<u>2,437,772</u>
	<u>1,850,000</u>	<u>2,417,486</u>	<u>2,372,139</u>
	\$ <u>2,702,554</u>	\$ <u>3,219,519</u>	\$ <u>3,206,771</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

17. User charges		<u>2014</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating			
Fees and service charges	\$ 5,858,725	\$ 5,837,149	\$ 5,635,703
Direct water billings	4,814,590	4,867,982	4,683,758
Direct sewer billings	<u>5,604,587</u>	<u>5,544,079</u>	<u>5,164,211</u>
	<u>\$ 16,277,902</u>	<u>\$ 16,249,210</u>	<u>\$ 15,483,672</u>

18. Other revenue		<u>2014</u>	<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Penalties and interest on taxes	\$ 880,000	\$ 924,047	\$ 902,640
Licenses and permits	816,624	540,089	417,253
Fines	280,000	267,559	297,097
Rents and leases	1,146,791	1,107,646	1,067,870
Interest income	1,395,619	1,216,127	1,083,316
Revenue from other municipalities	325,328	365,576	539,625
Other	<u>496,390</u>	<u>595,452</u>	<u>937,714</u>
	<u>\$ 5,340,752</u>	<u>\$ 5,016,496</u>	<u>\$ 5,245,515</u>

19. Pension agreement

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 300 (2013 - 296) members 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. This pension plan is accounted for as a defined contribution plan as there is insufficient information available to apply defined benefit plan accounting. Employers and employees contribute jointly to the plan.

Contribution rates were from 9.0% to 15.8% (2013 – 9.0% to 15.9%) depending on the normal retirement age and the level of earnings. As a result \$1,809,958 (2013 - \$1,803,642) was contributed to OMERS during the year.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

20. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation.

21. Financial instruments

The Municipality's financial instruments consist of cash and cash equivalents, investments, receivables, payables and accruals and deferred revenue. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

22. Comparative figures

Certain comparative figures in these financial statements have been reclassified to conform with presentation adopted for the current year.

23. Interfund borrowings

As a means of funding capital projects, developer contributions were allocated as the funding source for the projects as approved by Council. There were not enough funds in developer contributions to fund these projects, so general City funds were used to temporarily finance the projects. There is no set date of when these funds will all be repaid, but are reduced as collections are made and funds are allocated. Interest is charged based on the balance of the fund according to the City's procedure for allocating interest. For the purposes of these financial statements, both the financing and the repayment are reflected as interfund transfers and therefore eliminated during consolidation. The following is the current status of the internal borrowings outstanding.

	<u>2014</u>	<u>2013</u>
	\$ <u>13,001,824</u>	\$ <u>14,183,724</u>

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

24. Segmented reporting

In accordance with Section 2700 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants, the Municipality has prepared segmented financial information.

The Municipality is a municipal government entity that provides a wide range of services to its citizens. The schedule of segment disclosure provides the financial information by major reporting segments.

The revenue and expenditures for each service area have been separately disclosed in the segmented information, and include the following activities:

General Government

The General Government reporting segment includes a wide variety of departments and functions within the Municipality. These include Council, City Manager's Office, Treasury, Clerk's Department, Personnel, Payroll, Information Technology, Property Management, and other corporate management costs.

Protection

Protection services include Police, Fire, Bylaw Enforcement and Building Department. Police services are provided by the Ontario Provincial Police under contract.

Transportation

Transportation services include Roads, Winter Control, Transit, Parking and Street Lighting.

Environmental

Environmental services include the Sanitary Sewer, Storm sewer and Waterworks systems, Solid Waste Management, and Pollution Control.

Health, Social and Family

The Municipality makes payments to operate a variety of social services on their behalf. Payments are made to Simcoe Muskoka District Health Unit for Public Health and to The County of Simcoe for Paramedic, General Assistances (OW/ODSP), Homes for the Aged, Child Care and Social Housing.

Recreation and Culture

Recreation & Culture services include Parks, Recreation Programs, Recreation Facilities, Cultural Services, Orillia Opera House, Leacock Museum, and the Orillia Public Library.

Planning and Development

This category includes Planning, zoning and development services, the Economic Development Committee, the Downtown Orillia Management Board, and the operation of Commercial Rental Properties.

Other

Expenditures and revenue not directly attributable to a specific category are reported under this category.

Allocation Methods

In the preparation of segmented financial information, it is necessary to use reasonable allocation methods. For each reported segment, revenue represents both amounts that are directly attributable to the segment and amounts that are allocated. Property taxation is allocated to each segment based on the approved budget.

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

24. Segmented reporting December 31, 2014 (continued)

	General Government	Protection	Transportation	Environmental	Health, Social and Family	Recreation, & Culture	Planning & Development	Other, reserves and capital tax levy	Consolidated
Revenue									
Taxation	\$5,243,874	\$14,449,995	\$5,209,460	\$1,255,010	\$6,271,305	\$5,810,575	\$929,674	\$8,098,682	\$47,268,575
Grants	1,526	282,290	2,425,237	31,504	-	469,742	9,220	-	3,219,519
User charges	73,265	138,064	1,511,252	11,556,554	-	2,772,038	198,037	-	16,249,210
Other	209,302	1,058,054	40,862	354,072	32,195	288,373	861,168	3,772,470	6,616,496
Developer contributions earned	-	-	-	-	-	-	-	530,411	530,411
Total revenue	5,527,967	15,928,403	9,186,811	13,197,140	6,303,500	9,340,728	1,998,099	12,401,563	73,884,211
Expenditures									
Salaries and wages	4,242,477	6,350,352	3,109,230	3,063,509	244,298	5,701,281	1,507,948	-	24,219,095
Goods and services	1,467,518	9,235,893	4,175,474	4,829,178	78,466	3,429,503	855,229	-	24,071,261
Other	-	-	-	-	5,845,376	146,970	30,352	-	6,022,698
Amortization	463,421	379,888	5,990,721	4,097,289	-	3,250,240	124,304	-	14,305,863
Total expenditures	6,173,416	15,966,133	13,275,425	11,989,976	6,168,140	12,527,994	2,517,833	-	68,618,917
Net revenue (expenditures)	\$(645,449)	\$(37,730)	\$(4,088,614)	\$1,207,164	\$135,360	\$(3,187,266)	\$(519,734)	\$12,401,563	\$5,265,294

City of Orillia

Notes to the Consolidated Financial Statements

December 31, 2014

24. Segmented reporting December 31, 2013 (continued)

	General Government	Protection	Transportation	Environmental	Health, Social and Family	Recreation & Culture	Planning & Development	Other, reserves and capital tax levy	Consolidated
Revenue									
Taxation	\$5,168,361	\$13,225,963	\$5,212,556	\$1,302,260	\$6,792,240	\$5,642,496	\$955,840	\$7,826,764	\$46,126,480
Grants	1,526	231,647	2,512,837	-	90,130	370,631	-	-	3,206,771
User charges	88,124	137,477	1,516,981	10,782,763	-	2,765,442	192,885	-	15,483,672
Other Developer contributions earned	216,818	1,006,858	4,181	363,789	32,119	395,957	1,210,186	3,115,607	6,345,515
	-	-	-	-	-	-	-	1,136,208	1,136,208
Total revenue	5,474,829	14,601,945	9,246,555	12,448,812	6,914,489	9,174,526	2,358,911	12,078,579	72,298,646
Expenditures									
Salaries and wages	3,965,957	6,413,308	2,991,377	2,860,318	232,102	5,819,187	1,441,550	-	23,723,799
Goods and services	1,655,607	8,785,185	3,849,256	4,747,722	90,595	3,223,495	891,221	-	23,243,081
Other	-	-	-	-	6,328,943	147,397	30,352	-	6,506,692
Amortization	473,751	249,859	5,735,908	3,995,276	-	3,272,554	114,623	-	13,841,971
Total expenditures	6,095,315	15,448,352	12,576,541	11,603,316	6,651,640	12,462,633	2,477,746	-	67,315,543
Net revenue (expenditures)	\$(620,486)	\$(846,407)	\$(3,329,986)	\$845,496	\$262,849	\$(3,288,107)	\$(118,835)	\$12,078,579	\$ 4,983,103