

The Corporation of the
City of Owen Sound
Financial Information
For the year ended December 31, 2014

The Corporation of the City of Owen Sound
Financial Information
December 31, 2014

Contents

The Corporation of the City of Owen Sound Financial Statements

The Corporation of the City of Owen Sound Trust Funds

The Corporation of the
City of Owen Sound
Financial Statements
For the year ended December 31, 2014

The Corporation of the City of Owen Sound
Financial Statements
For the year ended December 31, 2014

Contents

The Corporation of the City of Owen Sound	
Independent Auditor's Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Debt	6
Consolidated Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 11
Notes to Financial Statements	12 - 28
Schedule of Deferred Revenue	29



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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Owen Sound

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 qualified audit opinion.



Basis for Qualified Opinion

The completeness of tangible capital assets, for the years ended December 31, 2013 and 2014, is not susceptible to satisfactory audit verification because information is not available for certain areas of the City. This has resulted in the City being unable to determine if all tangible capital assets have been recorded. Accordingly, our verification of these assets was limited to the amounts recorded in the records of the City. We were unable to determine whether adjustments were necessary to the tangible capital assets as at December 31, 2013 and 2014, the accumulated surplus as at January 1 and December 31 for both the 2013 and 2014 years, and amortization, annual surplus and cash flows for the years ended December 31, 2013 and 2014. Our audit opinion on the financial statements for the year ended December 31, 2013 was modified accordingly because of the possible effects of this limitation.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Owen Sound as at December 31, 2014 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
November 24, 2015

The Corporation of the City of Owen Sound
Consolidated Statement of Financial Position

December 31	2014	2013
Financial assets		
Cash (Note 1)	\$ 8,249,204	\$ 6,872,283
Temporary investments (Note 2)	4,137,115	4,138,915
Taxes receivable	743,894	1,895,900
Trade and other receivables	7,211,098	5,342,888
Inventory held for resale	51,966	50,474
Other receivables (Note 3)	75,000	75,000
	<u>20,468,277</u>	<u>18,375,460</u>
Liabilities		
Accounts payable and accrued liabilities	7,132,997	5,336,660
Solid waste landfill closure and post-closure liabilities (Note 5)	2,490,179	2,843,024
Post-employment benefits (Note 16)	3,310,162	3,322,334
Deferred revenue (Page 29)	5,122,327	3,274,977
Net long-term liabilities (Note 6)	18,475,280	20,797,638
	<u>36,530,945</u>	<u>35,574,633</u>
Net debt	(16,062,668)	(17,199,173)
Non-financial assets		
Inventory of supplies	414,836	408,071
Prepaid expenses	250,136	123,580
Tangible capital assets (Note 7)	185,680,614	181,132,661
Accumulated surplus (Note 8)	<u>\$ 170,282,918</u>	<u>\$ 164,465,139</u>

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

The Corporation of the City of Owen Sound
Consolidated Statement of Operations and Accumulated Surplus

<u>For the year ended December 31</u>	2014 Budget (Note 10)	2014 Actual	2013 Actual
Revenue			
Taxation	\$ 25,150,006	\$24,785,505	\$ 24,263,073
Fees and user charges	12,782,008	13,331,330	12,420,459
Government transfers (Note 14)	14,477,639	7,762,534	5,980,464
Other income (Note 11)	2,363,644	2,953,054	4,505,023
Obligatory reserve fund revenue recognized	832,000	711,517	871,712
	<u>55,605,297</u>	<u>49,543,940</u>	<u>48,040,731</u>
Expenses			
General government	4,461,443	3,989,117	4,434,345
Protection services	13,275,216	13,866,069	13,028,628
Transportation services	4,717,278	7,739,437	6,999,103
Environmental services	7,350,932	7,945,192	9,364,097
Health services	411,595	456,232	311,818
Recreation and cultural services	5,848,422	8,481,741	8,865,531
Planning and development	968,668	1,248,373	1,253,583
	<u>37,033,554</u>	<u>43,726,161</u>	<u>44,257,105</u>
Annual surplus (Note 10)	18,571,743	5,817,779	3,783,626
Accumulated surplus, beginning of the year	<u>164,465,139</u>	<u>164,465,139</u>	<u>160,681,513</u>
Accumulated surplus, end of the year	<u>\$183,036,882</u>	<u>\$ 170,282,918</u>	<u>\$164,465,139</u>

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

The Corporation of the City of Owen Sound
Consolidated Statement of Changes in Net Debt

<u>For the year ended December 31</u>	2014 Budget (Note 10)	2014 Actual	2013 Actual
Annual surplus (Page 5)	\$ 18,571,743	\$ 5,817,779	\$ 3,783,626
Acquisition of tangible capital assets	(22,883,605)	(10,447,210)	(4,403,647)
Amortization of tangible capital assets	-	5,843,807	5,880,638
Proceeds on disposal of assets	-	87,431	365,623
(Gain) loss on disposal of assets	-	(31,981)	580,424
	<u>(22,883,605)</u>	<u>(4,547,953)</u>	<u>2,423,038</u>
Change in prepaid expenses	-	(126,556)	(31,292)
Change in inventories of supplies	-	(6,765)	(27,209)
	<u>-</u>	<u>(133,321)</u>	<u>(58,501)</u>
Decrease (increase) in net debt	(4,311,862)	1,136,505	6,148,163
Net debt, beginning of the year	<u>(17,199,173)</u>	<u>(17,199,173)</u>	<u>(23,347,336)</u>
Net debt, end of the year	<u>\$ (21,511,035)</u>	<u>\$ (16,062,668)</u>	<u>\$ (17,199,173)</u>

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

The Corporation of the City of Owen Sound
Consolidated Statement of Cash Flows

For the year ended December 31	2014	2013
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 5,817,779	\$ 3,783,626
Items not involving cash		
Amortization	5,843,807	5,880,638
Post-employment benefits	(12,172)	(254,353)
Solid waste landfill liability	(352,845)	(740,633)
(Gain) loss on disposal of assets	(31,981)	580,424
Deferred revenue recognized	(711,517)	(1,700,242)
Change in inventory of supplies	(6,765)	(27,209)
	10,546,306	7,522,251
Changes in non-cash working capital balances		
Taxes receivable	1,152,006	38,401
Trade and other receivables	(1,868,210)	(1,151,096)
Inventory held for resale	(1,492)	15,513
Accounts payable and accrued liabilities	1,796,337	633,236
Deferred revenue received	2,558,867	1,900,266
Prepaid expenses	(126,556)	(31,292)
	14,057,258	8,927,279
Capital transactions		
Cash used to acquire capital assets	(10,447,210)	(4,403,647)
Proceeds on sale of capital assets	87,431	365,623
	(10,359,779)	(4,038,024)
Financing activities		
Repayment of long-term liabilities	(2,322,358)	(2,244,079)
Net change in cash and cash equivalents	1,375,121	2,645,176
Cash and cash equivalents, beginning of the year	11,011,198	8,366,022
Cash and cash equivalents, end of the year	\$12,386,319	\$ 11,011,198
Cash and cash equivalents are comprised of:		
Cash	\$ 8,249,204	\$ 6,872,283
Temporary investments	4,137,115	4,138,915
	\$ 12,386,319	\$ 11,011,198

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

The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2014

Management Responsibility	<p>The management of the Corporation of the City of Owen Sound is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. The Financial Advisory Committee reviews and approves the consolidated financial statements before they are submitted to Council.</p>
Basis of Accounting	<p>The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.</p> <p>Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.</p>
Basis of Consolidation	<p>The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.</p> <p>The following boards controlled by Council have been consolidated:</p> <p>Owen Sound and North Grey Union Public Library</p> <p>Owen Sound Downtown Improvement Area Board of Management</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for items such as accrued grant receivables, accrued liabilities, useful lives of capital assets, post-employment benefits liability, solid waste landfill post closure liabilities and taxes receivable.</p>

The Corporation of the City of Owen Sound

Summary of Significant Accounting Policies

December 31, 2014

Revenue Recognition

Revenues are recognized as follows:

- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- b) Fines and donations are recognized when collected.
- c) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- d) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance.
- e) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
- f) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments that are readily converted into cash.

Temporary Investments

Temporary investments are recorded at cost, unless there has been a decline in the market value which is other than temporary in nature, in which case the investments are written down to market.

The Corporation of the City of Owen Sound

Summary of Significant Accounting Policies

December 31, 2014

County and School Board	The municipality collects taxation revenue on behalf of the school boards and the County of Grey. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Grey, are not reflected in these financial statements.												
Other Receivables	Other receivables are recorded at cost.												
Non-Financial Assets	Tangible capital assets and other non-financial assets are accounted for as assets by the City because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the City unless they are sold.												
Inventory	<p>Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.</p> <p>Inventory held for consumption is recorded at the lower of cost and replacement cost.</p>												
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets using the straight-line method. The useful life of the assets is based on estimates made by management. The following useful lives are used:</p> <table><tr><td>Roads and sidewalks</td><td>10 - 80 years</td></tr><tr><td>Land improvements</td><td>40 - 75 years</td></tr><tr><td>Buildings and structures</td><td>15 - 40 years</td></tr><tr><td>Vehicles, machinery and equipment</td><td>3 - 20 years</td></tr><tr><td>Bridges and other structures</td><td>40 - 80 years</td></tr><tr><td>Water and sewer infrastructure</td><td>40 - 90 years</td></tr></table> <p>Tangible capital assets received as contributions are recorded at fair value at the date of receipt.</p>	Roads and sidewalks	10 - 80 years	Land improvements	40 - 75 years	Buildings and structures	15 - 40 years	Vehicles, machinery and equipment	3 - 20 years	Bridges and other structures	40 - 80 years	Water and sewer infrastructure	40 - 90 years
Roads and sidewalks	10 - 80 years												
Land improvements	40 - 75 years												
Buildings and structures	15 - 40 years												
Vehicles, machinery and equipment	3 - 20 years												
Bridges and other structures	40 - 80 years												
Water and sewer infrastructure	40 - 90 years												
Intangible Assets	Intangible assets, art and historic treasures are not recognized in these financial statements.												

The Corporation of the City of Owen Sound Summary of Significant Accounting Policies

December 31, 2014

Post-Employment Benefits

The municipality provides post-employment health, dental, life insurance benefits and other benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.

Previously the municipality was an employer included under Schedule 2 of the Workplace Safety and Insurance Act. It self-insured the entire risk of its own WSIB claims and was individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims. The municipality is still liable for claims relating to Schedule 2 employer status. The cost of the claims are determined using management's best estimate.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.

Solid Waste Landfill Closure and Post-Closure Costs

Site closure and post-closure care costs were recognized over the operating life of the landfill based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality. The landfill is now in the post-closure phase.

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

1. Cash and Bank Indebtedness

	<u>2014</u>	<u>2013</u>
Unrestricted	<u>\$ 8,249,204</u>	<u>\$ 6,872,283</u>

The municipality's bank accounts are all held at one financial institution. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor per financial institution.

2. Temporary Investments

	<u>2014</u>	<u>2013</u>
Unrestricted	<u>\$ 4,137,115</u>	<u>\$ 4,138,915</u>

Investments include government bonds, municipal debentures and commercial paper from chartered banks with effective interest rates of 2.85% to 4.875%. Interest is receivable on a semi-annual basis. Investments have a market value of \$4,356,883 (2013 - \$4,283,682) at the end of the year.

3. Other Receivables

	<u>2014</u>	<u>2013</u>
Loan, non-interest bearing, due on demand	<u>\$ 75,000</u>	<u>\$ 75,000</u>

4. Temporary Borrowings

The City of Owen Sound has a demand operating facility with a financial institution at prime plus 0.75%. At December 31, 2014, the City had a \$15,000,000 unused credit facility.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

5. Solid Waste Landfill Closure and Post-Closure Liabilities

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, removal of ground water and leachates and ongoing environmental monitoring, site inspection and maintenance.

The landfill was closed May 2005. The liability for the landfill site is recorded at \$2,490,179 (2013 - \$2,843,024) and represents the present value of post-closure costs for the closed site, using the Government of Canada's average long-term borrowing rate of 3.7%. The total estimated future expenditures for post-closure care are \$3,973,942 leaving an amount to be recognized of \$1,483,763. Post-closure care is estimated to continue for a period of 24 years.

6. Long-Term Liabilities

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

	2014	2013
Debentures payable, 2.27% - 5.48%, principal and interest payable semi- annually, various maturities	\$ 20,498,451	\$ 23,331,683
Less: Debentures issued to reserve funds	(2,023,171)	(2,534,045)
	\$ 18,475,280	\$ 20,797,638

Principal payments for the next five fiscal years and thereafter are as follows:

2015	\$	2,289,855
2016		2,255,518
2017		2,339,082
2018		1,925,624
2019		1,904,728
Thereafter		7,760,473
		\$ 18,475,280

Interest paid during the year on long-term debt was \$814,764 (2013 - \$847,570).

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31

7. Tangible Capital Assets

								2014
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,149,262	\$ 12,458,175	\$ 83,154,568	\$ 24,295,007	\$ 69,409,976	\$ 9,371,941	\$ 85,561,245	\$ 290,400,174
Additions		30,403	6,201,522	1,929,338	1,647,188	-	638,759	10,447,210
Disposals		(14,550)	-	(289,768)	-	-	-	(304,318)
Cost, end of the year	6,149,262	12,474,028	89,356,090	25,934,577	71,057,164	9,371,941	86,200,004	300,543,066
Accumulated amortization, beginning of the year	-	4,694,591	20,992,714	12,155,953	28,369,743	1,627,551	41,426,961	109,267,513
Amortization	-	277,665	1,737,084	1,564,554	1,309,103	124,485	830,916	5,843,807
Disposals	-	-	-	(248,868)	-	-	-	(248,868)
Accumulated amortization, end of the year	-	4,972,256	22,729,798	13,471,639	29,678,846	1,752,036	42,257,877	114,862,452
Net carrying amount, end of the year	\$ 6,149,262	\$ 7,501,772	\$ 66,626,292	\$ 12,462,938	\$ 41,378,318	\$ 7,619,905	\$ 43,942,127	\$ 185,680,614

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31

7. Tangible Capital Assets - (continued)

								2013
	Land	Land Improvement	Buildings and Structures	Vehicles, Machinery and Equipment	Roads and Sidewalks	Bridges	Water and Sewer Infrastructure	Total
Cost, beginning of the year	\$ 6,199,263	\$ 12,352,919	\$ 81,504,990	\$ 24,632,987	\$ 69,350,054	\$ 9,386,849	\$ 84,713,541	\$ 288,140,603
Additions	-	105,256	2,630,858	759,907	59,922	-	847,704	4,403,647
Disposals	(50,001)	-	(981,280)	(1,097,887)	-	(14,908)	-	(2,144,076)
Cost, end of the year	<u>6,149,262</u>	<u>12,458,175</u>	<u>83,154,568</u>	<u>24,295,007</u>	<u>69,409,976</u>	<u>9,371,941</u>	<u>85,561,245</u>	<u>290,400,174</u>
Accumulated amortization, beginning of the year	-	4,419,937	19,808,032	11,202,187	27,056,191	1,503,809	40,594,748	104,584,904
Amortization	-	274,654	1,759,821	1,575,913	1,313,552	124,485	832,213	5,880,638
Disposals	-	-	(575,139)	(622,147)	-	(743)	-	(1,198,029)
Accumulated amortization, end of the year	<u>-</u>	<u>4,694,591</u>	<u>20,992,714</u>	<u>12,155,953</u>	<u>28,369,743</u>	<u>1,627,551</u>	<u>41,426,961</u>	<u>109,267,513</u>
Net carrying amount, end of the year	<u>\$ 6,149,262</u>	<u>\$ 7,763,584</u>	<u>\$ 62,161,854</u>	<u>\$ 12,139,054</u>	<u>\$ 41,040,233</u>	<u>\$ 7,744,390</u>	<u>\$ 44,134,284</u>	<u>\$ 181,132,661</u>

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

7. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$10,736,060 (2013 - \$2,639,502).

Interest of \$238,726 (2013 - \$NIL) was capitalized to tangible capital assets during the year.

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

8. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2014	2013
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 185,680,614	\$ 181,132,661
Unfinanced capital assets	(17,852,290)	(14,823,510)
Capital assets financed by long-term liabilities and to be funded in future years (Note 6)	(20,498,451)	(23,331,683)
Total invested in capital assets	147,329,873	142,977,468
Unfunded post-employment benefits	(3,310,162)	(3,322,334)
Unfunded solid waste closure and post-closure costs	(2,490,179)	(2,843,024)
General surplus (Note 10)	210,594	330,995
Unfunded tax adjustments	(447,100)	-
Library Adult Learning Centre surplus	59,717	58,544
	141,352,743	137,201,649
Reserves and reserve funds (Note 9)	28,930,175	27,263,490
Accumulated surplus	\$ 170,282,918	\$ 164,465,139

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

9. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	<u>2014</u>	<u>2013</u>
Reserves		
Working funds	\$ 1,361,943	\$ 992,054
Capital purposes	<u>2,256,751</u>	<u>2,127,500</u>
	<u>3,618,694</u>	<u>3,119,554</u>
Reserve funds		
Insurance, sick leave, WSIB	63,896	88,700
Capital purposes	<u>25,247,585</u>	<u>24,055,236</u>
	<u>25,311,481</u>	<u>24,143,936</u>
Total reserves and reserve funds	<u>\$28,930,175</u>	<u>\$ 27,263,490</u>

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

10. Budgets

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The 2014 budget amounts for the City of Owen Sound approved by Council have been reclassified to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net debt. The following is a reconciliation of the budget approved by Council.

	2014	2014	2013
	Budget	Actual	Actual
Annual surplus (Page 5)	\$ 18,571,743	\$ 5,817,779	\$ 3,783,626
Prior year general surplus	330,995	330,995	911,887
Net budget transfers to reserves	508,098	(1,666,685)	(1,740,520)
Capital acquisitions, disposals and write-down	(22,883,605)	(10,391,760)	(3,457,600)
Amortization	-	5,843,807	5,880,638
Proceeds from long-term debt	6,306,000	-	1,441,490
Debt principal repayments	(2,833,231)	(2,833,232)	(2,768,784)
Change in unfunded liabilities	-	82,083	(994,986)
Change in other surpluses	-	(1,173)	463
	-	(2,818,186)	3,056,214
Capital projects not funded (funded)	-	3,028,780	(2,725,219)
	\$ -	\$ 210,594	\$ 330,995

11. Other Income

	2014	2014	2013
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 240,000	\$ 285,737	\$ 262,208
Other fines and penalties	181,501	133,644	247,179
Investment income	155,600	465,518	403,596
Licenses, permits and rents	1,477,943	1,346,966	1,416,913
Donations	258,100	623,153	2,707,494
Gain (loss) on disposal of capital assets	-	31,981	(580,424)
Contributions from non-consolidated entities	25,000	28,246	30,382
Other	25,500	37,809	17,675
	\$ 2,363,644	\$ 2,953,054	\$ 4,505,023

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

12. Owen Sound Downtown Improvement Area

The following summarizes the financial position and operations of the Owen Sound Downtown Improvement Area, which is controlled by the municipality. The Owen Sound Downtown Improvement Area has been consolidated into these financial statements.

	2014	2013
Financial assets	\$ 116,004	\$ 128,270
Liabilities	18,123	18,121
Net financial assets	97,881	110,149
Non-financial assets	30,583	37,136
Accumulated surplus	\$ 128,464	\$ 147,285
Revenues	\$ 250,785	\$ 250,696
Expenses	269,606	277,638
Annual deficit	\$ (18,821)	\$ (26,942)

13. Owen Sound & North Grey Union Public Library

The following summarizes the financial position and operations of the Owen Sound & North Grey Union Public Library, which is controlled by the municipality. The Owen Sound & North Grey Union Public Library has been consolidated into these financial statements.

	2014	2013
Financial assets	\$ 1,072,363	\$ 990,879
Liabilities	633,230	586,126
Net financial assets	439,133	404,753
Non-financial assets	867,691	918,083
Accumulated surplus	\$ 1,306,824	\$ 1,322,836
Revenues	\$ 2,356,499	\$ 2,239,730
Expenses	2,372,511	2,262,460
Annual deficit	\$ (16,012)	\$ (22,730)

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

14. Government Contributions

	2014 Budget	2014 Actual	2013 Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)\$	961,520	\$ 961,600	\$ 1,131,200
- Other	1,592,040	1,962,571	1,836,370
	<u>2,553,560</u>	<u>2,924,171</u>	<u>2,967,570</u>
Government of Canada			
- Other	143,900	121,101	135,871
Other municipalities			
- Library	473,396	578,954	-
- Police	879,783	843,553	-
- Roads	107,000	123,185	112,499
- Other	-	16,257	1,330,660
	<u>1,460,179</u>	<u>1,561,949</u>	<u>1,443,159</u>
Total operating contributions	<u>4,157,639</u>	<u>4,607,221</u>	<u>4,546,600</u>
Capital			
Province of Ontario			
- Roads	1,050,000	158,804	-
- Sewer and water	4,635,000	1,422,840	678,864
- Other	-	144,829	79,718
	<u>5,685,000</u>	<u>1,726,473</u>	<u>758,582</u>
Government of Canada			
- Sewer and water	4,635,000	1,422,840	672,282
- Other	-	6,000	-
	<u>4,635,000</u>	<u>1,428,840</u>	<u>672,282</u>
Other municipalities			
- Library	-	-	3,000
Total capital contributions	<u>10,320,000</u>	<u>3,155,313</u>	<u>1,433,864</u>
Total contributions	<u>\$ 14,477,639</u>	<u>\$ 7,762,534</u>	<u>\$ 5,980,464</u>

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

15. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 286 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement income to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2014 by the City was \$1,751,055 (2013 - \$1,762,229). The contribution rate for 2014 was 9.0% to 15.9% depending on age and income level (2013 - 9.0% to 15.9%).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was on December 31, 2014. At that time the plan reported a \$7.1 billion actuarial deficit (2013 - \$8.6 billion), based on actuarial liabilities of \$76.9 billion (2013 - \$73.0 billion) and actuarial assets of \$69.8 billion (2013 - \$64.4 billion). There has been a severe decline in financial markets. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

16. Post Employment Benefits

	2014	2013
Sick leave liability	\$ 54,230	\$ 80,679
Vacation pay liability	865,856	851,541
Post-employment benefits	2,390,076	2,390,114
	\$ 3,310,162	\$ 3,322,334

- a) Sick leave liability includes amounts earned by employees as defined by applicable union contract but not taken during the year. This amount is funded through reserves.
- b) The vacation liability includes vacation earned. The vacation year for an employee begins either on their "start date" anniversary or the date defined by the applicable union contract. The vacation liability includes all carry-forward amounts from the previous vacation year and vacation earned from the vacation start date to December 31, 2014. This amount is not funded.
- c) The City pays certain life insurance, health and dental benefits on behalf of its retired employees to the age of 65. The City recognizes these post-employment costs in the period in which the employees rendered the services. An actuarial valuation has been performed using the assumption of a 4.25% per year borrowing rate and a 2% per year inflation rate. This amount has not been funded.

	2014	2013
Current period benefit cost	\$ 103,698	\$ 81,135
Interest costs	124,035	99,584
Total expense for the year	\$ 227,733	\$ 180,719

- d) The City became a Schedule I employer under the Workplace Safety Insurance Act effective January 1, 2010. The City was a Schedule II employer for the years 1998 to 2009, and as such, the municipality self-insured for WSIB benefits.

During 2014, the Government of Ontario expanded regulations to include six additional cancers presumed to be work-related for firefighters under the Workplace Safety and Insurance Act. This change is retroactive to January 1, 1960. As the City was self-insured for the period 1998 to 2009 this change in regulations may give rise to liabilities of the City for work-related cancers incurred by firefighters during this time. The municipality is assessing the impact of this change and is unable to determine whether a liability exists at year-end. Consequently, no provision has been made in these financial statements for any liability that may result.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

17. Operations of School Boards and the County of Grey

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Grey:

	2014	2013
School boards	\$ 7,835,968	\$ 7,916,936
County of Grey	7,857,188	7,951,812
	<u>\$15,693,156</u>	<u>\$ 15,868,748</u>

18. Trust Funds

The trust funds administered by the City have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2014, the trust fund balances are as follows:

	2014	2013
Cemetery Care and Maintenance Funds	\$ 1,199,880	\$ 1,179,028
Art Collection and Gallery Building Trust	112,243	110,732
	<u>\$ 1,312,123</u>	<u>\$ 1,289,760</u>

19. Contingencies

The City of Owen Sound owns parcels of properties which have undergone Phase II Environmental Site Assessments. The Site Assessments identified environmental contamination which will require future clean-up. The extent of the clean-up on the properties, if sold, will be dependent on the future use of the properties. The net proceeds/cost of a future sale of the properties net of clean-up expenses cannot be determined at this time.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

20. Contractual Commitments

The Corporation of the City of Owen Sound has entered into an agreement expiring December 2017, for administration of biosolids disposal, reporting and inspection of sanitary sewers.

The Corporation of the City of Owen Sound has entered into a contract expiring September 2021 for the operation of the City's transit system including regular and specialized transit services.

The Corporation of the City of Owen Sound has entered into an agreement, expiring March 2015, for recycling and the operation of a solid waste landfill facility.

The Corporation of the City of Owen Sound has entered into an agreement, expiring May 2016, for the collection of municipal solid waste.

The Corporation of the City of Owen Sound has entered into a contract expiring December 2015, for the operation of the Animal Shelter and enforcement of animal control bylaws.

The Corporation of the City of Owen Sound has entered into a contract expiring December 2019, for streetlight maintenance.

The Corporation of the City of Owen Sound has entered into a contract expiring December 31, 2017, for parking control services.

The Corporation of the City of Owen Sound has entered into a contract expiring December 2017, for school crossing guard services.

The Corporation of the City of Owen Sound has entered into a contract expiring September 2017, for landfill leachate haulage.

The Corporation of the City of Owen Sound has awarded construction contracts for the purposes of road works and the construction of the waste water treatment plant as well as some other smaller capital projects. At December 31, 2014 \$37,650,623 remains on these contracts.

21. Comparative Amounts

The comparative amounts have been reclassified to conform with current year presentation.

The Corporation of the City of Owen Sound

Notes to Financial Statements

December 31, 2014

22. Segmented Information

The Corporation of the City of Owen Sound is a diversified municipal government institution that provides a wide range of services to its citizens such as policing, fire protection, clean water and waste water treatment, waste collection and disposal, recreation and cultural services, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segment and activities they encompass are as follows:

Administration Services

This item relates to the revenues and expenses that are generated and incurred by the governance operations and are not specifically attributed to a specific segment. This item includes City Council, Clerk and Legal Services, Human Resources, Financial Services and Information Technology.

Operation Services

This item includes all revenues and expenditures as they related to the City's Operations departments. Included in this item are Transportation Infrastructure, Water and Waste Water Services, Engineering, Transit, Air Transportation and Street Lighting.

Community Services

This service area encompasses revenues and expenses associated with services provided to the community that are meant to improve the health and development of the municipality's citizens. Included in Community Services are the Building and Planning Departments as well as Recreation Programs and Facilities.

Parks and Cemeteries

This service area encompasses revenues and expenses associated with Greenspaces including Parks, Cemeteries and Playgrounds.

Economic Development

The departments included under the item Economic Development are responsible for Tourism, Small Business Support Services and Downtown Revitalization.

Protection Services

This item includes the services in place to ensure the safety and protection of the citizens and their property. Protection is comprised of police services, fire protection, parking and bylaw enforcement, and animal control.

The Corporation of the City of Owen Sound
Notes to Financial Statements

December 31, 2014

22. Segmented Information - (continued)

Cultural Services

This item includes the revenues and expenses generated by both the Art Gallery and the Consolidated Library Board.

Taxation, payments-in lieu and penalties and interest as well as the Ontario Municipal Partnership Fund Grant are allocated to each segment based on the funding requirements for total expenses less segment specific revenues. Amortization expenses are not included in determining this allocation.

The Corporation of the City of Owen Sound
Notes to Financial Statements

For the year ended December 31	Administration Services	Operation Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2014 Total
Revenue								
Taxation	\$ 1,239,376	\$ 6,692,086	\$ -	\$ 1,487,130	\$ -	\$ 12,392,753	\$ 2,974,261	\$ 24,785,606
Fees and user charges	133,460	11,857,072	446,576	125,666	54,095	290,567	423,794	13,331,230
Specific grants	33,719	3,364,991	-	-	539,733	1,295,890	1,566,600	6,800,933
OMPF grant	48,080	259,632	-	57,696	-	480,800	115,392	961,600
Other revenue	763,706	448,518	1,466,479	29,695	3,000	56,706	184,950	2,953,054
Transfers from obligatory reserve	-	633,255	78,262	-	-	-	-	711,517
	<u>2,218,341</u>	<u>23,255,554</u>	<u>1,991,317</u>	<u>1,700,187</u>	<u>596,828</u>	<u>14,516,716</u>	<u>5,264,997</u>	<u>49,543,940</u>
Expenses								
Salaries and benefits	1,762,956	4,989,119	1,195,159	1,166,640	659,670	11,987,685	1,369,784	23,131,013
Interest on debt	493,160	319,706	-	1,898	-	-	-	814,764
Materials and supplies	1,176,444	6,927,090	1,066,044	561,596	339,073	576,768	722,124	11,369,139
Contracted services	375,233	245,792	43,793	(132,311)	161,111	374,457	18,219	1,086,294
Other transfers	77,462	-	-	-	3,338	230,716	1,014,555	1,326,071
Rents and financial expenses	14,054	45,015	17,717	16,372	39,911	6,817	15,187	155,073
Amortization	89,810	3,391,202	930,181	665,486	10,444	456,330	300,354	5,843,807
	<u>3,989,119</u>	<u>15,917,924</u>	<u>3,252,894</u>	<u>2,279,681</u>	<u>1,213,547</u>	<u>13,632,773</u>	<u>3,440,223</u>	<u>43,726,161</u>
Annual surplus (deficit)	\$ (1,770,778)	\$ 7,337,630	\$ (1,261,577)	\$ (579,494)	\$ (616,719)	\$ 883,943	\$ 1,824,774	\$ 5,817,779

The Corporation of the City of Owen Sound
Notes to Financial Statements

For the year ended December 31	Administration Services	Operation Services	Community Services	Parks and Cemeteries	Economic Development	Protection Services	Cultural Services	2013 Total
Revenue								
Taxation	\$ 4,244,681	\$ 1,835,160	\$ -	\$ 1,215,960	\$ 1,251,185	\$ 12,917,634	\$ 2,798,453	\$ 24,263,073
Fees and user charges	150,386	10,688,263	248,583	399,647	237,986	478,675	216,919	12,420,459
Specific grants	31,133	1,673,826	3,100	-	405,054	1,120,657	1,615,429	4,849,199
OMPF grant	197,962	85,559	-	56,691	58,333	602,250	130,470	1,131,265
Other revenue	256,858	128,139	3,345,828	171,200	60,855	274,293	267,850	4,505,023
Transfers from obligatory reserve	50,000	587,587	1,013	6,936	-	226,176	-	871,712
	<u>4,931,020</u>	<u>14,998,534</u>	<u>3,598,524</u>	<u>1,850,434</u>	<u>2,013,413</u>	<u>15,619,685</u>	<u>5,029,121</u>	<u>48,040,731</u>
Expenses								
Salaries and benefits	2,144,118	4,845,534	1,322,185	1,130,366	611,740	10,929,723	2,151,605	23,135,271
Interest on debt	546,513	352,046	12,868	10,024	214	15,034	-	936,699
Materials and supplies	851,226	4,104,243	1,020,800	353,673	414,190	1,065,396	741,323	8,550,851
Contracted services	642,444	3,682,049	351,212	142,917	324,313	367,310	45,793	5,556,038
Rents and financial expenses	24,926	42,836	15,020	16,002	54,729	23,945	20,548	198,006
Amortization	129,536	3,338,007	1,140,084	386,081	3,289	559,605	323,638	5,880,240
	<u>4,338,763</u>	<u>16,364,715</u>	<u>3,862,169</u>	<u>2,039,063</u>	<u>1,408,475</u>	<u>12,961,013</u>	<u>3,282,907</u>	<u>44,257,105</u>
Annual surplus (deficit)	\$ 592,257	\$ (1,366,181)	\$ (263,645)	\$ (188,629)	\$ 604,938	\$ 2,658,672	\$ 1,746,214	\$ 3,783,626

The Corporation of the City of Owen Sound
Schedule of Deferred Revenue

For the year ended December 31, 2014

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Federal Gas Tax	\$ 776,201	\$ 645,812	\$ 5,438	\$ -	\$1,427,451
Provincial Transit Gas Tax	835,242	136,452	12,553	(592,056)	392,191
Development charges	1,323,626	103,346	16,092	(41,199)	1,401,865
Recreational land	151,136	16,697	1,950	(78,262)	91,521
Parking revenues	-	-	2,915	-	2,915
	<u>3,086,205</u>	<u>902,307</u>	<u>38,948</u>	<u>(711,517)</u>	<u>3,315,943</u>
Other					
Small Rural and Northern Municipal Infrastructure Fund Capital Program - 3rd Avenue East	-	588,428	-	-	588,428
Small Rural and Northern Municipal Infrastructure Fund Capital Program - 8th Street East	-	957,768	-	-	957,768
Other deferred revenues	188,772	71,416	-	-	260,188
	<u>\$ 3,274,977</u>	<u>\$ 2,519,919</u>	<u>\$ 38,948</u>	<u>\$ (711,517)</u>	<u>\$5,122,327</u>

The Corporation of the
City of Owen Sound
Trust Funds
Financial Information
For the year ended December 31, 2014

The Corporation of the City of Owen Sound
Trust Funds Financial Information
For the year ended December 31, 2014

Contents

The Corporation of the City of Owen Sound

Independent Auditor's Report	2 - 3
Balance Sheet	4
Statement of Continuity	5
Notes to the Financial Statements	6



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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Owen Sound

We have audited the accompanying financial information for the trust funds of the City of Owen Sound, which comprise the balance sheet as at December 31, 2014, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Information

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 information 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 information.

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 information presents fairly, in all material respects, the balance sheet for the trust funds of the City of Owen Sound as at December 31, 2014 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
November 24, 2015

The Corporation of the City of Owen Sound
Trust Funds
Balance Sheet

December 31, 2014

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Total 2014	Total 2013
Assets				
Cash	\$ 215,492	\$ 112,243	\$ 327,735	\$ 323,443
Investments (Note 2)	759,911	-	759,911	855,819
	975,403	112,243	1,087,646	1,179,262
Other				
Due from City of Owen Sound	224,477	-	224,477	110,618
	\$ 1,199,880	\$ 112,243	\$1,312,123	\$ 1,289,880
Liabilities				
Due to City of Owen Sound	\$ -	\$ -	\$ -	\$ 120
Capital				
General capital	1,199,880	112,243	1,312,123	1,289,760
	\$ 1,199,880	\$ 112,243	\$1,312,123	\$ 1,289,880

The Corporation of the City of Owen Sound
Trust Funds
Statement of Continuity

For the year ended December 31, 2014

	Cemetery Care and Maintenance	Art Collection and Gallery Building Trust	Total 2014	Total 2013
Balance, beginning of the year	\$ 1,179,028	\$ 110,732	\$1,289,760	\$ 1,284,936
Receipts				
Share of plot sales	20,852	-	20,852	19,746
Interest earned	28,246	1,511	29,757	31,411
Loan repayment	-	-	-	7,386
	49,098	1,511	50,609	58,543
Expenditures				
Transfer to City of Owen Sound	28,246	-	28,246	30,696
Bad debts	-	-	-	15,951
Transfer to Province	-	-	-	7,072
	28,246	-	28,246	53,719
Balance, end of the year	\$ 1,199,880	\$ 112,243	\$1,312,123	\$ 1,289,760

The Corporation of the City of Owen Sound
Trust Funds
Notes to the Financial Statements

December 31, 2014

1. Summary of Significant Accounting Policies

Basis of Consolidation These trust funds have not been consolidated with the financial statements of the City of Owen Sound.

Basis of Accounting The financial statements of the Corporation of the City of Owen Sound Trust Funds are the representation of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

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.

Use of Estimates The preparation of financial information in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial information, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

2. Investments

The total investments of \$759,911 (2013 - \$855,819) reported on the balance sheet at cost have a market value of approximately \$759,911 (2013 - \$855,819) at the end of the year.
