



CITY OF SARNIA

THE CORPORATION OF  
THE CITY OF SARNIA

FINANCIAL STATEMENTS  
2014

**THE CORPORATION OF THE CITY OF SARNIA**

**2014**

---

**CITY COUNCIL**

<b>Mayor</b>	<b>Mike Bradley</b>
<b>Councillors</b>	<b>Dave Boushy</b>
	<b>Andy Bruziewicz</b>
	<b>Anne Marie Gillis</b>
	<b>Mike Kelch</b>
	<b>Bev MacDougall</b>
	<b>Matt Mitro</b>
	<b>Cindy Scholten</b>
	<b>Brian White</b>

**CITY ADMINISTRATION**

City Manager	Margaret Misk-Evans
City Clerk	Nancy Wright-Laking
Director of Finance	Brian McKay
City Engineer	Andre Morin
Director of Planning and Building	Jane Cooper
Director of Parks and Recreation	Beth Gignac
Director of Transit	Jim Stevens
Fire Chief	John Kingyens
Chief of Police	Phil Nelson

**THE CORPORATION OF THE CITY OF SARNIA**

**2014**

---

**POLICE SERVICES BOARD**

Chairperson	Mayor Mike Bradley
Vice Chairperson	Sean Keane
Councillors	Andy Bruziewicz
	Scott Palko
	Dick Carpani
Secretary	Scott McEachran

**SARNIA POWER CORPORATION**

Chairperson	Firman Bentley
Vice Chairperson	Richard Grogan
	Glenn Jones

**AUDITORS**

BDO Canada LLP

# The Corporation of the City of Sarnia

## Financial Statements

Year ended December 31, 2014

---

### CONTENTS

	<u>Page</u>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Auditor's Report	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flow	8
Notes to the Consolidated Financial Statements	9 - 35
Schedule of Segment Disclosure	36 - 37
<b>TRUST FUND STATEMENTS</b>	
Auditor's Report	38
Statement of Continuity of Trust Funds	39
Statement of Financial Position	40
Notes to the Financial Statements	41



Tel: 519 336 9900  
Fax: 519 332 4828  
www.bdo.ca

BDO Canada LLP  
Kenwick Place, 250 Christina Street N  
PO Box 730  
Sarnia ON N7T 7J7 Canada

---

## Independent Auditor's Report

---

### To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Sarnia

We have audited the accompanying consolidated financial statements of the Corporation of the City of Sarnia, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, change in net financial assets and cash flow 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 financial position of the Corporation of the City of Sarnia 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

Sarnia, Ontario  
July 27, 2015

# THE CORPORATION OF THE CITY OF SARNIA

## Financial Statements

### Consolidated Statement of Financial Position

as at December 31, 2014

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash and investments (note 4)	\$ 44,190,194	\$ 32,767,406
Taxes receivable	6,424,846	7,099,055
Accounts receivable	13,239,562	11,852,997
Long-term receivables (note 5)	437,110	588,154
Investment in Sarnia Power Corporation (note 6)	<u>52,214,670</u>	<u>49,861,538</u>
Total financial assets	<u>116,506,382</u>	<u>102,169,150</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	14,741,555	13,316,052
Other current liabilities	6,957,834	5,974,460
Deferred revenue (note 8)	21,175,368	13,020,728
Net long-term liabilities (note 9)	23,921,958	27,270,664
Interest on net long-term liabilities (note 10)	110,349	138,093
Landfill closure and post-closure liability (note 11)	238,360	252,920
Employee future benefits (note 12)	38,766,043	29,723,525
Accrued tax liabilities (note 14)	<u>3,579,030</u>	<u>1,112,666</u>
Total liabilities	<u>109,490,497</u>	<u>90,809,108</u>
<b>NET FINANCIAL ASSETS</b>	<u>7,015,885</u>	<u>11,360,042</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 15)	503,392,135	504,200,103
Other assets	<u>5,087,075</u>	<u>5,474,110</u>
Total Non-Financial Assets	<u>508,479,210</u>	<u>509,674,213</u>
<b>Accumulated Surplus (note 16)</b>	<u><u>\$515,495,095</u></u>	<u><u>\$521,034,255</u></u>

Approved on behalf of City Council

---

---

The accompanying notes are an integral part of this financial statement.

# THE CORPORATION OF THE CITY OF SARNIA

## Financial Statements

### Consolidated Statement of Operations

year ended December 31, 2014

	2014 Budget	2014	2013
<b>REVENUE</b>			
Property taxation (note 14)	\$ 65,249,491	\$ 62,648,320	\$ 61,537,605
User fees and service charges	38,448,830	39,678,423	38,704,630
User fees and service charges-other municipalities	2,811,350	3,325,149	2,847,076
Government transfers-operating (note 22)	2,467,188	2,391,715	982,976
Investment income	2,251,798	2,914,764	2,717,484
Penalties and interest on taxes	1,200,000	1,069,782	487,187
Gaming and casino revenues	-	-	377,250
Contributions - developers	-	107,567	177,583
Other	1,377,608	2,514,693	1,553,110
Total revenue	<u>113,806,265</u>	<u>114,650,413</u>	<u>109,384,901</u>
<b>EXPENSES</b>			
General government	6,879,905	9,186,961	10,041,643
Protection services	41,517,502	41,766,745	41,193,493
Transportation services	15,683,628	21,779,833	20,347,617
Health services	85,000	85,000	87,625
Environmental services	35,094,338	32,754,157	37,157,580
Social and family services	338,323	355,365	492,266
Recreation and cultural services	7,532,562	12,233,167	9,205,301
Planning and development	1,247,533	1,502,360	1,385,297
Non-functionalized unfunded liabilities	-	9,130,209	2,893,585
Total expenses	<u>108,378,791</u>	<u>128,793,797</u>	<u>122,804,407</u>
Net revenue (expense)	<u>5,427,474</u>	<u>(14,143,384)</u>	<u>(13,419,506)</u>
<b>OTHER</b>			
Government transfers - capital (note 22)	-	3,553,462	2,629,163
Capital contributions - developers	-	832,142	422,131
Other related to capital	-	183,652	446,220
Donated assets	-	1,842,979	1,350,688
Share of LAWSS	-	(161,143)	382,666
Sarnia Power Corporation, net change in equity	-	2,353,132	2,618,601
	<u>-</u>	<u>8,604,224</u>	<u>7,849,469</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ 5,427,474</u>	<u>\$ (5,539,160)</u>	<u>\$ (5,570,037)</u>
<b>Accumulated Surplus, Beginning of Year</b>		521,034,255	526,604,292
<b>Accumulated Surplus, End of Year</b>		<u>\$ 515,495,095</u>	<u>\$ 521,034,255</u>

The accompanying notes are an integral part of this financial statement.

# THE CORPORATION OF THE CITY OF SARNIA

## Financial Statements

### Consolidated Statement of Change in Net Financial Assets

year ended December 31, 2014

	2014	2013
<b>Annual deficit</b>	\$ (5,539,160)	\$ (5,570,037)
Amortization of tangible assets	17,149,225	16,643,961
Proceeds from sale of tangible capital assets	35,107	72,878
Loss on sale of tangible capital assets	361,921	729,501
Acquisition of tangible capital assets	(16,738,285)	(12,602,826)
Change in other assets	387,035	(308,620)
<b>Decrease in Net Financial Assets</b>	<u>(4,344,157)</u>	<u>(1,035,143)</u>
<b>Net Financial Assets, Beginning of Year</b>	<u>11,360,042</u>	<u>12,395,185</u>
<b>Net Financial Assets, End of Year</b>	<u><u>\$ 7,015,885</u></u>	<u><u>\$ 11,360,042</u></u>

The accompanying notes are an integral part of this financial statement.



# THE CORPORATION OF THE CITY OF SARNIA

## Financial Statements

### Consolidated Statement of Cash Flow

year ended December 31, 2014

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Annual deficit	\$ (5,539,160)	\$ (5,570,037)
Items not involving cash:		
Amortization of tangible capital assets	17,149,225	16,643,961
Loss on sale of tangible capital assets	361,921	729,501
Change in employee future benefits	9,042,518	2,948,122
Change in landfill closure and post closure liability	(14,560)	(13,672)
Change in accrued tax liabilities	2,466,364	1,112,666
Change in non-cash assets and liabilities		
Taxes receivable	674,209	1,907,295
Accounts receivable	(1,386,565)	2,167,732
Accounts payable and accrued liabilities	1,425,503	3,594,012
Other current liabilities	983,374	285,926
Deferred revenue	8,154,640	643,454
Other assets	387,035	(308,620)
	<u>33,704,504</u>	<u>24,140,340</u>
<b>CAPITAL ACTIVITIES</b>		
Proceeds on sale of tangible capital assets	35,107	72,878
Acquisition of tangible capital assets	<u>(16,738,285)</u>	<u>(12,602,826)</u>
Net change in cash from capital activities	<u>(16,703,178)</u>	<u>(12,529,948)</u>
<b>INVESTING ACTIVITIES</b>		
Long-term receivables	151,044	169,232
Investment in Sarnia Power Corporation	<u>(2,353,132)</u>	<u>(2,618,601)</u>
Net change in cash from investing activities	<u>(2,202,088)</u>	<u>(2,449,369)</u>
<b>FINANCING ACTIVITIES</b>		
Interest on net long-term liabilities	(27,744)	(35,366)
Long-term liabilities repaid	(5,250,408)	(6,130,972)
RBC guarantee loan	1,668,780	-
Share of LAWSS debt adjustment	<u>232,922</u>	<u>(512,112)</u>
Net decrease in cash from financing	<u>(3,376,450)</u>	<u>(6,678,450)</u>
Net change in cash and equivalents	11,422,788	2,482,573
Cash and cash equivalents, beginning of year	<u>32,767,406</u>	<u>30,284,833</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 44,190,194</u></u>	<u><u>\$ 32,767,406</u></u>

The accompanying notes are an integral part of this financial statement.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2014

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the municipality are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates and approximations have been made using careful judgments. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

#### (a) Basis of Consolidation

##### (i) Consolidated Financial Statements

These consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and organizations, committees, local boards and entities accountable to the City for the administration of their financial affairs and resources, and which are owned or controlled by the City. The organizations included in the consolidated financial statements are as follows:

- Transit Special Area
- Sewer Special Area
- Sarnia Waterworks
- Sarnia Police Services Board

##### (ii) Government Business Enterprises

Sarnia Power Corporation and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City of Sarnia's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform to those of the municipality, and inter-organizational transactions and balances are not eliminated.

##### (iii) Joint Local Board

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board for the 2nd previous year. Under the proportionate basis, the municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2014, the municipality's share of the System was 61.17% (2013 – 59.17%). Material inter-organizational transactions and balances have been eliminated.

##### (iv) Accounting for School Boards and the County of Lambton

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Lambton are not included in the consolidated financial statements.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Consolidation

##### (v) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Financial Statements.

#### (b) Basis of Accounting

##### (i) Accrual Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

##### (ii) 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 Increase in Net Financial Assets for the year.

##### 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 straightline basis over their estimated useful lives as follows:

Land Improvements	15 to 40 years
Buildings	15 to 80 years
Machinery & Equipment	8 to 25 years
Vehicles	3 to 20 years
Computers	3 to 20 years
Roads	15 to 50 years
Water Distribution	60 years
Sanitary Sewer	60 years
Storm Sewer	50 to 60 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (b) Basis of Accounting

##### (ii) Non-Financial Assets

###### 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. During 2014, tangible capital assets with a value of \$1,842,979 were contributed by developers to the City (2013 - \$1,350,688). These items were comprised of sanitary sewer, storm sewer, water and roads assets.

###### Interest Capitalization

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

###### Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted as operating leases and the related lease payments are charged to expenses as incurred.

###### Inventories

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

##### (iii) Deferred Revenue - Development Charges

The municipality receives development charges and sub-divider contributions under the authority of provincial legislation and municipal bylaws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. These amounts will be recognized as revenue in the fiscal year they are expended.

##### (iv) Taxation and Related Revenue

Property tax billings are prepared by the municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (b) Basis of Accounting

##### (iv) Taxation and Related Revenue

changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary tax billings. Assessments and related property taxes are also subject to appeal. Each year, management provides a best estimate of the affect of supplementary assessments and tax appeals on taxation revenue.

The municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

##### (v) Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

##### (vi) Revenue Recognition

User charges are recorded when the amount is determinable, collectability is assured and the services are provided. Investment income is recorded as earned.

##### (vii) Budget Figures

City Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2014 is reflected on the Consolidated Statement of Operations.

Budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts.

Budget figures exclude the impact of amortization expense, employee future benefits expense, landfill closure and post closure expenses, and consolidated revenue and expenses from LAWSS.

##### (viii) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from these estimates.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

Further to note 1 (a)(iv), the taxation, other revenues and requisitions for the school boards and the County of Lambton are comprised of:

	<b>School Boards</b>	<b>County</b>	<b>Total</b>
Taxation and user charges	\$ 26,332,598	\$ 34,618,398	\$ 60,950,996
Share of payments in lieu of taxes	38,617	445,793	484,410
	<u>26,371,215</u>	<u>35,064,191</u>	<u>61,435,406</u>
Share of taxes written off	383,998	291,510	675,508
Share of tax rebates	255,965	160,549	416,514
	<u>639,963</u>	<u>452,059</u>	<u>1,092,022</u>
Amounts transferred	<u>\$ 25,731,252</u>	<u>\$ 34,612,132</u>	<u>\$ 60,343,384</u>

### 3. TRUST FUNDS

Trust funds administered by the municipality amounting to \$11,275 (2013 - \$11,147) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. The Trust Funds under administration include the following:

	<b>2014</b>	<b>2013</b>
Cemetery Care and Maintenance	<u>\$ 11,275</u>	<u>\$ 11,147</u>

### 4. CASH AND INVESTMENTS

The balance of cash and investments consists of the following:

	<b>2014</b>	<b>2013</b>
Cash on hand	\$ 73,540	\$ 77,107
Cash in bank	42,988,973	31,563,131
Investments	1,127,681	1,127,168
	<u>\$ 44,190,194</u>	<u>\$ 32,767,406</u>

The cash in bank is held at a Canadian chartered bank and earns interest at the 30 Day Average Bankers' Acceptance rate less 10 basis points.

The investments are comprised of twelve GICs, recorded at cost, with effective interest rates between 1.55% and 1.90% maturing in 2015 and 2016. The market value of these investments amounted to \$1,127,681 (2013 - \$1,127,128). Interest is receivable on an annual basis.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 5. LONG-TERM RECEIVABLES

	2014	2013
Mortgage receivable, due in annual installments increasing 4.5% each successive installment with a final installment due July 15, 2018. Provided installments are made when due, no interest is payable thereon. The mortgage may be discharged in whole or in part, at the option of the mortgagee at any time in the amount of the present value of the future installments calculated at the lowest rate of interest charged by the municipality's bankers to the municipality on the date of such payment. This mortgage is reported in the accompanying Consolidated Statement of Financial Position at the actual amount of future installments.	\$ 104,331	\$ 127,668
Loan receivable - employees re Ontario Police College, repayable over 2 years with no interest	6,490	10,096
Loan Receivable, at 4.50%, repayable in monthly installments of \$1,898 with final payment due July 2023	161,951	177,069
Loan Receivable - employee purchase plan, repayable over one or two years with no interest	82,478	67,181
Long-term mortgage receivable, at 0% interest, repayable over 20 years at \$30,000 per year	40,000	70,000
Loan receivable, at 0% interest, repayable over 10 years at \$15,000 per year, forgivable based on continuation of annual Celebration of Lights display	15,000	30,000
Final lease payment, due December 31, 2030	-	51,286
Loan receivable, 1.125% to 2.75%, issued under Municipal Facade Improvement Program, due in quarterly installments including principal and interest of \$10,502 with a final installment due July 1, 2024	<u>222,153</u>	<u>243,971</u>
	632,403	777,271
Current portion included in accounts receivable	<u>195,293</u>	<u>189,117</u>
Total long-term receivables	<u><u>\$ 437,110</u></u>	<u><u>\$ 588,154</u></u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2014

---

### 6. INVESTMENT IN SARNIA POWER CORPORATION

Under the provincial government's Electricity Competition Act (Bill 35), Sarnia Power Corporation, a holding company, along with its affiliates Bluewater Power Corporation and Sarnia Hydro Energy Services were incorporated October 20, 2000 under the Ontario Business Corporations Act.

On November 1, 2000 the Hydro-Electric Commission of the City of Sarnia merged its operations with the Petrolia Public Utilities Commission, Point Edward Public Utilities Commission, Alvinston Public Utilities Commission, Warwick Hydro Electric Commission and Oil Springs Hydro Electric Commission as Bluewater Power Corporation.

As part of this electricity restructuring, the municipality transferred the net assets of the former Hydro- Electric Commission of the City of Sarnia to Bluewater Power Corporation. Sarnia Power Corporation, wholly owned by the municipality, was incorporated to hold the City of Sarnia's investment in this entity. As consideration for the transfers, the municipality took back an 86.05% share in the common shares of Bluewater Power Corporation and promissory notes.

The investment is composed of the following:

	<b>2014</b>	<b>2013</b>
Sarnia Power Corporation common shares	\$ 15,566,626	\$ 15,566,626
Bluewater Power Distribution Corporation, long-term notes receivable	16,729,636	16,729,636
Share of net income since acquisition, net of dividends received	<u>19,918,408</u>	<u>17,565,276</u>
	<u><u>\$ 52,214,670</u></u>	<u><u>\$ 49,861,538</u></u>

The notes receivable are unsecured and bear interest at the rate of 6.39%. Interest received from these notes receivable amounted to \$1,069,024 (2013 - \$1,136,676) and is reported in the Consolidated Statement of Operations.



# THE CORPORATION OF THE CITY OF SARNIA

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

### 6. INVESTMENT IN SARNIA POWER CORPORATION

The following table provides condensed financial information from the consolidated financial statements of Sarnia Power Corporation for the year ended December 31:

	<b>2014</b>	<b>2013</b>
<b>Financial Position</b>		
Assets		
Current assets	\$ 35,212,647	\$ 33,846,694
Long-term assets	<u>64,354,383</u>	<u>63,213,298</u>
Total assets	<u>\$ 99,567,030</u>	<u>\$ 97,059,992</u>
Liabilities		
Current liabilities	\$ 22,191,566	\$ 19,824,135
Long-term liabilities	36,137,774	38,732,777
Non-controlling interest	<u>5,752,655</u>	<u>5,371,177</u>
Total liabilities	<u>64,081,995</u>	<u>63,928,089</u>
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	<u>19,918,409</u>	<u>17,565,277</u>
Total equity	<u>35,485,035</u>	<u>33,131,903</u>
Total liabilities and equity	<u>\$ 99,567,030</u>	<u>\$ 97,059,992</u>
<b>Results of Operations</b>		
Revenues	\$ 125,846,935	\$ 118,660,901
Operating expenses	<u>121,728,949</u>	<u>114,389,072</u>
Net income before non-controlling interest	4,117,986	4,271,829
Non-controlling interest	<u>574,459</u>	<u>595,920</u>
Net income	<u>\$ 3,543,527</u>	<u>\$ 3,675,909</u>
<b>Continuity of Investment</b>		
	<b>2014</b>	<b>2013</b>
Balance, beginning of year	<u>\$ 49,861,538</u>	<u>\$ 47,242,937</u>
Net income for the year	3,543,527	3,675,909
Dividends received during the year	<u>(1,190,395)</u>	<u>(1,057,308)</u>
Net increase in equity during the year	<u>2,353,132</u>	<u>2,618,601</u>
Balance, end of year	<u>\$ 52,214,670</u>	<u>\$ 49,861,538</u>

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 7. BANK INDEBTEDNESS

An operating line of credit was available by way of bank overdraft in the amount of \$8,000,000 as at December 31, 2014. Amounts obtained under this credit are due on demand and bear interest at the bank's prime rate less 0.65%, calculated and payable monthly. NIL has been drawn on this line as of December 31, 2014.

### 8. DEFERRED REVENUE

Provincial legislation restricts how funds relating to development charges, subdivider contributions, provincial and federal gas tax and building permits may be used.

	<b>2014</b>	<b>2013</b>
Development Charges Act	\$ 8,082,919	\$ 7,669,131
Recreational land (The Planning Act)	210,380	155,486
Gasoline Tax - Canada	2,773,950	3,009,487
Gasoline Tax - Ontario	2,051,685	2,124,009
Building Permit (Building Code Act)	-	62,615
Federal Harbour Reserve	8,056,434	-
Total	<u>\$ 21,175,368</u>	<u>\$ 13,020,728</u>

Total activities for the above items is summarized as follows:

	<b>2014</b>	<b>2013</b>
Balance, beginning of the year	\$ 13,020,728	\$ 12,377,274
Developer contributions received	1,304,969	802,251
Canada grants	10,719,870	2,190,778
Ontario grants	935,273	943,032
Interest earned	163,916	142,082
Provincial Gasoline Tax funding utilized	(1,032,206)	(752,335)
Funds earned by municipality	(3,937,182)	(2,682,354)
Net increase	<u>8,154,640</u>	<u>643,454</u>
Balance, end of the year	<u>\$ 21,175,368</u>	<u>\$ 13,020,728</u>

# THE CORPORATION OF THE CITY OF SARNIA

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

### 9. NET LONG-TERM LIABILITIES

- (a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	<b>2014</b>	<b>2013</b>
Total long-term liabilities incurred by the municipality including those incurred on behalf of municipal enterprises issued at various interest rates ranging from 2.83% to 10.52% and outstanding at the end of the year amount to	\$23,926,277	\$27,276,264
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	<u>(4,319)</u>	<u>(5,600)</u>
Net long-term liabilities, end of the year	<u><u>\$23,921,958</u></u>	<u><u>\$27,270,664</u></u>

- (b) Of the net long-term liabilities reported in (a) of this note, the annual principal payments are:

2015	\$ 4,633,648
2016	3,918,760
2017	4,153,616
2018	2,172,968
2019	1,863,621
2020 to 2024	4,100,066
2025 onwards	<u>3,079,279</u>
	<u><u>\$ 23,921,958</u></u>

- (c) All net long-term liabilities on the Consolidated Statement of Financial Position are payable in Canadian dollars.
- (d) The following is an analysis of the net-long term liabilities by debt instrument:

	<b>2014</b>	<b>2013</b>
Installment (serial) debentures	\$ 6,665,856	\$ 8,254,166
Long-term bank loans	17,207,797	18,933,765
Ontario Clean Water Agency (OCWA)	<u>48,305</u>	<u>82,733</u>
Net long-term liabilities, end of year	<u><u>\$ 23,921,958</u></u>	<u><u>\$ 27,270,664</u></u>

The long-term bank loans are issued on a demand basis.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 9. NET LONG-TERM LIABILITIES

- (e) The annual principal and interest payments required to service the long-term liabilities in (a) are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (f) The municipality is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2014 is \$4,319 (2013 - \$5,600) and is not recorded on the Consolidated Statement of Financial Position.
- (g) Total activity for the year for net long-term liabilities which are reported on the Consolidated Statement of Operations are as follows:

	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 27,270,664	\$ 33,913,748
Principal payments	(5,250,408)	(6,130,972)
RBC Guarantee loan	1,668,780	-
Adjustment to City share of LAWSS debt	<u>232,922</u>	<u>(512,112)</u>
Balance, end of year	<u><u>\$ 23,921,958</u></u>	<u><u>\$ 27,270,664</u></u>

Actual interest payments related to net long-term liabilities in the current year were \$1,412,689 (2013 - \$1,689,744).

- (h) Interest charges are recorded in the Consolidated Statement of Operations. Charges for long-term liabilities assumed by non-consolidated entities and individual ratepayers, in the case of tile drainage and shoreline property assistance loans, are not recorded in these financial statements.
- (i) The demand loan has a balance outstanding in the amount of \$4,980,808 (2013 - \$5,188,731) bearing interest at a rate of 4.50%, with blended monthly payments of principal and interest of \$36,440 and due in 2030.
- (j) The RBC Guarantee Loan payments were assumed by the City when the City took over the RBC on July 1, 2014. The balance of the demand loan outstanding as at December 31, 2014 was \$1,636,712.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 10. INTEREST ON NET LONG-TERM LIABILITIES

A provision for the interest on long-term liabilities that has been accrued but not yet paid in the current year is estimated at \$110,349 (2013 - \$138,093) and is reported as an accrued liability on the Consolidated Statement of Financial Position.

### 11. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Ontario Environmental and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include covering and landscaping of the landfill, pumping of ground water and leachate from the site, and ongoing environmental monitoring, site inspection and maintenance.

The estimated liability of \$238,360 (2013 - \$252,920) represents the sum of the discounted future cash flows for post closure care activities discounted at the municipality's current long-term borrowing rate of 6.50%.

### 12. EMPLOYEE FUTURE BENEFITS

The municipality provides certain employee benefits, which will require funding in future periods. An estimate of the future liabilities for these benefits has been completed and forms the basis for the estimated liability reported in these financial statements.

	<b>2014</b>	<b>2013</b>
Sick leave benefits plan	\$ 2,727,500	\$ 2,841,000
Future payments required to WSIB	17,818,504	9,392,896
Post employment benefits	16,996,800	16,178,700
Accrued vacation pay	884,101	1,013,022
Accrued overtime pay	339,138	297,907
Total	<u>\$ 38,766,043</u>	<u>\$ 29,723,525</u>

#### (a) Sick Leave Benefit Plan

Under the sick leave benefit plan for members of the Firefighters' Association, unused sick leave can be accumulated and employees may become entitled to a cash payment when they leave the municipality's employment. For members of the Police Association, the sick leave benefit plan was terminated in 1991 at which time the unused sick leave was frozen with payout upon employee request or termination. For all other staff, the sick leave benefit plan was terminated prior to 1980, at which time the unused sick leave was frozen with payout due when the employee leaves the municipality's employment.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 12. EMPLOYEE FUTURE BENEFITS

#### (a) Sick Leave Benefit Plan

Information about the municipality's sick leave benefit plan is as follows:

Accrued benefit liability as at January 1, 2014	\$ 2,841,000
Current service cost	207,500
Interest on accrued benefit obligation	128,300
Benefit payments	<u>(449,300)</u>
Estimated benefit liability as at December 31, 2014	<u>\$ 2,727,500</u>

Reserve funds amounting to \$31,323 (2013 - \$31,813) at year-end have been established to provide for a portion of this past service liability.

Possible payments over the next five years to employees who are eligible to retire are:

2015	\$ 475,991
2016	59,087
2017	291,865
2018	497,007
2019	<u>112,047</u>
Total	<u>\$ 1,435,997</u>

#### (b) Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits on behalf of the municipality as a Schedule II employer. The payment made for the year was \$985,666 (2013 - \$1,068,189). The estimate of the future benefit costs of \$17,818,504 (2013 - \$9,392,896) for WSIB claims was provided by WSIB and was determined based on benefits currently in force with provision for benefits not yet awarded as follows:

Accidents prior to 1990 and survivor pensions	14.57 %
Accidents from 1990 to 1997	19.72 %
Accidents after 1997	13.06 %
Health care and non-income benefits	18.22 %
Administrative loading	33.90 %

Changes in presumptive disease legislation contribute to the increase in this estimate. The date of the most recent actuarial valuation was Decemeber 31, 2014.

Reserve funds have been established to provide for a portion of this liability and are included in the Consolidated Statement of Financial Position. The balance at the end of the year is a surplus of \$100,765 (2013 - \$82,984).

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 12. EMPLOYEE FUTURE BENEFITS

#### (c) Post-Retirement Benefits

The municipality provides certain health and dental benefits on behalf of retired employees up to the age of 65 if they have at least 25 years service with the municipality.

Information about the municipality's health and dental plan is as follows:

Accrued benefit liability as at January 1, 2014	\$ 16,178,700
Current service cost	747,100
Interest cost	790,500
Amortization of actuarial experience loss	373,200
Estimated benefits paid	<u>(1,092,700)</u>
Estimated benefit liability as at December 31, 2014	<u>\$ 16,996,800</u>

The following shows the reconciliation between the accrued benefit obligation and the post-retirement benefit liability:

Accrued benefit obligation as at December 31, 2014	\$ 19,561,400
Less unamortized amounts:	
Prior service costs	<u>2,564,600</u>
Post-retirement benefit liability as at December 31, 2014	<u>\$ 16,996,800</u>

The actuarial estimate of the future liability for post-retirement benefits assumes a discount rate of 4.50% and inflation rates for benefit premiums of 4.00% to 6.75%. No reserve fund has been established to provide for this liability. The date of the most recent actuarial valuation was December 31, 2014.

#### (d) Accrued Vacation Pay

Under the provision of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as of December 31, 2014 is \$884,101 (2013 - \$1,013,022).

#### (e) Accrued Overtime Pay

Overtime credits are earned as at December 31 but are generally unavailable for use until a later date. The approximate value of these credits as of December 31, 2014 is \$339,138 (2013 - \$297,907).

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 13. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees' Retirement System (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. The OMERS Administration Corporation Board of Directors, 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. 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 pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2014 was \$5,045,578 (2013 - \$4,934,961) for current service. The OMERS Board rate was 9.00% to 14.60% depending on income level for 2014 (2013 - 9.00% to 15.90% depending on income level).

### 14. ACCRUED TAX LIABILITIES

Taxation Revenue - General Levy	\$ 60,707,980	
Taxation Revenue - Supplementary Tax Levy	271,620	
Payment in Lieu Taxation Revenue	1,138,489	
Other Taxation Revenue - Local Improvement	347,371	
Taxation Revenue - Transit Levy	3,490,058	
Taxation Revenue - Supplementary Transit Tax Levy	<u>14,740</u>	
Subtotal of Taxation Revenue		65,970,258
Tax Write - offs	561,608	
Tax Rebates and Exemptions	293,966	
Current Year Accrued Tax Liability	<u>2,466,364</u>	
Subtotal of Tax Write - offs, Rebates and Exemptions		<u>3,321,938</u>
Total Property Taxation		<u><u>\$ 62,648,320</u></u>



# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 14. ACCRUED TAX LIABILITIES

#### Reconciliation of assessment Appeal Provision and Accrued Tax Liability

Estimate of expected appeals	\$ 3,447,268
Estimate of expected supplementary taxes	(364,964)
Other adjustments	<u>496,726</u>
Potential Future Tax Liability	<u><u>\$ 3,579,030</u></u>

The potential future tax liability includes all potential changes due to the results of tax appeals and supplementary taxes as the result of Assessment Review Board Decisions, Minutes of Settlement, Post Roll Assessments notices, Supplementary and Omitted Assessments and other tax adjustments that are processed under the Municipal Act 2001.

The actual future results will differ from these estimates as tax appeals are settled and actual assessment values are applied to supplemental properties.

The municipality has set up a provision for assessment appeals of \$2,466,364 (2013 - \$1,112,666). The accrued tax liability of \$3,579,030 is recognized as future liabilities. Included are funds of \$312,666 available for expenses related to this future liability.

**THE CORPORATION OF THE CITY OF SARNIA**

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

**15. TANGIBLE CAPITAL ASSETS**

<b>2014</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Machinery &amp; Equipment</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Roads</b>	<b>Water Distribution</b>	<b>Sanitary Sewer</b>	<b>Storm Sewer</b>	<b>Assets Under Construction</b>	<b>2014</b>	<b>2013</b>
<b>Cost</b>													
Balance, Beginning of year	\$124,974,508	\$ 27,271,171	\$ 84,528,311	\$ 71,329,681	\$ 28,275,205	\$ 3,104,997	\$219,667,402	\$124,064,126	\$ 46,974,125	\$ 75,518,124	\$ 1,810,902	\$807,518,552	\$799,365,750
Add: additions during the year	163,678	1,018,295	1,411,071	1,915,386	675,923	230,600	3,020,509	793,043	396,436	387,484	6,307,898	16,320,323	16,686,213
Less: disposals during the year	-	-	(127,942)	(15,200)	(295,404)	(4,400)	(554,912)	(48,135)	(3,673)	(11,707)	(1,374,161)	(2,435,534)	(3,911,317)
Other	25,444	13,503	830,949	745	-	-	-	1,670,513	-	-	12,542	2,553,696	(4,622,094)
<b>Balance, end of year</b>	<b>125,163,630</b>	<b>28,302,969</b>	<b>86,642,389</b>	<b>73,230,612</b>	<b>28,655,724</b>	<b>3,331,197</b>	<b>222,132,999</b>	<b>126,479,547</b>	<b>47,366,888</b>	<b>75,893,901</b>	<b>6,757,181</b>	<b>823,957,037</b>	<b>807,518,552</b>
<b>Accumulated Amortization</b>													
Balance, beginning of year	-	20,444,132	35,390,756	38,567,314	13,312,388	2,356,604	101,296,030	42,656,290	17,125,450	32,169,485	-	303,318,449	290,322,133
Add: amortization	-	1,263,650	1,913,653	2,931,558	1,688,665	253,285	5,131,000	1,827,454	784,954	1,355,006	-	17,149,225	16,643,961
Less: accumulated amortization on disposals	-	-	(76,765)	(12,540)	(198,440)	(4,400)	(328,253)	(33,602)	(3,673)	(6,673)	-	(664,346)	(2,329,310)
Other	-	11,344	331,510	551	-	-	-	418,169	-	-	-	761,574	(1,318,335)
<b>Balance, end of year</b>	<b>-</b>	<b>21,719,126</b>	<b>37,559,154</b>	<b>41,486,883</b>	<b>14,802,613</b>	<b>2,605,489</b>	<b>106,098,777</b>	<b>44,868,311</b>	<b>17,906,731</b>	<b>33,517,818</b>	<b>-</b>	<b>320,564,902</b>	<b>303,318,449</b>
<b>Net book value of tangible capital assets</b>	<b>\$125,163,630</b>	<b>\$ 6,583,843</b>	<b>\$ 49,083,235</b>	<b>\$ 31,743,729</b>	<b>\$ 13,853,111</b>	<b>\$ 725,708</b>	<b>\$116,034,222</b>	<b>\$ 81,611,236</b>	<b>\$ 29,460,157</b>	<b>\$ 42,376,083</b>	<b>\$ 6,757,181</b>	<b>\$503,392,135</b>	<b>\$504,200,103</b>

**THE CORPORATION OF THE CITY OF SARNIA**

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

**15. TANGIBLE CAPITAL ASSETS**

2013	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2013	2012
<b>Cost</b>													
Balance, beginning of year	\$124,907,286	\$ 26,479,387	\$ 85,760,664	\$ 70,019,249	\$ 27,183,230	\$ 2,936,274	\$216,044,085	\$125,677,569	\$ 44,751,498	\$ 74,731,876	\$ 874,632	\$799,365,750	\$789,647,281
Add: additions during the year	113,530	816,358	296,928	1,417,236	3,064,877	168,723	4,477,433	1,464,970	2,308,126	835,142	1,722,890	16,686,213	20,028,295
Less: disposals during the year	-	-	(26,752)	(105,450)	(1,972,902)	-	(854,116)	(38,076)	(85,499)	(48,894)	(779,628)	(3,911,317)	(9,072,679)
Other	(46,308)	(24,574)	(1,502,529)	(1,354)	-	-	-	(3,040,337)	-	-	(6,992)	(4,622,094)	(1,237,147)
<b>Balance, end of year</b>	<b>124,974,508</b>	<b>27,271,171</b>	<b>84,528,311</b>	<b>71,329,681</b>	<b>28,275,205</b>	<b>3,104,997</b>	<b>219,667,402</b>	<b>124,064,126</b>	<b>46,974,125</b>	<b>75,518,124</b>	<b>1,810,902</b>	<b>807,518,552</b>	<b>799,365,750</b>
<b>Accumulated Amortization</b>													
Balance, beginning of year	-	19,241,406	34,085,449	35,829,682	13,200,705	2,123,954	96,933,725	41,623,582	16,428,858	30,854,772	-	290,322,133	276,130,991
Add: amortization	-	1,222,624	1,885,978	2,820,089	1,577,224	232,650	5,013,255	1,788,932	758,864	1,344,345	-	16,643,961	16,313,832
Less: accumulated amortization on disposals	-	-	(13,911)	(81,544)	(1,465,541)	-	(650,950)	(25,460)	(62,272)	(29,632)	-	(2,329,310)	(1,787,886)
Other	-	(19,898)	(566,760)	(913)	-	-	-	(730,764)	-	-	-	(1,318,335)	(334,804)
<b>Balance, end of year</b>	<b>-</b>	<b>20,444,132</b>	<b>35,390,756</b>	<b>38,567,314</b>	<b>13,312,388</b>	<b>2,356,604</b>	<b>101,296,030</b>	<b>42,656,290</b>	<b>17,125,450</b>	<b>32,169,485</b>	<b>-</b>	<b>303,318,449</b>	<b>290,322,133</b>
<b>Net book value of tangible capital assets</b>	<b>\$124,974,508</b>	<b>\$ 6,827,039</b>	<b>\$ 49,137,555</b>	<b>\$ 32,762,367</b>	<b>\$ 14,962,817</b>	<b>\$ 748,393</b>	<b>\$118,371,372</b>	<b>\$ 81,407,836</b>	<b>\$ 29,848,675</b>	<b>\$ 43,348,639</b>	<b>\$ 1,810,902</b>	<b>\$504,200,103</b>	<b>\$509,043,617</b>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2014

---

### 16. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	<b>2014</b>	<b>2013</b>
Investment in tangible capital assets	\$ 503,392,135	\$ 504,200,103
Investment in land inventories held for sale	4,467,786	4,560,540
Capital fund	(250,304)	(39,260)
Reserves and reserve funds	25,286,548	23,636,536
Equity in Sarnia Power Corporation	52,214,670	49,861,538
Less: unfunded liabilities	<u>(69,615,740)</u>	<u>(61,185,202)</u>
Accumulated Surplus	<u><u>\$ 515,495,095</u></u>	<u><u>\$ 521,034,255</u></u>

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 17. RESERVES AND RESERVE FUNDS

The total balances of reserves and reserve funds are made up of:

	2014	2013
Reserves		
Set aside for specific purpose by Council for		
working funds	\$ 1,194,790	\$ 1,514,197
replacement of equipment	4,508,224	3,285,378
capital projects	13,403,394	13,466,917
other	647,911	500,289
Total reserves	<u>\$ 19,754,319</u>	<u>\$ 18,766,781</u>
Discretionary Reserve Funds		
Set aside for specific purpose by Council for		
sick leave	\$ 31,323	\$ 31,813
self-insurance	671,087	555,600
Workplace Safety and Insurance Board	100,765	82,984
sub-division development	45,173	45,173
parking revenues	1,791	1,771
waterfront development	422,245	301,869
Sarnia Bay improvements	183,772	176,683
operation of Airport	76,248	161,354
operation of Harbour	300,422	-
capital projects	1,584,868	1,600,446
special projects	1,912,425	1,703,023
legacy	58,811	86,124
other current purposes	143,299	122,915
Total discretionary reserve funds	<u>\$ 5,532,229</u>	<u>\$ 4,869,755</u>
Total reserves and reserve fund balances, end of year	<u>\$ 25,286,548</u>	<u>\$ 23,636,536</u>

The municipality is committed to pay the interest earned on approximately \$676,248 of the reserve funds to outside agencies.

### 18. JOINT LOCAL BOARD CONSOLIDATION - LAWSS

The following summarizes the financial position and operations of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidation method.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 18. JOINT LOCAL BOARD CONSOLIDATION - LAWSS

The consolidated financial statements include the municipality's 61.17% (2013 - 59.17%) proportionate interest of the following:

	2014	2013
Statement of Financial Position		
Financial Assets	\$ 3,549,197	\$ 3,799,501
Liabilities		
Current liabilities	\$ 108,802	\$ 210,562
Long-term liabilities	9,070,000	11,663,000
Total liabilities	9,178,802	11,873,562
Net Financial Debt	(5,629,605)	(8,074,061)
Non-Financial Assets		
Tangible capital assets	89,153,218	89,606,049
Accumulated Surplus	\$ 83,523,613	\$ 81,531,988
Statement of Operations		
Revenues	\$ 9,924,818	\$ 9,673,297
Expenses - excluding amortization	6,070,648	6,506,913
Amortization	1,862,545	1,884,231
Net revenues	\$ 1,991,625	\$ 1,282,153

### 19. CONTRACTUAL OBLIGATIONS - ONTARIO CLEAN WATER AGENCY

- (a) In accordance with service agreements entered into with the Ontario Clean Water Agency ("OCWA"), a portion of the sewage and water system is operated by the Agency. The municipality is obligated to meet all operating costs and repay the long-term liabilities related to these projects.

The Consolidated Statement of Financial Position reflects the long term liabilities due to the Agency for the sewer project in the amount of \$31,512 (2013 - \$53,916). The Consolidated Statement of Financial Position also reflects long-term liabilities due to the Agency for the water project in the amount of \$16,793 (2013 - \$28,817).

- (b) OCWA has contracted to operate the water treatment plant on behalf of the LAWSS. Included in the Consolidated Statement of Operations for 2014 are charges for the operation of the water treatment plant in the amount of \$2,443,134 (2013 - \$2,248,467).

**THE CORPORATION OF THE CITY OF SARNIA**

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

**20. BUDGET VARIANCE**

The following chart reconciles the 2014 budget with the 2014 actuals found in the consolidated statement of operations:

	<b>2014 Budget</b>	<b>LAWSS adjusting entries</b>	<b>Addition, Deletion and Amortization entries</b>	<b>Unfunded Liabilities</b>	<b>Other Reconciling items</b>	<b>2014 Revised budget</b>	<b>2014 Actual</b>	<b>Variance Favorable / (Unfavorable)</b>
<b>REVENUE</b>								
Property taxation	\$ 65,249,491	\$ -	\$ -	\$ (2,466,364) <sup>1</sup>	\$ -	\$ 62,783,127	\$ 62,648,320	\$ (134,807)
User fees and service charges	38,448,830	-	-	-	2,459,329 <sup>2</sup>	40,908,159	39,678,423	(1,229,736)
User fees and service charges-other municipalities	2,811,350	173,451	-	-	-	2,984,801	3,325,149	340,348
Government transfers-operating	2,467,188	-	-	-	-	2,467,188	2,391,715	(75,473)
Investment income	2,251,798	25,762	-	-	-	2,277,560	2,914,764	637,204
Penalties and interest on taxes	1,200,000	-	-	-	-	1,200,000	1,069,782	(130,218)
Contributions - developers	-	-	-	-	-	-	107,567	107,567
Other	1,377,608	-	-	-	1,162,828 <sup>3</sup>	2,540,436	2,514,693	(25,743)
<b>Total revenue</b>	<b>\$ 113,806,265</b>	<b>\$ 199,213</b>	<b>\$ -</b>	<b>\$ (2,466,364)</b>	<b>\$ 3,622,157</b>	<b>\$ 115,161,271</b>	<b>\$ 114,650,413</b>	<b>\$ (510,858)</b>
<b>EXPENSES</b>								
General government	\$ 6,879,905	\$ -	\$ 1,186,320	\$ -	\$ 1,337,166 <sup>4</sup>	\$ 9,403,391	\$ 9,186,961	\$ 216,430
Protection services	41,517,502	-	904,780	-	-	42,422,282	41,766,745	655,537
Transportation services	15,683,628	-	6,586,320	-	-	22,269,948	21,779,833	490,115
Environmental services	35,094,338	1,063,948	6,338,149	-	(8,984,865) <sup>5</sup>	33,511,570	32,754,157	757,413
Health services	85,000	-	-	-	-	85,000	85,000	-
Social and family services	338,323	-	-	-	-	338,323	355,365	(17,042)
Recreation and cultural services	7,532,562	-	1,264,143	-	3,438,302 <sup>6</sup>	12,235,007	12,233,167	1,840
Planning and development	1,247,533	-	-	-	-	1,247,533	1,502,360	(254,827)
Unfunded liability	-	-	-	-	8,425,608 <sup>7</sup>	8,425,608	9,130,209	(704,601)
<b>Total expenses</b>	<b>\$ 108,378,791</b>	<b>\$ 1,063,948</b>	<b>\$ 16,279,712</b>	<b>\$ -</b>	<b>\$ 4,216,211</b>	<b>\$ 129,938,662</b>	<b>\$ 128,793,797</b>	<b>\$ 1,144,865</b>
<b>NET REVENUE</b>	<b>\$ 5,427,474</b>	<b>\$ (864,735)</b>	<b>\$ (16,279,712)</b>	<b>\$ (2,466,364)</b>	<b>\$ (594,054)</b>	<b>\$ (14,777,391)</b>	<b>\$ (14,143,384)</b>	<b>\$ 634,007</b>

1. This reconciling item is for annual accrued tax liability;

2, 3, 4 and 6. These reconciling items were not budgeted;

5. The actual amount has been eliminated due to the internal allocation;

7. Increased WSIB

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 21. EXPENDITURE BY OBJECT

The following is a summary of the total current expenditures on the Consolidated Statement of Operations by the object of expenditures:

	<b>2014</b>	<b>2013</b>
Salaries, wages, employee benefits & Non-functionalized unfunded liabilities	\$ 74,680,085	\$ 66,955,577
Net long-term liabilities interest charges	1,390,778	1,654,378
Materials	18,298,362	23,305,153
Contracted services	14,558,452	12,944,666
Amortization of tangible assets	17,149,225	16,643,961
Other	<u>2,716,895</u>	<u>1,300,672</u>
Total	<u>\$ 128,793,797</u>	<u>\$ 122,804,407</u>



# THE CORPORATION OF THE CITY OF SARNIA

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

### 22. GOVERNMENT TRANSFERS

	<b>2014</b>	<b>2013</b>
Operating		
Province of Ontario		
Unconditional	\$ 1,248,900	\$ 285,200
Program Support	375,343	338,298
Provincial Gas Tax	<u>550,945</u>	<u>297,335</u>
	2,175,188	920,833
Government of Canada		
Program Support	58,435	62,143
Federal Harbour Funds	<u>158,092</u>	<u>-</u>
	<u>216,527</u>	<u>62,143</u>
Total Operating	<u>2,391,715</u>	<u>982,976</u>
Capital		
Province of Ontario		
Provincial Gas Tax	456,652	435,404
Ministry of Environment	52,941	132,673
Ministry of Finance - JEPP	5,302	(244)
Drainage Grants	<u>58,002</u>	<u>22,396</u>
	572,897	590,229
Government of Canada		
Federal Gas Tax	2,389,454	1,960,154
Harbour Funds	509,565	-
Enabling Accessibility Fund	-	20,946
CIIF	2,548	22,930
CSIF	-	2
MASAS	16,998	34,902
GLSF	20,000	-
Green Municipal Fund	<u>42,000</u>	<u>-</u>
	<u>2,980,565</u>	<u>2,038,934</u>
Total Capital	<u>3,553,462</u>	<u>2,629,163</u>
Total Government Transfers	<u>\$ 5,945,177</u>	<u>\$ 3,612,139</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2014

---

### 23. SEGMENTED REPORTING

The City of Sarnia has adopted a business approach to the various responsibilities carried out by the municipality and has separated the financial transactions to better reflect the true cost of each segment. The following provides a brief description of the individual segments used.

#### **General Government**

General Government is comprised of various departments including the Clerk's, Finance and Taxation, Legal, Human Resources, Information Technology and Economic Development departments. These departments support and provide a variety of services to other departments within the municipality and the public.

#### **Protection Services**

Protection Services is comprised of the Police Services and Fire Services departments. The Police Services mandate is to ensure public safety within the municipality. Through patrols, detective, education, and other efforts the police department works to deter and prevent crime. The Sarnia Fire Rescue Service serves the residents of the City of Sarnia by providing fire prevention, public education and fire suppression services. It operates out of five stations covering an area of 168 square kilometres and over 72,000 residents. The services provided range from fire suppression and prevention, land-based water rescue, high-angle, confined space, specialized vehicle extrication and industrial firefighting.

#### **Transportation Services**

Transportation Services consists of road maintenance and construction as well as Sarnia Transit, winter control, parking, and streetlighting. Sarnia Transit is responsible for providing public transportation within the transit service area of the city. Our employees operate and maintain a fleet of 23 buses on the conventional transit system and 6 specialized vehicles on our Care-a-Van service. Road maintenance and construction maintains approximately 439 kilometres of road and takes care of pothole maintenance, hot mix patching, paving, street cleaning, signage, and winter control.

#### **Environmental Services**

Environmental Services consists of sanitary sewer, storm sewer maintenance, waterworks system construction and maintenance, waste collection, waste disposal, and recycling. The sewage division constructs and maintains the City's storm and sanitary sewage systems. Environmental Services also ensures the maintenance and proper operation of 51 sewage pump stations, and catch basins. The municipality also runs and maintains a wastewater treatment plant.

#### **Health Services**

Health Services consists of grants to the Physician Recruitment Taskforce and Bluewater Health Foundation

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 23. SEGMENTED REPORTING

#### **Social and Family Services**

Social and Family Services consists of the Strangway Centre and general assistance. The Strangway Centre provides leisure, educational and social activities and services.

#### **Recreation and Cultural Services**

Recreation and Cultural Services provide for all of the City's parks, trees, floral displays, sports and recreation facilities, beaches, pools, arenas, special events and more. Numerous recreational programs are offered throughout the year for the enjoyment of the general public

#### **Planning and Development**

Planning and Development's function is to assist City Council, the development community and the public in matters relating to land use planning, building construction and by-law enforcement.

### 24. OUTSTANDING LITIGATION

The municipality and/or its related board have been named defendants in certain legal actions. The final liability, if any, of these claims is indeterminable as the municipality and/or its related board have established defence actions.

### 25. CONTINGENCIES AND COMMITMENTS

- (a) Centennial Park – The Municipality is faced with the remediation of Centennial Park due to contaminants found in the top soil and subsoil/fill. A liability of \$3 million (2013 - \$3 million) was accrued for the remediation of Centennial Park. The City engaged Golder Associates to investigate a tar-like substance breaking out at ground level at random locations in the park. Both a Phase I and Phase II Environmental Site Assessment (ESA) was carried out to review historical ownership and land uses of the site, and to determine potential contaminants. During the Phase II ESA, contaminants such as lead, hydrocarbons, asbestos, etc. were discovered and on December 2, 2013, Council approved the proceeding of a Remedial Action Plan (RAP) for Centennial Park. The RAP was formally approved by Council on June 30, 2014 and the staff's intention to portion the remediation work in three main phases in 2014, 2015 and 2016.
- (b) Canatara Park – The Municipality is undertaking environmental investigative work in Canatara Park. The City is working on delineating the extent of any contamination in Canatara Park and the necessity to undertake remedial action within the park.

# THE CORPORATION OF THE CITY OF SARNIA

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

---

### 26. PUBLIC LIABILITY INSURANCE

In recent years, there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the municipality has undertaken some portion of the risk which would normally have been covered by outside insurers.

The municipality is self-insured for public liability claims up to \$25,000 for any individual claim and \$25,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The municipality has made provision for a reserve fund for self-insurance which at December 31, 2014 amounted to \$671,087 (2013 - \$555,560) and is reported on the Consolidated Statement of Financial Position.

Claims settled during the year, amounting to \$450,457 (2013 - \$367,038), have been provided for from the reserve fund and are accordingly reported as an expenditure on the Consolidated Statement of Operations

### 27. PROPERTY TAX CAPPING

The province has required municipalities to limit assessment related tax increases for individual, commercial, industrial and multi-residential properties to 10% for 2014 (2013 - 10%). The total amount of protection for these properties amounted to \$10,690 (2013 - \$12,157).

These tax reductions are funded on a pooled basis by the municipalities within the County of Lambton by limiting same class tax reductions.

### 28. RELATED PARTY TRANSACTIONS

The municipality has contracted with Bluewater Power Distribution Corporation to provide billing and collection services for water and sewer charges on a cost recovery basis. The municipality has also contracted with Bluewater Power Distribution Corporation to provide water meter management, repair and replacement services. Charges for the year were \$987,504 (2013 - \$931,540)

### 29. COMPARATIVE AMOUNTS

Certain comparative amounts presented in the financial statements have been restated to conform with the current year's presentation.

The Corporation of the City of Sarnia Schedule A

Schedule of Segment Disclosure

For the Year Ended December 31, 2014

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2014 Total
<b>REVENUES</b>									
Property taxation	\$ 59,147,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,147,962
User fees and service charges	945,835	1,367,879	7,195,284	30,282,246	-	159,576	2,622,169	1,545,501	44,118,490
Grants	1,307,210	269,594	1,517,117	2,447,395	-	56,250	84,548	263,063	5,945,177
Rents and financial	3,671,276	1,853	114,880	70,640	-	-	21,508	104,390	3,984,547
Other municipalities	1,888	1,403,818	913,524	270,522	-	-	-	735,397	3,325,149
Other	4,940,674	71,881	203,268	1,058,209	-	916	260,597	197,767	6,733,312
	<u>70,014,845</u>	<u>3,115,025</u>	<u>9,944,073</u>	<u>34,129,012</u>	<u>-</u>	<u>216,742</u>	<u>2,988,822</u>	<u>2,846,118</u>	<u>123,254,637</u>
<b>EXPENSES</b>									
Salaries, wages, employee benefits & Non- functionalized unfunded liabilities	14,467,967	37,321,291	8,005,853	8,922,781	-	192,913	4,987,114	782,166	74,680,085
Materials	1,492,759	3,456,187	6,241,882	3,143,476	-	167,128	3,355,427	441,503	18,298,362
Contracted services	524,761	105,452	1,081,474	12,349,474	-	-	261,780	235,511	14,558,452
Net long-term liability interest charges	-	4,130	5,729	934,067	-	-	411,111	35,741	1,390,778
Amortization of tangible assets	1,186,320	874,708	6,365,030	7,451,933	-	-	1,271,234	-	17,149,225
Other	-	341,194	229,319	26,512	85,000	-	2,016,743	18,127	2,716,895
	<u>17,671,807</u>	<u>42,102,962</u>	<u>21,929,287</u>	<u>32,828,243</u>	<u>85,000</u>	<u>360,041</u>	<u>12,303,409</u>	<u>1,513,048</u>	<u>128,793,797</u>
<b>NET SURPLUS (DEFICIT)</b>	<u>\$ 52,343,038</u>	<u>\$ (38,987,937)</u>	<u>\$ (11,985,214)</u>	<u>\$ 1,300,769</u>	<u>\$ (85,000)</u>	<u>\$ (143,299)</u>	<u>\$ (9,314,587)</u>	<u>\$ 1,333,070</u>	<u>\$ (5,539,160)</u>

The Corporation of the City of Sarnia Schedule A

Schedule of Segment Disclosure

For the Year Ended December 31, 2013

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2013 Total
<b>REVENUES</b>									
Property taxation	\$ 58,099,019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,099,019
User fees and service charges	920,395	1,765,868	6,999,500	29,918,738	-	171,334	2,359,332	607,763	42,742,930
Grants	382,235	260,121	732,740	2,092,828	-	55,512	22,930	65,774	3,612,140
Rents and Financial	2,988,398	4,198	28,997	62,745	-	-	27,901	92,433	3,204,672
Other municipal	-	1,402,057	810,076	144,651	-	-	490,292	-	2,847,076
Other	4,464,481	80,766	44,965	1,461,211	-	3,804	672,449	857	6,728,533
	<u>66,854,528</u>	<u>3,513,010</u>	<u>8,616,278</u>	<u>33,680,173</u>	<u>-</u>	<u>230,650</u>	<u>3,572,904</u>	<u>766,827</u>	<u>117,234,370</u>
<b>EXPENSES</b>									
Salaries, wages, employee benefits & unfunded liabilities	7,736,059	37,001,875	7,762,080	8,771,113	-	328,114	4,592,650	763,686	66,955,577
Materials	2,358,533	3,331,624	5,826,378	8,179,815	-	164,496	2,924,193	520,114	23,305,153
Contracted services	559,597	142,584	489,638	11,735,606	-	-	-	17,241	12,944,666
Net long-term liabilities interest charges	1,281	5,925	14,337	1,189,949	-	-	344,064	98,822	1,654,378
Amortization of tangible assets	1,151,897	777,468	6,187,086	7,342,199	-	-	1,185,311	-	16,643,961
Other	-	637,969	218,191	102,797	87,625	6,000	247,890	200	1,300,672
	<u>11,807,367</u>	<u>41,897,445</u>	<u>20,497,710</u>	<u>37,321,479</u>	<u>87,625</u>	<u>498,610</u>	<u>9,294,108</u>	<u>1,400,063</u>	<u>122,804,407</u>
<b>NET SURPLUS (DEFICIT)</b>	<u>\$ 55,047,161</u>	<u>\$ (38,384,435)</u>	<u>\$ (11,881,432)</u>	<u>\$ (3,641,306)</u>	<u>\$ (87,625)</u>	<u>\$ (267,960)</u>	<u>\$ (5,721,204)</u>	<u>\$ (633,236)</u>	<u>\$ (5,570,037)</u>



Tel: 519 336 9900  
Fax: 519 332 4828  
www.bdo.ca

BDO Canada LLP  
Kenwick Place, 250 Christina Street N  
PO Box 730  
Sarnia ON N7T 7J7 Canada

---

## Independent Auditor's Report

---

### To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Sarnia

We have audited the accompanying trust fund financial statements of the Corporation of the City of Sarnia, which comprise the statement of financial position as at December 31, 2014 and the statement of continuity of trust funds 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 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 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 trust fund 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial position of the trust funds of the Corporation of the City of Sarnia as at December 31, 2014 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
July 27, 2015

**THE CORPORATION OF THE CITY OF SARNIA  
TRUST FUNDS**

**Statement of Continuity of Trust Funds  
Year ended December 31, 2014**

	<b>Cemetery Care and Maintenance</b>	<b>2014 Total</b>	<b>2013 Total</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>\$ 11,147</u>	<u>\$ 11,147</u>	<u>\$ 11,023</u>
<b>REVENUES</b>			
<b>Interest earned</b>			
Investment income	<u>128</u>	<u>128</u>	<u>124</u>
Total revenues	<u>128</u>	<u>128</u>	<u>124</u>
<b>EXPENDITURES</b>			
Contribution to operations	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, END OF YEAR</b>	<u><u>\$ 11,275</u></u>	<u><u>\$ 11,275</u></u>	<u><u>\$ 11,147</u></u>

The accompanying notes are an integral part of this financial statement.



**THE CORPORATION OF THE CITY OF SARNIA  
TRUST FUNDS**

**Statement of Financial Position  
as at December 31, 2014**

	<b>Cemetery Care and Maintenance</b>	<b>2014 Total</b>	<b>2013 Total</b>
<b>ASSETS</b>			
Due from municipality	\$ 11,275	\$ 11,275	\$ 11,147
Total assets	<u>11,275</u>	<u>11,275</u>	<u>11,147</u>
<b>FUND BALANCES</b>			
	<u>\$ 11,275</u>	<u>\$ 11,275</u>	<u>\$ 11,147</u>

The accompanying notes are an integral part of this financial statement.

# **THE CORPORATION OF THE CITY OF SARNIA TRUST FUNDS**

## **Notes to the Financial Statements**

**For the Year Ended December 31, 2014**

---

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

The Trust Fund financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Precise determination of some assets and liabilities may be dependent upon future events and involves the use of estimates and approximations. These estimates have been based upon the information available using careful judgment and review.

#### **(a) Basis of Accounting**

- i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

### **2. NATURE OF TRUST FUNDS**

The Cemetery Care and Maintenance trust fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetery grounds.