

Financial Statements of

**PARRY SOUND AREA
INDUSTRIAL PARK**

Year ended December 31, 2014



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada

Telephone (705) 675-8500
Fax (705) 675-7586
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of
Parry Sound Area Industrial Park Board

We have audited the accompanying financial statements of **Parry Sound Area Industrial Park** which comprise the statement of financial position as at December 31, 2014, the statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Parry Sound Area Industrial Park as at December 31, 2014 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The financial statements of Parry Sound Area Industrial Park as at and for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on June 12, 2014.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 9, 2015

Sudbury, Canada

PARRY SOUND AREA INDUSTRIAL PARK

Financial Statements

Year ended December 31, 2014

Financial Statements

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PARRY SOUND AREA INDUSTRIAL PARK

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ 625,435	\$ 759,389
Accounts receivable	293,427	69,739
HST recoverable	150,589	20,626
	<u>1,069,451</u>	<u>849,754</u>
Financial liabilities:		
Accounts payable and accrued liabilities	136,346	26,369
Net financial assets	<u>933,105</u>	<u>823,385</u>
Non-financial assets:		
Tangible capital assets (note 4)	3,888,238	3,203,359
Prepaid expenses	9,261	8,830
	<u>3,897,499</u>	<u>3,212,189</u>
Contingencies (note 7)		
Accumulated surplus (note 5)	<u>\$ 4,830,604</u>	<u>\$ 4,035,574</u>

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:



Director

PARRY SOUND AREA INDUSTRIAL PARK

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014	Actual 2014	Actual 2013
Revenues:			
Municipal contributions	\$ 118,680	\$ 118,552	\$ 118,353
Sewage lagoon dumping fees	300,000	372,452	348,415
Water and sewer - user rates	37,200	38,712	36,455
Land sales	-	57,360	-
Interest income	12,000	16,363	16,087
Contributions from CBDC	-	400	2,500
Government funding	980,100	982,815	-
Total revenues	1,447,980	1,586,654	521,810
Expenses:			
Road construction	-	370,524	-
Amortization of capital assets	119,317	119,317	111,506
Contract services	111,500	102,000	100,000
Utilities	47,000	43,580	41,351
Repairs and maintenance	15,000	43,351	21,380
Administration fee	36,210	36,210	35,500
Chemical and water analysis	19,200	19,442	18,029
Insurance	14,250	13,461	5,062
Consulting fees	5,000	9,238	3,812
Professional fees	24,000	8,593	6,445
Telephone	7,800	4,777	6,497
Office and general	9,800	3,738	522
Advertising	10,000	17,323	2,855
Interest and bank charges	400	70	213
Bad debts (recovery)	-	-	(3,005)
Total expenses	419,477	791,624	350,167
Annual surplus	1,447,980	795,030	171,643
Accumulated surplus, beginning of year	4,035,574	4,035,574	3,863,931
Accumulated surplus, end of year	\$ 5,483,554	\$ 4,830,604	\$ 4,035,574

The accompanying notes are an integral part of these financial statements.

PARRY SOUND AREA INDUSTRIAL PARK

Statement of Change in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014	Actual 2014	Actual 2013
Annual surplus	\$ 1,447,980	\$ 795,030	\$ 171,643
Acquisition of tangible capital assets	(1,259,618)	(804,196)	(53,730)
Amortization of tangible capital assets	119,317	119,317	111,506
Use of prepaid expenses	-	8,830	-
Acquisition of prepaid expenses	-	(9,261)	(8,830)
	(1,140,301)	(685,310)	48,946
Change in net financial assets	307,679	109,720	220,589
Net financial assets, beginning of year	823,385	823,385	602,796
Net financial assets, end of year	\$ 1,131,064	\$ 933,105	\$ 823,385

The accompanying notes are an integral part of these financial statements.

PARRY SOUND AREA INDUSTRIAL PARK

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 795,030	\$ 171,643
Item not involving cash:		
Amortization of tangible capital assets	119,317	111,506
	914,347	283,149
Change in non-cash assets and liabilities:		
Increase in HST recoverable	(129,963)	(11,607)
Increase in accounts receivable	(223,688)	(6,469)
Increase in prepaid expenses	(431)	(8,830)
Increase in accounts payable and accrued liabilities	109,977	18,257
Net change in cash from operating activities	670,242	274,500
Capital activities:		
Cash used to acquire tangible capital assets	(804,196)	(53,730)
Net change in cash	(133,954)	220,770
Cash, beginning of year	759,389	538,619
Cash, end of year	\$ 625,435	\$ 759,389

The accompanying notes are an integral part of these financial statements.

PARRY SOUND AREA INDUSTRIAL PARK

Notes to Financial Statements

Year ended December 31, 2014

Parry Sound Area Industrial Park (the "Board") is an Industrial Park operated through an operational agreement consisting of three local area municipalities which are Carling Township, the Municipality of McDougall, and the Town of Parry Sound, and is located in Carling Township.

1. Significant accounting policies:

The financial statements of the Parry Sound Area Industrial Park are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Accrual basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services. The statements necessarily include some amounts that are based on management's best estimate and careful judgments.

(b) Government transfers:

Government transfers are recognized in the financial statements as revenues in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the change in net financial assets for the year.

PARRY SOUND AREA INDUSTRIAL PARK

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings	100
Water and wastewater infrastructure	60
Water reservoir	35
Lagoon earthworks	60
Lagoon liner	35
Equipment	5 - 30

Assets under construction are not amortized until the asset is available for productive use.

2. Credit facilities:

The Board's credit facility agreement with the Royal Bank provides for a revolving demand loan of up to \$1,000,000 to finance expenses and capital projects, pending receipt of capital grants and other income. Interest on funds drawn is charged at the bank's prime rate.

3. Budget:

The chart below reconciles the approved operating and capital budgets of the Board to the budget figures reported on the Statement of Operations and Accumulated Surplus.

	2014
Approved budget:	
Total expenses per budget	\$ 1,691,643
Less:	
Capital	(1,259,618)
Transfers from reserves	(131,865)
	300,160
Amortization	119,317
Budget per financial statements	\$ 419,477

PARRY SOUND AREA INDUSTRIAL PARK

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Tangible capital assets:

Cost	Balance at December 31, 2013	Transfers	Additions	Disposals	Balance at December 31, 2014
Land	\$ 32,209	\$ -	\$ -	\$ -	\$ 32,209
Buildings	678,440	-	-	-	678,440
Equipment	1,374,484	-	89,349	-	1,463,833
Water reservoir	482,275	-	-	-	482,275
Water and wastewater infrastructure	681,858	35,783	714,847	-	1,432,488
Lagoon earthworks	429,063	-	-	-	429,063
Lagoon liner	1,204,756	-	-	-	1,204,756
Assets under construction	35,783	(35,783)	-	-	-
Total	\$ 4,918,868	\$ -	\$ 804,196	\$ -	\$ 5,723,064

Accumulated amortization	Balance at December 31, 2013	Disposals	Amortization expense	Balance at December 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Buildings	237,452	-	6,785	244,237
Equipment	685,419	-	45,816	731,235
Water reservoir	41,337	-	13,779	55,116
Water and wastewater infrastructure	397,749	-	11,364	409,113
Lagoon earthworks	250,286	-	7,151	257,437
Lagoon liner	103,266	-	34,422	137,688
Total	\$ 1,715,509	\$ -	\$ 119,317	\$ 1,834,826

	Net book value December 31, 2013	Net book value December 31, 2014
Land	\$ 32,209	\$ 32,209
Buildings	440,988	434,203
Equipment	689,065	732,598
Water reservoir	440,938	427,159
Water and wastewater infrastructure	284,109	1,023,375
Lagoon earthworks	178,777	171,626
Lagoon liner	1,101,490	1,067,068
Assets under construction	35,783	-
Total	\$ 3,203,359	\$ 3,888,238

PARRY SOUND AREA INDUSTRIAL PARK

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Tangible capital assets (continued):

Cost	Balance at December 31, 2012	Transfers	Additions	Disposals	Balance at December 31, 2013
Land	\$ 32,209	\$ -	\$ -	\$ -	\$ 32,209
Buildings	678,440	-	-	-	678,440
Equipment	1,356,537	-	17,947	-	1,374,484
Water reservoir	482,275	-	-	-	482,275
Water and wastewater infrastructure	681,858	-	-	-	681,858
Lagoon earthworks	429,063	-	-	-	429,063
Lagoon liner	1,204,756	-	-	-	1,204,756
Assets under construction	-	-	35,783	-	35,783
Total	\$ 4,865,138	\$ -	\$ 53,730	\$ -	\$ 4,918,868

Accumulated amortization	Balance at December 31, 2012	Disposals	Amortization expense	Balance at December 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Buildings	230,668	-	6,784	237,452
Equipment	647,413	-	38,006	685,419
Water reservoir	27,558	-	13,779	41,337
Water and wastewater infrastructure	386,385	-	11,364	397,749
Lagoon earthworks	243,135	-	7,151	250,286
Lagoon liner	68,844	-	34,422	103,266
Total	\$ 1,604,003	\$ -	\$ 111,506	\$ 1,715,509

	Net book value December 31, 2012	Net book value December 31, 2013
Land	\$ 32,209	\$ 32,209
Buildings	447,772	440,988
Equipment	709,124	689,065
Water reservoir	454,717	440,938
Water and wastewater infrastructure	295,473	284,109
Lagoon earthworks	185,928	178,777
Lagoon liner	1,135,912	1,101,490
Assets under construction	-	35,783
Total	\$ 3,261,135	\$ 3,203,359

PARRY SOUND AREA INDUSTRIAL PARK

Notes to Financial Statements (continued)

Year ended December 31, 2014

5. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 3,902,738	\$ 3,203,359
Other	697,525	434,686
Total surplus	4,600,263	3,638,045
Reserves set aside by Board:		
Capital	146,105	380,384
Marketing	9,236	17,145
Lagoon	75,000	-
	230,341	397,529
Accumulated surplus	\$ 4,830,604	\$ 4,035,574

6. Related party transactions:

The Board incurred the following related party transactions during the year:

	2014	2013
Township of Carling:		
- Revenue from tax differential	\$ 12,472	\$ 12,273
Municipality of McDougall:		
- Water plant contract	51,000	50,000
- Sewage lagoon contract	51,000	50,000
- Administration fee	36,210	35,500

These transactions are in the normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

PARRY SOUND AREA INDUSTRIAL PARK

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Contingencies:

The Board operates a sewage lagoon which is used to treat raw sewage from the participating and surrounding municipalities. The lagoon liner which was installed in 2011 has an estimated useful life of 35 years; at the end of which a reclamation process must take place whereby the standing water is pumped off of the lagoon and biosolid sludge is transported to a hazardous waste landfill site.

The reclamation process took place in 2011 at a cost of \$1,204,756.