

# Report to Finance and Corporate Services Committee

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L. JERMEY, MANAGER OF ACCOUNTING (ACTING)

**SUBMITTED BY:** C. MILLAR, DIRECTOR OF FINANCE AND TREASURER, EXTENSION 5130 *CM*

**GENERAL MANAGER APPROVAL:** P. ELLIOTT-SPENCER, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES *PESS*

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** C. LADD, CHIEF ADMINISTRATIVE OFFICER *CL*

**DATE:** JUNE 22, 2016

**SUBJECT:** 2015 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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## RECOMMENDED MOTION

1. That the 2015 Audited Consolidated Financial Statements be received.

## PURPOSE & BACKGROUND

2. The purpose of this report is to present the 2015 Audited Consolidated Financial Statements ("the financial statements"). The financial statements are a key accountability tool and provide valuable information about the Corporation's financial condition in the following format:
  - a) Consolidated Statement of Operations and Accumulated Surplus;
  - b) Consolidated Statement of Change in Net Financial Assets (Debt);
  - c) Consolidated Statement of Financial Position;
  - d) Consolidated Statement of Cash Flows; and,
  - e) Notes to the Financial Statements.

These statements have been prepared by staff in accordance with generally accepted accounting principles (GAAP) as established by the Public Sector Accounting Board (PSAB), and have been audited by Deloitte LLP, as required by section 296(1) of the *Municipal Act, 2001*, S.O. 2001, c. 25. This report provides highlights of the 2015 financial statements. The statements are provided in Appendix "A".

3. The consolidated financial statements provide Council, the public, the City's debenture holders, and other interested stakeholders, an overview of the City's finances at the end of the year, and indicate revenues, expenses and funding sources and uses. Staff are responsible for preparing the statements; Deloitte's role, as the City's external auditor, is to express an opinion on the fair presentation of the City's financial position and operating results, and to confirm that the statements are free from material misstatements.

# Report to Finance and Corporate Services Committee

## Consolidated Financial Statements

4. The consolidated financial statements include the following individual statements:

**TABLE 1: Consolidated Financial Statements**

Name	Purpose	Comments
Consolidated Statement of Operations and Accumulated Surplus	Summarizes revenues, expenses for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital (revenue portion only), reserve and reserve funds for the City of Barrie and its consolidated entities and provides the calculation of the City's yearend accumulated surplus.	<ul style="list-style-type: none"> <li>• Includes amortization charge – capital spending is not shown as expenditures, but as an increase in Tangible Capital Assets on the Statement of Financial Position</li> <li>• Only reflects interest payments on debt (debt principal repayments reflected in balances shown on Statement of Financial Position)</li> <li>• Assets Assumed during the year reflected as revenue</li> </ul>
Consolidated Statement of Change in Net Debt	Summarizes the change in net assets (debt) as a result of annual operations, tangible capital asset transactions, and changes in other non-financial assets.	<ul style="list-style-type: none"> <li>• This statement (unique to governments), assists users in understanding whether net revenue generated during the year was sufficient to cover net capital investments and other changes in non-financial assets.</li> </ul>
Consolidated Statement of Financial Position	Provides a summary of the City's consolidated financial assets and liabilities (the financial resources available to provide future services and the future revenues required to pay for past transactions)	<ul style="list-style-type: none"> <li>• Includes tangible capital assets</li> <li>• Reserves are reported as part of "Accumulated Surplus"</li> </ul>
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by describing the sources and uses of cash categorized by operating, capital, investing, and financing transactions	<ul style="list-style-type: none"> <li>• No change</li> </ul>

5. The financial statements combine the financial results of the City's divisions with the financial results of the agencies, boards, commissions, and government business enterprise that the City effectively controls, or significantly influences. The entities consolidated in the financial statements as described in the Summary of Significant Accounting Policies accompanying the statements include:

- a) Barrie Police Services Board;
- b) Barrie Public Library Board;
- c) Downtown Barrie Business Improvement Area;

# Report to Finance and Corporate Services Committee

- d) Lake Simcoe Regional Airport Inc. – 60%; and,
- e) Barrie Hydro Holdings Inc. (consolidated).

## **ANALYSIS**

### **Financial Statement Approval Process**

- 6. Each year it is a challenge to have the Audited Consolidated Financial Statements finalized and approved by Council before the summer recess. Future systems and processes will certainly improve our ability to complete the statements, but for this year and future years, the statements are being approved by the Director of Finance and Treasurer, and will then be received first, by Finance and Corporate Services Committee, and then Council.
- 7. Under the current approval process, the City's Auditors must continue to keep the file open and complete their due diligence up until the date of Council approval. Under this practice, the 2015 financial statements would not be approved until September. However, with the new approach the statements will be approved on June 22, 2016, and under a normal audit year they should be completed by the end of May.
- 8. Under the Municipal Act, there is no requirement that Council approve the Audited Financial Statements. Under the Act, Section 294.1 requires that a municipality prepare its financial statements in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board.
- 9. The City of Mississauga and the Town of Bracebridge have the statements approved and signed off by the Treasurer. The statements are then "received" by Audit and Finance Committee, and then Council. The benefits of this approach include:
  - Audited consolidated statements are completed earlier;
  - Reduces the external auditors time on the file by having an earlier completion date;
  - Staff can complete and submit the related Financial Information Return (FIR) by or closer to the legislated deadline of May 31; and,
  - If needed, audited financial statements available sooner for City marketing material or third party uses (i.e. Standard and Poor's etc.).

### **2015 Consolidated Financial Statements**

- 10. The financial statements present five key indicators about a government's finances:
  - a) Net debt;
  - b) Accumulated surplus (deficit);
  - c) Annual surplus (deficit);
  - d) Annual change in net debt; and
  - e) Cash flows.

# Report to Finance and Corporate Services Committee

## Consolidated Statement of Financial Position and Consolidated Statement of Change in Net Debt

11. The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's Balance Sheet. Among other details, it reports two of the five key indicators – net debt and accumulated surplus (deficit).
12. Net debt is the difference between financial assets and liabilities, and represents the amount that must be financed from future budgets to pay for prior period decisions. Net debt results from cumulative spending that exceeds cumulative revenues that were raised. As shown, the City of Barrie's net debt position increased from 2014 to 2015 by \$16.2 million - to a total of \$217 million. This is mainly attributable to significant spending during the year on Tangible Capital Assets (gross additions of \$70.5 million) and Tangible Capital Assets Under Construction (net additions of \$30.5 million), without an offsetting increase in revenues.
13. The Consolidated Statement of Change in Net Financial Assets (Debt) describes the factors making up the annual change in net assets (debt) and the difference between the annual surplus and net debt. The inclusion of budget figures allows for an assessment of plan versus actual results.
14. Accumulated Surplus is the amount by which all assets, including tangible capital assets, exceed liabilities. A surplus indicates a government has net resources (financial and physical) to provide services in the future, while a deficit indicates liabilities are greater than assets and the government has been financing annual operating deficits by borrowing.
15. The City of Barrie's accumulated surplus grew by \$70.9 million in 2015. This is attributable mainly to significant assumptions of subdivisions during the year (\$38 million) and additional use of Development Charge (DC) obligatory reserves.

## Consolidated Statement of Operations and Accumulated Surplus

16. The Consolidated Statement of Operations and Accumulated Surplus is the municipal equivalent of the private sector's Income Statement. It shows whether revenues raised in the year were sufficient to cover costs.
17. It is important to note that a surplus does not indicate that there are "profits" or extra cash to spend. For example, in 2015, of the \$70.9 million current year surplus for financial statement purposes, \$38.4 million relates to the assumption of subdivisions, and \$46.6 million relates to the utilization of obligatory reserves, the cash relating to which was largely received in prior years. A surplus indicates whether a government maintained its net assets in the reporting period. However, judgements about the meaning and significance of a reported annual surplus need to consider the sources and uses of cash and the change in gross/net debt during the reporting period.

## Consolidated Statement of Cash Flows

18. The Consolidated Statement of Cash Flows describes how activities were financed during the reporting period and the effect of activities on cash balances. As the statement shows, after taking into account the gross revenues and expenses making up year's net income, the most significant use of cash was the investment in tangible capital assets.

# Report to Finance and Corporate Services Committee

19. The Consolidated Statement of Cash Flows helps to inform readers about whether future cash resources are sufficient for sustaining the Corporation's activities. We must also consider the Corporation's Financial Policies Framework, Capital Plan, and expected service levels. While the financial statements provide an opportunity to consider these policies and plans, they will also be considered during Council's review of the annual business plan.

## **ENVIRONMENTAL MATTERS**

20. There are no environmental matters related to the recommendation.

## **ALTERNATIVES**

21. As this report is provided for information and compliance with provincial legislation, there are no alternatives.

## **FINANCIAL**

22. While this report has no direct financial implications, indirectly, PSAB standards reflected in these financial statements emphasize the significance of incorporating amortization, post-employment and landfill liabilities into the Corporation's budget through adequate reserve transfers, and improving its financial condition.

## **LINKAGE TO 2014-2018 STRATEGIC PLAN**

23. The recommendation included in this Report supports the following goals identified in the 2014-2018 Strategic Plan:
- Vibrant Business Environment
  - Responsible Spending

# **Report to Finance and Corporate Services Committee**

APPENDIX "A"

2015 Consolidated Financial Statements

Consolidated financial statements of

**The Corporation of the  
City of Barrie**

December 31, 2015

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# The Corporation of the City of Barrie

December 31, 2015

## Table of contents

Independent Auditor's Report .....	1-2
Consolidated statement of operations and accumulated surplus.....	3
Consolidated statement of change in net debt.....	4
Consolidated statement of financial position.....	5
Consolidated statement of cash flows.....	6
Notes to the consolidated financial statements.....	7-24

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## Independent Auditor's Report

To the Mayor, Members of Council,  
Inhabitants and Ratepayers of  
The Corporation of the City of Barrie

We have audited the accompanying consolidated financial statements of The Corporation of the City of Barrie, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations and accumulated surplus, change in net 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 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 Barrie as at December 31, 2015 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2016

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# The Corporation of the City of Barrie

Consolidated statement of operations and accumulated surplus  
year ended December 31, 2015

	Budget (Note 20)	2015	2014
	\$	\$	\$
<b>Revenue</b>			
Property taxation (Note 14)	201,135,608	200,704,425	192,828,901
User fees and service charges	75,612,711	74,057,217	71,214,691
Government grants and transfers	4,661,089	11,496,915	20,204,057
Provincial Offences Act (POA) (Note 18)	7,950,761	7,995,633	7,860,870
Licenses and permits	4,126,521	3,861,141	4,620,433
Investment income	1,933,000	2,089,967	1,761,821
Other	14,090,484	12,759,069	8,607,504
Assumed assets	-	38,366,241	18,191,158
Equity earnings of government business enterprise (Note 6)	-	4,949,273	3,120,686
Municipal contributions	969,314	1,099,716	720,685
Utilization of obligatory reserve funds (Note 7)	34,851,635	46,625,727	20,361,849
	<b>345,331,123</b>	<b>404,005,324</b>	<b>349,492,655</b>
<b>Expenses (Note 15)</b>			
General government	35,225,126	35,837,336	39,754,165
Protection services	91,633,128	96,001,756	90,836,570
Transportation services	55,269,651	56,782,185	55,249,561
Environmental services	77,601,416	77,120,001	61,104,712
Health services	8,805,797	9,474,913	7,906,279
Social and family services	9,230,806	8,604,571	9,013,559
Social housing	6,483,083	6,824,784	4,811,031
Recreation and cultural services	38,886,482	38,396,414	37,824,938
Planning and development	4,015,275	4,089,282	4,380,033
	<b>327,150,764</b>	<b>333,131,242</b>	<b>310,880,848</b>
Annual surplus	18,180,359	70,874,082	38,611,807
Accumulated surplus, beginning of year	1,498,016,654	1,498,016,654	1,459,404,847
<b>Accumulated surplus, end of year</b>	<b>1,516,197,013</b>	<b>1,568,890,736</b>	<b>1,498,016,654</b>

The accompanying notes to the consolidated financial statements are an integral part of  
this consolidated financial statement.

# The Corporation of the City of Barrie

## Consolidated statement of change in net debt year ended December 31, 2015

	Budget (Note 20)	2015	2014
	\$	\$	\$
<b>Annual surplus</b>	<b>18,180,359</b>	<b>70,874,082</b>	38,611,807
Acquisition of tangible capital assets	(44,636,890)	(70,577,914)	(38,367,555)
Contributed tangible capital assets	-	(38,366,241)	(18,191,158)
Amortization of tangible capital assets	51,504,655	51,504,655	52,037,597
Partial sale of government unit	-	-	4,448,026
(Gain)/loss on disposal of tangible capital assets	-	(181,694)	125,055
Change in tangible capital assets under construction	-	(30,446,870)	(19,846,877)
Proceeds on disposition of tangible capital assets	-	1,098,750	100,721
	<b>25,048,124</b>	<b>(16,095,232)</b>	18,917,616
Decrease in inventories of supplies		(264,429)	(454,311)
Decrease (increase) in prepaid expenses		183,869	(294,538)
		<b>(80,560)</b>	(748,849)
Change in net debt	<b>25,048,124</b>	<b>(16,175,792)</b>	18,168,767
Net debt, beginning of year	<b>(200,497,521)</b>	<b>(200,497,521)</b>	(218,666,288)
<b>Net debt, end of year</b>	<b>(175,449,397)</b>	<b>(216,673,313)</b>	(200,497,521)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

**The Corporation of the City of Barrie**  
 Consolidated statement of financial position  
 as at December 31, 2015

	2015	2014
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents (Notes 3 and 7)	60,939,511	101,740,461
Taxes receivable	15,700,535	16,138,330
Accounts receivable	36,384,994	29,985,382
Inventories of land for resale	5,630,032	5,878,720
Long-term receivables (Note 5)	8,195,921	6,962,919
Promissory note receivable (Note 6 b)	20,000,000	20,000,000
Investment in government business enterprise (Note 6 a)	91,865,003	86,915,730
	<b>238,715,996</b>	<b>267,621,542</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	70,205,437	63,330,905
Deferred revenue - general	11,779,298	7,638,616
Deferred revenue - obligatory reserve funds (Note 7)	39,989,637	64,871,100
Post-employment benefits liability (Note 8)	45,686,046	39,206,241
Landfill closure and post-closure liabilities (Note 9)	6,268,617	6,263,920
Net long-term liabilities (Note 10)	281,460,274	286,808,281
	<b>455,389,309</b>	<b>468,119,063</b>
<b>Net debt</b>	<b>216,673,313</b>	<b>200,497,521</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 11)	1,671,110,601	1,614,588,157
Tangible capital assets under construction (Note 11)	112,321,870	81,875,000
Inventory of supplies	1,808,919	1,544,490
Prepaid expenses	322,659	506,528
	<b>1,785,564,049</b>	<b>1,698,514,175</b>
<b>Accumulated surplus (Note 12)</b>	<b>1,568,890,736</b>	<b>1,498,016,654</b>

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 Mayor

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 Director of Finance, Treasurer

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the City of Barrie

## Consolidated statement of cash flows year ended December 31, 2015

	2015	2014
	\$	\$
<b>Operating activities</b>		
Annual surplus	70,874,082	38,611,807
Items not involving cash		
Equity earnings of government business enterprise	(4,949,273)	(3,120,686)
Amortization of tangible capital assets	51,504,655	52,037,597
Partial sale of government entity	-	4,448,026
(Gain)/loss on disposal of tangible capital assets	(181,694)	125,055
Contributed tangible capital assets	(38,366,241)	(18,191,158)
	<b>78,881,529</b>	<b>73,910,641</b>
Changes in non-cash working capital balances		
Taxes receivable	437,795	(1,289,582)
Accounts receivable	(6,399,612)	(2,980,489)
Inventories of land for resale	248,688	101,495
Long-term receivables	(1,233,002)	(3,332,700)
Accounts payable and accrued liabilities	6,874,532	1,153,245
Deferred revenue - general	4,140,682	134,136
Deferred revenue - obligatory reserve funds	(24,881,463)	13,178,864
Post-employment benefits liability	6,479,805	5,520,470
Landfill closure and post-closure liabilities	4,697	(14,752,114)
Prepaid expenses	183,869	(294,538)
Inventory of supplies	(264,429)	(454,311)
	<b>64,473,091</b>	<b>70,895,117</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(64,187,510)	(38,367,555)
Transfers (acquisition) of tangible capital assets under construction	(30,446,870)	(19,846,877)
Proceeds of disposition on tangible capital assets	1,098,750	100,721
	<b>(93,535,630)</b>	<b>(58,113,711)</b>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	-	11,867,987
Repayment of net long-term liabilities	(11,738,411)	(12,563,976)
	<b>(11,738,411)</b>	<b>(695,989)</b>
Net change in cash and cash equivalents	<b>(40,800,950)</b>	<b>12,085,417</b>
Cash and cash equivalents, beginning of year	<b>101,740,461</b>	<b>89,655,044</b>
<b>Cash and cash equivalents, end of year</b>	<b>60,939,511</b>	<b>101,740,461</b>
<b>Supplementary cash flow information</b>		
Non-cash transactions		
Barrie Transit Facility capital financing obligation	5,412,474	-
Barrie Transit Facility capital lease obligation	977,930	-

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

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### 1. Summary of significant accounting policies

#### *Management's responsibility*

The consolidated financial statements of the Corporation of the City of Barrie (the 'City') are the responsibility of management. They have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board ("PSAB" or "PS") of the Chartered Professional Accountants of Canada.

#### *Reporting entity*

#### Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These boards and entities include:

Barrie Police Services Board

Barrie Public Library Board

Downtown Barrie Business Improvement Area

All inter-entity transactions and balances have been eliminated.

#### Modified equity accounting

Barrie Hydro Holdings Inc., a government business enterprise, is accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform to those of the City and inter-entity transactions and balances are not eliminated. Financial information related to Barrie Hydro Holdings Inc. is summarized in Note 6.

#### Proportionately consolidated entities

These consolidated financial statements reflect the proportional assets, liabilities, revenues, and expenses of the following entity:

Lake Simcoe Regional Airport Inc.	60% (2014 - 60%)
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All proportional inter-entity transactions and balances have been eliminated.

#### *Cash and cash equivalents*

Cash consists of balances held at a financial institution and all cash equivalents consist of highly liquid financial instruments with maturities of three months or less at acquisition.

#### *Inventories*

Inventories of land held for resale are valued at the lower of cost and net realizable value.

Inventories of supplies are priced at average cost on a first-in, first-out basis.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

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### 1. Summary of significant accounting policies (continued)

#### *Tangible capital assets*

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including, but not limited to: transportation costs, installation costs, design and engineering fees, legal fees, and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of contribution, with a corresponding amount recorded as revenue when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year following that in which the asset is available for productive use as follows:

Buildings	15 to 60 years
Machinery and equipment	5 to 30 years
Fleet	3 to 18 years
Other	3 to 20 years
Plant and facilities	5 to 60 years
Underground and other networks	15 to 100 years
Bridges	15 to 100 years
Roads and sidewalks	15 to 100 years

#### *Tangible capital assets under construction*

Tangible capital assets under construction are recorded at cost. When construction is completed, the tangible capital assets under construction will be transferred to tangible capital assets and amortized based on their classification.

#### *Long-term receivables*

Long-term receivables include the outstanding principal portions of expenses incurred to benefit land owners and amounts loaned to other various organizations. These are reported on the consolidated statement of financial position. The City records allowances for impairment when it is determined that it will be unable to collect all amounts due according to the terms of the underlying agreement. Interest earned in relation to the receivables is recorded as revenue when earned.

#### *Taxation and related revenues*

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC). Tax rates are established by City Council, incorporating amounts to be raised for local municipal services and service partners. The City is also required to bill and collect education taxes on behalf of the Province of Ontario at rates determined by the Province. The municipal portion of property tax revenue is recognized when the tax is authorized through the passing of a property tax bylaw in the period for which the tax is levied.

The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are earned.

Assessments and related property taxes are subject to appeal. The City evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes a liability if the amount can be reasonably estimated.

#### *User fees and other revenues*

User fees and other revenues are recorded when earned.

#### *Investment income*

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as development charges, gas tax, and parkland allowances is added to the associated funds and forms part of respective deferred revenue balances.



# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

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### 1. Summary of significant accounting policies (continued)

#### *Government transfers*

Government transfers are recognized as revenue by the City in the period in which the transfers are authorized and any eligibility criteria are met, unless they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer or discharge the liability. For such transfers, revenue is recognized when the stipulation has been met.

#### *Pension Plan*

The City is an employer member of the Ontario Municipal Employee Retirement Fund ("OMERS"), which is a multi-employer, defined benefit pension plan (the "Plan"). The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The City uses defined contribution plan accounting principles for this Plan. The City records as pension expense the amount paid to OMERS for the year plus any amounts owing to OMERS at the end of the year.

#### *Non-pension post-employment benefits*

The City accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The City has adopted the following valuation methods and assumptions:

#### Actuarial cost method

Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PS 3250 and PS 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of the total estimated future benefit is attributed to each year of service.

#### Workplace Safety and Insurance (WSIB) obligation

The costs of WSIB obligations are actuarially determined and the cost is recognized immediately in the period the event giving rise to the obligation occurs.

#### Funding policy

The non-pension post retirement and post-employment benefits are funded on a pay-as-you-go basis. The City funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide for non-pension retirement and post-employment benefits.

#### Accounting policies

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARSIL"), of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death, or retirement, depending on the benefit value. The City's fiscal year-end is December 31, and the measurement date of the City's obligation is as at December 31.

#### *Deferred revenue*

#### Obligatory reserve funds

Funds received for specific purposes which are externally restricted by legislation, regulation, or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purposes.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

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### 1. Summary of significant accounting policies (continued)

#### *Deferred revenue (continued)*

##### General

User charges and fees which have been collected but for which the related services have yet to be performed are recorded as deferred revenue. These amounts will be recognized as revenues in the fiscal year the services are performed.

##### *Landfill closure and post-closure liabilities*

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

##### *Use of estimates*

The preparation of consolidated financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these consolidated financial statements are landfill closure and post-closure liabilities, post-employment benefits liability, Provincial Offenses Act receivables, allowances for doubtful accounts, the estimate useful lives of tangible capital assets and certain other accrued liabilities and/or obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

### 2. Changes in accounting policies

#### *PS 3260 Liability for Contaminated Sites*

On January 1, 2015, the City adopted the new PS 3260 Liability for Contaminated Sites standard. This section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- and the City:
  - is directly responsible; or
  - accepts responsibility
- the City expects that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The adoption of the new PS 3260 standard has not resulted in any changes to the measurement and recognition of liabilities in the City's 2015 financial statements.

### 3. Cash and cash equivalents

The City's bank accounts are held at one Canadian chartered bank. The bank accounts earn interest at a variable rate calculated on the daily balances.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 3. Cash and cash equivalents (continued)

The City has a credit facility agreement with the Canadian chartered bank. Under this agreement, the City has an operating line of credit, to be used to finance the day-to-day operations, in the amount of \$10,000,000 at an interest rate of the bank's stated prime rate. The carrying balance of this operating line of credit at year end was \$Nil (2014 - \$Nil).

### 4. Short-term advances

The City has a financing agreement in place with Ontario Infrastructure and Lands Corporation ("OILC") whereby OILC provided financing for the acquisition of tangible capital assets related to specific infrastructure projects.

Interest is calculated using a floating rate per annum based on OILC's cost of funds plus their prevailing spread assigned to the borrower section for the program delivery costs and risks.

Short-term advances were not used in 2015 or 2014 and there were no short-term advances outstanding at December 31, 2015 or 2014.

### 5. Long-term receivables

Long-term receivables consist of:

	2015	2014
	\$	\$
Loan receivable from the MacLaren Art Centre. This loan is non-interest bearing and is the result of a Court approved re-organization plan based on the City's loan balance as at March 16, 2006. The re-organization plan runs until December 16, 2016. The loan is secured by a general security agreement.	3,941,141	3,941,141
Notes receivable from Barrie Hydro Holdings Inc. (Note 6), which is non-interest bearing and repayable on demand.	6,520,500	6,520,500
Other notes receivable from various organizations. These have various maturity dates, from 2016 to 2031 and are non-interest bearing.	290,507	215,207
Long-term receivables from benefiting land owners, which have various maturity dates from 2016 to 2020 and interest rates ranging from 0.0% to 5.3% respectively.	1,384,914	227,212
	<b>12,137,062</b>	10,904,060
Allowance for doubtful accounts	<b>(3,941,141)</b>	(3,941,141)
	<b>8,195,921</b>	6,962,919

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 6. Investment in government business enterprise

The following summarizes the financial position and operations of the government business enterprise which has been reported in these consolidated financial statements using the modified equity method:

#### a. Barrie Hydro Holdings Inc.

The City holds 100% of the shares of Barrie Hydro Holdings Inc. ("Holdings"). Holdings holds 100% of the shares in Barrie Hydro Energy Services ("Services"), and 20.5% of the shares of PowerStream Holdings Inc. ("PowerStream"), which provides hydroelectricity to residents.

The following provides condensed combined financial information for Barrie Hydro Holdings Inc.

	2015	2014
	\$	\$
<b>Financial position</b>		
Current assets	51,921,788	53,207,969
Capital assets	230,660,055	212,277,090
Other assets	25,205,304	22,927,386
	<b>307,787,147</b>	<b>288,412,445</b>
<b>Current liabilities</b>		
Long-term liabilities	75,647,819	61,157,815
	<b>140,274,325</b>	<b>140,338,900</b>
	<b>215,922,144</b>	<b>201,496,715</b>
<b>Total net assets</b>	<b>91,865,003</b>	<b>86,915,730</b>
<b>Results of operations</b>		
Revenue	249,403,595	228,563,421
Expenses	(243,874,087)	(225,567,316)
Taxes	(580,235)	124,581
<b>Net income for the year</b>	<b>4,949,273</b>	<b>3,120,686</b>
<b>Equity earnings in government business enterprise</b>	<b>4,949,273</b>	<b>3,120,686</b>

#### b. Promissory note receivable

The City holds an unsecured promissory note receivable from PowerStream Inc. which as at December 31, 2015 amounted to \$20,000,000 (2014 - \$20,000,000). The promissory note bears interest at 5.58% (2014 - 5.58%) payable on December 31 of each year. The promissory note receivable matures on May 31, 2024. Interest received in the year and included in other income is \$1,116,000 (2014 - \$1,116,000).

#### c. Related party transactions and balances

Realty taxes and facilities rentals received from PowerStream were \$268,807 (2014 - \$266,077) for the year.

Energy and distribution services purchased from PowerStream were \$7,362,329 (2014 - \$7,322,412) for the year.

Notes receivable of \$6,520,500 due from Barrie Hydro Holdings (Note 5) were outstanding as of December 31, 2015 (2014 - \$6,520,500).

Net balance payable to PowerStream as at December 31, 2015 was \$722,576 (2014 - \$737,201)

The amounts due from related parties are unsecured, non-interest bearing with no fixed terms of repayment with the exception of the promissory note receivable disclosed in Note 6 (b).

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

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### 6. Investment in government business enterprise (continued)

d. *Contingencies and guarantees of PowerStream and its subsidiaries ("the Group") as disclosed in their financial statements are as follows:*

i) Contingencies-legal claims

The Group has been named as a defendant in several actions. No provision has been recorded in the financial statements for these potential liabilities as the Group expects that these claims are adequately covered by its insurance.

ii) Commitments

As at December 31, 2015, the Group has entered into agreements for capital projects and is committed to making payments of \$18,330,000 in 2016.

iii) Guarantees

In the normal course of business, the Group enters into agreements that meet the definition of a guarantee as follows:

- (a) The Group has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the Group agrees to indemnify the counterpart for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and/or officers of the Group for various items including, but not limited to, all costs to settle suits or actions due to association with the Group, subject to certain restrictions. The Group has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Group. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, the Group has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Group to compensate counterparts for losses incurred by the counterpart as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterpart as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Group from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterpart. Historically, the Group has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 7. Deferred revenue - obligatory reserve funds

The continuity and balances in the obligatory reserve funds of the City are summarized below:

	2015	2014
	\$	\$
Balance, beginning of year	64,871,100	51,692,236
Federal gas tax contributions	7,879,521	8,090,026
Development contributions	12,827,278	22,139,824
Provincial gas tax contributions	498,202	2,509,996
Investment income	539,263	800,867
Utilization of funds	(46,625,727)	(20,361,849)
<b>Deferred revenue - obligatory funds, end of year</b>	<b>39,989,637</b>	<b>64,871,100</b>
Analysed as follows		
Development charges	22,943,177	48,410,010
Federal gas tax	9,893,560	7,866,550
Provincial gas tax	2,002,962	4,255,159
Cash in lieu of parkland	5,134,237	4,323,832
Federal transit tax	15,701	15,549
<b>Deferred revenue - obligatory funds, ends of year</b>	<b>39,989,637</b>	<b>64,871,100</b>

There is legislation and/or actions and communications of the City which restricts how these funds may be used. Cash needed to fund these above noted obligatory reserves is \$39,989,637 (2014 - \$64,871,100). Actual cash and cash equivalents on hand was \$60,939,511 (2014 - \$101,740,461) at year end.

### 8. Post-employment benefits liability

	2015	2014
	\$	\$
Accumulated post retirement benefits - accrued obligation	42,872,616	34,306,578
Unamortized net actuarial loss	(10,544,905)	(6,527,823)
<b>Post retirement benefits - accrued benefit liability</b>	<b>32,327,711</b>	<b>27,778,755</b>
Accumulated sick leave benefits - accrued obligation	11,421,295	9,807,658
Unamortized net actuarial loss	(1,604,415)	(1,003,462)
<b>Sick leave benefits - accrued benefit liability</b>	<b>9,816,880</b>	<b>8,804,196</b>
<b>WSIB obligation - accrued benefit liability</b>	<b>3,541,455</b>	<b>2,623,290</b>
	<b>45,686,046</b>	<b>39,206,241</b>

Information about post-retirement benefits is as follows:

	2015	2014
	\$	\$
Current year benefit cost	2,052,214	2,251,997
Increase due to plan amendment	1,307,306	132,220
Interest on accrued benefit obligation	1,283,535	1,284,345
Amortization of actuarial loss	562,943	620,748
<b>Expense</b>	<b>5,205,998</b>	<b>4,289,310</b>

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 8. Post-employment benefits liability (continued)

Information about compensated absences is as follows:

	2015	2014
	\$	\$
Current year benefit cost	1,036,153	975,954
Interest on accrued benefit obligation	370,046	382,060
Amortization of actuarial loss	89,573	111,219
<b>Expense</b>	<b>1,495,772</b>	<b>1,469,233</b>

The amount of benefits paid during the year was \$657,042 (2014 - \$446,455) for post-retirement benefits and \$751,571 (2014 - \$356,928) for compensated absence benefits.

#### *Retirement benefits*

##### Retirement life insurance and health care benefits

The City provides life insurance, dental, and health care benefits to certain employee groups after retirement until the members reach 65 years of age and to Barrie Police Services Board after retirement until the members reach 75 years of age. The benefits costs and liabilities related to this plan are based on an actuarial valuation prepared by an independent actuarial firm. The date of the last actuarial valuation was as of December 31, 2014.

##### Post-employment benefits, compensated absences and termination benefits

##### Workplace Safety and Insurance Board

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve is established to help reduce the future impact of these obligations. As at December 31, 2015, the balance in the Workers' Compensation Reserve is \$2,975,846 (2014 - \$3,468,051) and is included as part of the Reserve Funds (Note 12).

##### Sick leave benefits

The City provides paid sick leave that can be carried forward up to a maximum defined by the employee group. The benefit costs and liabilities recorded for this benefit in 2015 are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2014. A sick leave reserve in the amount of \$2,810,198 (2014 - \$2,810,198) has been established to help reduce the future impact of these obligations and is included as part of the Reserves (Note 12).

The accrued benefit obligations for the City's post-employment benefits liability as at December 31, 2015 are based on an extrapolation of actuarial valuations for accounting purposes as at December 31, 2014. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates of:

	2015	2014
	%	%
Expected wage and salary increases	2.5	2.0
Discount on accrued benefit obligations	2.9	3.6
Health care costs escalation	4.0 to 8.5	4.0 to 8.5
Dental costs escalation	3.5 to 4.5	3.5 to 4.5

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 9. Landfill closure and post-closure liabilities

Solid waste 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 present value of the City's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities. The reported liability at year end was \$6,268,617 (2014 - \$6,263,920) and reflects a discount rate of 2.9% (2014 - 3.6%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The landfill is expected to reach its capacity in 20 years and the estimated remaining capacity is 1,144,550 cubic meters which is 29% of the site's total capacity. The estimated length of time needed for post-closure care is 50 years.

### 10. Net long-term liabilities

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

	2015	2014
	\$	\$
Long-term debentures, bearing interest at rates ranging from 2.00% to 5.08%, incurred by the City	275,199,950	286,808,281
Capital lease liability, interest at imputed rate of 2.9%	948,461	-
Barrie transit facility public-private partnership long-term obligation, interest at imputed rate of 2.9%	5,311,863	-
	<b>281,460,274</b>	<b>286,808,281</b>

The aggregate maturities of the net long-term liabilities are as follows:

	Principal repayments
	\$
2016	14,174,911
2017	14,726,266
2018	15,300,921
2019	15,899,898
2020	13,461,709
Thereafter	207,896,569
	<b>281,460,274</b>

The gross interest expense relating to the above long-term debt was \$12,229,906 (2014 - \$12,366,476).

The debentures reported above, issued in the name of the City, have been approved by municipal by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.



# The Corporation of the City of Barrie

Notes to the consolidated financial statements

December 31, 2015

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## 11. Tangible capital assets

Information relating to tangible capital assets is as follows:

### *Contributed tangible capital assets*

The City records tangible capital assets contributed by an external party at fair value on the date contributed. Typical examples are roads, storm sewers and sidewalks installed by a developer as part of a subdivision or development agreement. Contributions of tangible capital assets in 2015 amounted to \$38,366,241 (2014 - \$18,191,158).

### *Assets under construction*

The amount of tangible capital assets under construction is \$112,321,870 (2014 - \$81,875,000). These items will be transferred to their relevant tangible capital asset categories when construction is completed. Amortization will commence in the year following that in which the asset is available for productive use.

### *Beneficial interest in Airport Lands*

The Corporation of the Township of Oro-Medonte and the Corporation of the County of Simcoe each hold a 20% beneficial interest in the Airport Lands.

### *Assets under capital lease*

Tangible capital assets under capital lease have a net book value of \$980,200 (2014 - \$Nil).

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# The Corporation of the City of Barrie

Notes to the consolidated financial statements

December 31, 2015

## 11. Tangible capital assets (continued)

	2015									
	Land	Buildings	Machinery and equipment	Fleet	Other	Plant and facilities	Underground and other networks	Bridges	Roads and sidewalks	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	266,905,258	172,319,092	39,415,555	48,637,911	147,596,367	500,337,532	624,207,050	14,912,871	370,052,681	2,184,384,337
Additions	19,350,760	27,881,548	5,986,228	3,529,459	9,328,725	1,425,884	27,048,298	-	14,393,253	108,944,155
Disposals	(613,514)	(146,073)	(791,633)	(1,301,743)	(2,289,941)	-	-	-	-	(5,152,904)
Cost, end of year	285,642,504	200,054,567	44,610,150	50,865,627	154,625,171	507,763,416	651,255,348	14,912,871	384,445,934	2,288,175,588
Accumulated amortization, beginning of year	-	64,524,974	16,092,751	27,105,724	57,674,870	159,432,730	108,018,052	1,852,087	135,095,652	569,796,180
Amortization	-	5,191,952	2,210,208	3,894,818	7,182,742	15,534,433	8,094,751	208,391	9,197,360	51,504,655
Disposals	-	(54,731)	(778,006)	(1,423,790)	(2,279,321)	-	-	-	-	(4,235,848)
Accumulated amortization, end of year	-	69,662,195	17,524,953	29,866,152	62,578,231	174,967,163	116,112,803	2,060,478	144,293,012	617,064,987
Net carrying amount, end of year	285,642,504	130,392,372	27,085,197	20,999,475	92,046,940	326,796,253	535,142,545	12,852,393	240,152,922	1,671,110,601

# The Corporation of the City of Barrie

Notes to the consolidated financial statements

December 31, 2015

## 11. Tangible capital assets (continued)

	Land	Buildings	Machinery and equipment	Fleet	Other	Plant and facilities	Underground and other networks	Bridges	Roads and sidewalks	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	259,037,150	170,439,966	38,703,343	47,932,377	145,777,955	484,703,437	615,169,639	14,912,871	363,914,729	2,140,591,467
Additions	8,965,466	4,006,735	1,782,675	3,700,139	7,048,758	15,634,095	9,282,893	-	6,137,952	56,558,713
Disposals	(18,527)	(1,279,423)	(598,904)	(2,876,834)	(2,966,723)	-	-	-	-	(6,860,411)
Impact of 20%	(1,078,831)	(848,186)	(471,559)	(117,771)	(3,143,603)	-	(245,482)	-	-	(5,905,432)
Cost, end of year	266,905,258	172,319,092	39,415,555	48,637,911	147,596,387	500,337,532	624,207,050	14,912,871	370,052,681	2,184,384,337
Accumulated amortization, beginning of year	-	60,438,627	14,596,379	26,346,327	53,742,557	142,899,025	100,112,877	1,637,518	126,077,314	525,850,624
Amortization	-	5,486,008	2,186,960	5,653,629	7,027,820	16,533,705	7,916,568	214,569	9,018,338	52,037,597
Disposals	-	(1,279,422)	(598,904)	(2,876,833)	(1,811,638)	-	(386)	-	-	(6,567,183)
Impact of 20%	-	(120,239)	(91,684)	(17,999)	(1,283,929)	-	(11,007)	-	-	(1,524,858)
Accumulated amortization, end of year	-	64,524,974	16,092,751	28,105,124	57,674,810	159,432,730	108,018,052	1,852,087	135,095,652	569,796,180
Net carrying amount, end of year	266,905,258	107,794,118	23,322,804	21,532,787	89,921,577	340,904,802	516,188,998	13,060,784	234,957,029	1,614,588,157

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 12. Accumulated surplus

The City segregates its accumulated surplus in the following categories:

	2015	2014
	\$	\$
Investment in tangible capital assets	1,783,432,471	1,696,463,157
Revenue fund and capital fund	(95,587,748)	(57,966,866)
Reserves	108,795,213	91,415,806
Equity in government business enterprise	111,865,003	106,915,730
Amounts to be recovered		
Vacation payable liability	(6,199,266)	(6,532,731)
Post-employment benefit liabilities	(45,686,046)	(39,206,241)
Landfill closure and post-closure liabilities	(6,268,617)	(6,263,920)
Municipal debt	(281,460,274)	(286,808,281)
	<b>1,568,890,736</b>	<b>1,498,016,654</b>

### 13. Pension agreement

OMERS provides pension services to over 461,000 active and retired members and about 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension ("the Plan") by comparing the actuarial value of the 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 as at December 31, 2015. The results of this valuation disclosed total actuarial liabilities as at that date of \$82,369 million in respect of benefits accrued for service with actuarial assets at that date of \$75,392 million indicating an actuarial deficit of \$6,977 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employers. As a result, the City does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the City to OMERS for 2015 were \$11,228,319 (2014 - \$10,939,738).

### 14. Property taxation information

	2015	2014
	\$	\$
Property taxes and payments-in-lieu	200,704,425	192,828,901
Collections on behalf of governments		
Province of Ontario - school tax	61,965,540	61,283,301
	<b>262,669,965</b>	<b>254,112,202</b>
Transfers		
Province of Ontario - school tax	(61,965,540)	(61,283,301)
Municipal property taxation	<b>200,704,425</b>	<b>192,828,901</b>

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 15. Expenses by object

	2015	2014
	\$	\$
Salaries, wages and employee benefits	147,351,186	139,003,563
Materials	44,846,563	30,764,646
Contracted services	47,601,679	47,614,033
Rents and financial expenses	2,993,931	5,477,472
Transfer payments	26,785,014	23,491,621
Interest on long-term debt	12,229,907	12,366,476
Amortization	51,504,655	52,037,597
Loss on disposal of tangible capital assets	(181,694)	125,440
	<b>333,131,241</b>	<b>310,880,848</b>

### 16. Commitments

#### (a) Royal Victoria Regional Health Centre

By Motion #05-A-431, the City committed to contribute a total of \$52,500,000 in funding to the Royal Victoria Regional Health Centre ("RVH") for the construction of a Cancer Care Centre. The construction of the Cancer Care Centre and Phase I commenced in 2008. The contributions were to be for a 5 year term commencing December 2009 and being paid no later than June 30 and December 31. In response to a request from Royal Victoria Regional Health Centre the approved contribution agreement has been extended until December 31, 2016, by motion #14-G-274. Installments are not required to be paid until all conditions have been fulfilled to the City's satisfaction and if the cost of the expansion is less than \$415 million then the amount of the contribution will be reduced. Total payments made as of December 31, 2015 were \$50,771,414 (2014 - \$50,219,184).

#### (b) Victoria Village Projects

By motion #05-G-446, the City provided a loan guarantee with the Toronto-Dominion Bank for Victoria Village Projects in the amount of \$16,875,000. The guarantee and amount were required to provide long-term financing for the capital construction costs and financial payment requirements of Victoria Village Projects, a long-term care and supportive housing complex located at 76 Ross Street (site of the old RVH).

#### (c) Public-private partnership ("P3") commitment

The City has entered into a multiple-year P3 contract to design, build, finance, operate, and maintain the Barrie Transit Facility. The facility reached substantial completion in 2015. The information presented below shows the annual value of anticipated cash outflow for future obligations under this contract for the capital lease cost, financing of the asset, and operating costs. The actual payments to the private partner are contingent on specified performance criteria and will include an inflation factor where applicable.

	Capital and financing	Operating	Total annual payments
	\$	\$	\$
Annual service payment	533,373	16,584,798	17,118,171

#### (d) Miscellaneous

The City also has numerous contracts, in the normal course of business, with a variety of suppliers for future capital projects.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 17. Contingent liabilities

Legal actions and claims have been instituted against the City. However, after reviewing the merits of these actions and claims with counsel and insurers, it is management's opinion that there will be no significant uninsured liability arising from these claims. Accordingly, no provision has been made in the accounts for any amounts claimed. Any future liability will be recorded if an amount is likely and measurable.

### 18. Provincial Offenses Administration ("POA")

The Ministry of the Attorney General requires all municipal partners administering Provincial Offenses Administration to disclose in the year end audited consolidated financial statements a note on the gross and net provincial offenses revenues earned. The following table provides condensed financial information required by the terms in the Memorandum of Understanding ("MOU") for the 2015 fiscal year with comparative figures for the year 2014:

	2015	2014
	\$	\$
<b>Barrie POA Office</b>		
Revenue (net of refunds)	6,225,757	6,208,352
Expenses		
Provincial charges	344,395	365,114
City operating expenses	3,449,656	3,429,011
	<b>3,794,051</b>	<b>3,794,125</b>
Net revenue	2,431,706	2,414,227
Other		
Participating partners' share	1,792,626	1,739,635
City of Barrie share	639,080	674,592
<b>Orillia POA Office</b>		
Revenue (net of refunds)	1,769,876	1,652,518
Expenses		
Provincial charges	91,399	95,828
City operating expenses	1,003,089	985,625
	<b>1,094,488</b>	<b>1,081,453</b>
Net revenue	675,388	571,065
Other		
Participating partners' share	675,388	571,065
City of Barrie share	-	-

### 19. Subsequent event

Subsequent to year end on March 24, 2016, the proposed merger of PowerStream Holdings Inc. with certain utility companies in Ontario was approved by all of the municipal shareholders subject to obtaining the final regulatory approval.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

### 20. Budget

The Budget by-law adopted by Council on March 09, 2016 and the consolidated entities' Board's budgets were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budgets were prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. In addition the budgets include all tangible capital expenditures rather than including amortization expense. Also, the 2015 Council Approved Capital Budget includes revenues that will be recognized in the consolidated statement of operations and accumulated surplus when the related expenditures occur. Since capital projects are usually multi-year in nature, the timing of the recognition of these revenues is frequently different than the year in which they are budgeted. The budget figures presented, and approved by Council and the consolidated entities' Boards, were adjusted to reflect amortization expense which was not included in the approved budgets as follows:

	2015 council approved budget	Per 2015 council approved capital budget	2015 actual amortization adjustment	2015 budget as presented
	\$	\$	\$	\$
<b>Revenue</b>				
Taxation	201,135,608	-	-	201,135,608
Fees and service charges	75,612,711	-	-	75,612,711
Government grants and transfers	4,661,089	-	-	4,661,089
POA	7,950,761	-	-	7,950,761
Licenses and permits	4,126,521	-	-	4,126,521
Investment income	1,933,000	-	-	1,933,000
Municipal contributions	969,314	-	-	969,314
Utilization of obligatory reserve funds	24,941,648	9,909,987	-	34,851,635
Other	7,603,969	6,486,515	-	14,090,484
	<b>328,934,621</b>	<b>16,396,502</b>	-	<b>345,331,123</b>
<b>Expenses</b>				
General government	32,539,185	-	2,685,941	35,225,126
Protection services	88,449,248	-	3,183,880	91,633,128
Transportation services	41,467,452	-	13,802,199	55,269,651
Environmental services	52,600,853	-	25,000,563	77,601,416
Health services	8,790,814	-	14,983	8,805,797
Social and family services	9,230,806	-	-	9,230,806
Social housing	6,483,083	-	-	6,483,083
Recreation and culture services	32,074,109	-	6,812,373	38,886,482
Planning and development	4,010,559	-	4,716	4,015,275
	<b>275,646,109</b>	-	<b>51,504,655</b>	<b>327,150,764</b>
Budgeted debt repayments	12,510,789	-	-	-
Budgeted interfund transfers	40,777,723	(16,306,088)	-	-
Budgets from other Boards net of eliminations	-	-	-	-
Budgeted capital expenditures	-	44,636,890	-	-
Budgeted debenture funding	-	(11,934,300)	-	-
	-	-	-	-

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2015

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### 21. Segmented information

The City is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, police, fire, and water. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities that they encompass are as follows:

#### *General government*

This item encompasses the revenues and expenses related to administrative departments and activities including Council, the Chief Administrative Officer Division, Finance, Human Resources, Legislative and Court Services, Legal Services, Information and Communications Technology and Corporate Facilities.

#### *Protection services*

This section represents Policing activities, Fire and Emergency Services, Building Code administration and enforcement, Municipal By-law enforcement including animal control and Provincial Offences administration including Court Services.

#### *Transportation services*

This segment services represent the activities for all roads maintenance and administration including winter control and responses, transit services, sidewalks, traffic signals and systems, parking and street lighting. Additionally, the consolidated results include the proportionate share of revenues and expenses related to a regional airport.

#### *Environmental services*

Activities of this segment include the property tax funded aspects of the environmental services, which are garbage collection, disposal, and recycling as well as storm water management and control. User rate funded activities for Water and Wastewater are mandated by the Province to be self funding and are included in this segment.

#### *Health and social services*

The expenses grouped in this segment relate primarily to services provided by the County of Simcoe as the Consolidated Service Manager, which includes Ontario Works, Land Ambulance, Social Housing, Homes for the Aged, and Childcare. District Health Unit costs and contributions to the Royal Victoria Regional Health Centre, Cancer Care, and expansion project are also included.

#### *Recreation and cultural services*

All recreation facilities, program costs, parks maintenance, and related direct administration revenues and expense are included in this section. Library services are also included as well as costs related to cultural initiatives.

#### *Planning and development*

The Planning Department and Economic Development Department activities are represented in this segment, along with revenues and expenses related to the Business Improvement Area in the downtown core.

#### *Other funds and corporations*

This segment captures the equity earnings from the City's Government Business Enterprise (Note 6) and contributed tangible capital assets.



# The Corporation of the City of Barrie

Notes to the consolidated financial statements  
December 31, 2015

## 21. Segmented information (continued)

	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Taxation	200,704,425	-	-	-	-	-	-	-	200,704,425
Fees and service charges	334,604	1,370,598	7,168,435	56,063,946	86,861	8,414,723	618,050	-	74,057,217
Government grants and transfers	-	3,041,449	6,456,772	1,228,250	65,714	534,781	169,949	-	11,496,915
POA Utilization of obligatory reserve funds	140,360	540,332	16,912,885	18,380,506	2,192,338	5,241,929	3,217,377	-	46,525,727
Other	5,815,536	3,975,665	3,836,533	3,329,484	24,968	2,420,822	406,885	43,315,514	63,125,407
	206,994,925	16,923,677	34,374,625	79,002,186	2,369,881	16,612,255	4,412,261	43,315,514	404,005,324
Expenses									
Salaries and benefits	18,183,895	79,115,308	10,337,915	16,383,160	432,000	20,258,961	2,645,947	-	147,351,186
Goods and services	14,901,006	9,751,374	31,274,337	24,606,434	155,121	10,356,506	1,403,465	-	92,448,243
Interest	-	146,579	1,022,459	10,628,434	-	432,435	-	-	12,229,907
Transfers (external)	-	2,461,941	-	-	24,302,164	-	20,909	-	26,785,014
Amortization	2,685,941	3,183,880	13,802,199	25,000,563	14,983	6,812,373	4,716	-	51,504,655
Other	66,494	1,342,674	351,275	501,410	-	536,139	14,245	-	2,812,237
	35,837,336	96,001,756	56,782,185	77,120,001	24,904,268	38,396,414	4,089,282	-	333,131,242
Net surplus (deficit)	171,157,589	(79,078,079)	(22,407,560)	1,882,185	(22,534,387)	(21,784,159)	322,979	43,315,514	70,874,082

# The Corporation of the City of Barrie

Notes to the consolidated financial statements  
December 31, 2015

## 21. Segmented information (continued)

	2014						Total		
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>									
Taxation	192,828,901	-	-	-	-	-	-	-	192,828,901
Fees and service charges	341,860	1,192,926	6,981,704	54,086,485	79,053	7,891,505	641,158	-	71,214,691
Government grants and transfers	119,703	3,256,012	14,922,437	1,334,848	84,462	332,839	153,756	-	20,204,057
POA	-	7,860,870	-	-	-	-	-	-	7,860,870
Utilization of obligatory reserve funds	426,609	365	10,132,206	9,190,767	32,447	579,425	-	-	20,361,849
Other	5,400,318	4,837,525	2,317,319	706,643	65,244	2,273,050	120,858	21,301,330	37,022,287
	199,117,391	17,147,698	34,358,666	65,318,773	261,206	11,076,819	915,772	21,301,330	349,482,655
<b>Expenses</b>									
Salaries and benefits	17,652,003	74,294,232	9,839,388	15,095,668	347,026	19,040,555	2,734,691	-	139,003,563
Goods and services	15,849,394	9,903,247	30,771,909	9,240,897	194,140	10,812,714	1,606,378	-	78,378,679
Interest	46,374	144,935	772,905	10,758,834	-	643,428	-	-	12,366,476
Transfers (external)	-	2,281,988	-	-	21,189,633	-	20,000	-	23,491,621
Amortization	2,974,681	2,958,843	13,672,000	25,738,080	-	6,689,277	4,716	-	52,037,597
Other	3,231,713	1,253,325	192,359	271,233	70	638,964	14,248	-	5,602,912
	39,754,165	90,836,570	55,249,561	61,104,712	21,730,869	37,824,938	4,380,033	-	310,880,848
Net surplus (deficit)	159,363,226	(73,688,872)	(20,895,895)	4,214,061	(21,469,663)	(26,748,119)	(3,464,261)	21,301,330	38,611,807