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**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**

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**FINANCIAL STATEMENTS**

**December 31, 2014**

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

December 31, 2014

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## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of  
the Corporation of the Township of North Stormont

We have audited the accompanying financial statements of the Corporation of the Township of North Stormont, which comprise the statement of financial position as at December 31, 2014, and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Administration's Responsibility for the Financial Statements*

Administration 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 administration 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 the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by administration, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of North Stormont as at December 31, 2014, and its results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Craig Keen Despatie Markell LLP**

**Chartered Professional Accountants**

Licensed Public Accountants

Cornwall, Ontario  
June 9, 2015

**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2014

	2014	2013
<b>NET FINANCIAL LIABILITIES</b>		
<b>Assets</b>		
Cash	\$ 481,474	\$ 1,070,717
Taxes receivable	980,286	1,089,290
Accounts receivable	1,579,291	1,490,866
	<b>3,041,051</b>	<b>3,650,873</b>
 <b>Liabilities</b>		
Temporary borrowings (Note 2)	463,000	500,000
Accounts payable	748,006	781,890
Accrued interest on municipal debt	10,256	5,164
Deferred revenue - obligatory reserve funds (Note 3)	-	12,335
Future employment benefits payable (Note 4)	62,433	67,018
Municipal debt (Note 5)	2,299,233	960,330
	<b>3,582,928</b>	<b>2,326,737</b>
<b>Net Financial (Liabilities) Assets</b>	<b>(541,877)</b>	<b>1,324,136</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	32,905,313	31,595,274
Inventory	67,769	70,776
Prepaid expenses	4,353	10,602
	<b>32,977,435</b>	<b>31,676,652</b>
<b>Accumulated Surplus</b>	<b>\$ 32,435,558</b>	<b>\$ 33,000,788</b>

See Accompanying Notes



**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**  
**STATEMENT OF FINANCIAL ACTIVITIES**

For the year ended December 31, 2014

	(Unaudited) BUDGET 2014	ACTUAL 2014	ACTUAL 2013
<b>REVENUE</b>			
Taxation (Note 1(a)(iii))	\$ 2,365,649	\$ 2,337,979	\$ 2,323,833
Fees and service charges	1,342,961	1,648,932	1,369,725
Grants	1,221,465	1,207,507	1,347,874
Investment income	169,083	169,925	193,453
Donations and other	1,103	75,700	1,000
	<b>5,100,261</b>	<b>5,440,043</b>	<b>5,235,885</b>
<b>EXPENSES</b>			
General government	791,683	852,976	789,350
Protection to persons and property	685,588	686,995	656,999
Transportation services	2,135,960	2,257,503	2,034,394
Environmental services	1,394,220	1,276,022	1,284,650
Health services	33,200	22,970	16,945
Recreation and cultural services	555,047	703,079	516,991
Planning and development	144,500	317,141	223,339
	<b>5,740,198</b>	<b>6,116,686</b>	<b>5,522,668</b>
<b>OTHER REVENUE RELATED TO CAPITAL</b>			
Deferred revenue earned (Note 3)	392,346	214,055	457,076
Donations	-	-	600,000
Loss on disposal of tangible capital assets	-	(102,642)	(46,800)
	<b>392,346</b>	<b>111,413</b>	<b>1,010,276</b>
<b>(DEFICIT) SURPLUS FOR THE YEAR</b>	<b>(247,591)</b>	<b>(565,230)</b>	<b>723,493</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>33,000,788</b>	<b>33,000,788</b>	<b>32,277,295</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 32,753,197</b>	<b>\$ 32,435,558</b>	<b>\$ 33,000,788</b>

See Accompanying Notes



**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2014

	2014	2013
<b>CASH FROM OPERATING ACTIVITIES</b>		
(Deficit) surplus for the year	\$ (565,230)	\$ 723,493
Items not affecting cash or equivalent		
Amortization expense	1,016,633	955,032
Loss on disposal of tangible capital assets	102,642	46,800
Changes in non-cash working capital balances		
Taxes receivable	109,004	124,033
Accounts receivable	(88,425)	(3,140)
Accounts payable	(33,884)	379,631
Accrued interest on municipal debt	5,092	2,714
Deferred revenue - obligatory reserve funds	(12,335)	(245,523)
Future employment benefits payable	(4,585)	11,221
Inventory	3,007	(15,909)
Prepaid expenses	6,249	(6,917)
	<b>538,168</b>	<b>1,971,435</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Proceeds from municipal debt	27,100	58,300
Repayment of municipal debt	(188,197)	(189,946)
	<b>(161,097)</b>	<b>(131,646)</b>
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Proceeds on disposal of capital assets	9,114	-
Acquisition of tangible capital assets	(2,438,428)	(2,310,049)
Loan proceeds used to finance capital projects	1,500,000	408,480
	<b>(929,314)</b>	<b>(1,901,569)</b>
<b>DECREASE IN CASH AND EQUIVALENT</b>	<b>(552,243)</b>	<b>(61,780)</b>
<b>CASH AND EQUIVALENT, beginning of year</b>	<b>570,717</b>	<b>632,497</b>
<b>CASH AND EQUIVALENT, end of year</b>	<b>\$ 18,474</b>	<b>\$ 570,717</b>
<b>REPRESENTED BY :</b>		
Cash	\$ 481,474	\$ 1,070,717
Temporary borrowings	(463,000)	(500,000)
	<b>\$ 18,474</b>	<b>\$ 570,717</b>

See Accompanying Notes



**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2014

	Land	Buildings	Vehicles	Equipment	Roads	Bridges	Water and Sewer	2014	2013
<b>Cost</b>									
Balance, beginning of year	\$ 20,111	\$ 8,929,258	\$ 4,106,598	\$ 1,815,061	\$ 7,548,424	\$ 3,951,885	\$ 20,015,745	\$ 46,387,082	\$ 44,667,286
Additions during the year	-	1,185,736	839,594	-	329,060	84,038	-	2,438,428	2,310,049
Disposals during the year	-	-	211,579	-	66,553	67,648	-	345,780	590,253
<b>Balance, end of year</b>	<b>20,111</b>	<b>10,114,994</b>	<b>4,734,613</b>	<b>1,815,061</b>	<b>7,810,931</b>	<b>3,968,275</b>	<b>20,015,745</b>	<b>48,479,730</b>	<b>46,387,082</b>
<b>Accumulated Amortization</b>									
Balance, beginning of year	-	3,013,535	1,501,198	731,104	2,786,326	1,496,684	5,262,961	14,791,808	14,380,229
Amortization during the year	-	164,140	235,108	83,739	271,010	44,092	218,544	1,016,633	955,032
Amortization on disposals	-	-	140,165	-	49,888	43,971	-	234,024	543,453
<b>Balance, end of year</b>	<b>-</b>	<b>3,177,675</b>	<b>1,596,141</b>	<b>814,843</b>	<b>3,007,448</b>	<b>1,496,805</b>	<b>5,481,505</b>	<b>15,574,417</b>	<b>14,791,808</b>
<b>Net book value</b>	<b>\$ 20,111</b>	<b>\$ 6,937,319</b>	<b>\$ 3,138,472</b>	<b>\$ 1,000,218</b>	<b>\$ 4,803,483</b>	<b>\$ 2,471,470</b>	<b>\$ 14,534,240</b>	<b>\$ 32,905,313</b>	<b>\$ 31,595,274</b>

See Accompanying Notes  
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**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2014

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer	Recreation Services	2014	2013
<b>Cost</b>								
Balance, beginning of year	\$ 223,423	\$ 3,679,907	\$ 15,248,150	\$ 632,075	\$ 20,015,745	\$ 5,601,940	\$ 45,401,240	\$ 44,516,571
Additions during the year	-	-	738,877	-	-	2,171,578	2,910,455	1,474,922
Disposals during the year	-	-	345,780	-	-	-	345,780	590,253
Assets in service, end of year	223,423	3,679,907	15,641,247	632,075	20,015,745	7,773,518	47,965,915	45,401,240
Assets under construction	-	318,549	195,266	-	-	-	513,815	985,842
Balance, end of year	223,423	3,998,456	15,445,981	632,075	20,015,745	7,773,518	48,479,730	46,387,082
<b>Accumulated Amortization</b>								
Balance, beginning of year	86,261	1,670,724	5,820,515	174,770	5,262,961	1,776,577	14,791,808	14,380,229
Amortization during the year	6,395	131,981	412,015	63,207	218,544	184,491	1,016,633	955,032
Amortization on disposals	-	-	234,024	-	-	-	234,024	543,453
Balance, end of year	92,656	1,802,705	5,998,506	237,977	5,481,505	1,961,068	15,574,417	14,791,808
<b>Net book value</b>	\$ 130,767	\$ 2,195,751	\$ 9,447,475	\$ 394,098	\$ 14,534,240	\$ 5,812,450	\$ 32,905,313	\$ 31,595,274

See Accompanying Notes





**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**  
**SCHEDULE OF ACCUMULATED SURPLUS**

For the year ended December 31, 2014

	2014	2013
<b>Operating surpluses (deficits)</b>		
Operating surplus	\$ -	\$ -
Water and sewer surplus	-	-
Unfinanced capital outlay	(560,637)	(260,374)
Unexpended capital financing	159,841	315,290
Unfunded liabilities to be recovered from future revenues		
Future employment benefits and accrued interest	(72,689)	(72,182)
<b>Total operating surpluses (deficits)</b>	<b>(473,485)</b>	<b>(17,266)</b>
<b>Reserves and reserve funds</b>		
<b>Reserves set aside for specific purposes by Council:</b>		
Working capital	401,419	587,562
Transportation	260,000	260,000
Elections	-	16,000
Fire	176,060	111,060
Water and sewer	723,637	650,814
Capital	69,840	69,840
Landfill	20,000	20,000
Infrastructure	132,305	132,305
Recreation	120,895	120,895
	<b>1,904,156</b>	<b>1,968,476</b>
<b>Reserve funds set aside for specific purpose by legislation, regulation or agreement:</b>		
Equipment replacement	134,161	133,323
<b>Total reserves and reserve funds</b>	<b>2,038,317</b>	<b>2,101,799</b>
<b>Invested in tangible capital assets</b>		
Tangible capital assets	32,905,313	31,595,274
Less: related debt	(2,034,587)	(679,019)
<b>Invested in tangible capital assets</b>	<b>30,870,726</b>	<b>30,916,255</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 32,435,558</b>	<b>\$ 33,000,788</b>

See Accompanying Notes



**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**

**SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS**

For the year ended December 31, 2014

	Operating Surpluses (Deficits)	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2014	2013
<b>Balance, beginning of year</b>	\$ (17,266)	\$ 2,101,799	\$ 30,916,255	\$ 33,000,788	\$ 32,277,295
(Deficit) surplus for the year	450,563	840	(1,016,633)	(565,230)	723,493
Reserve funds used for operations	276,991	(276,991)	-	-	-
Funds transferred to reserves	(212,669)	212,669	-	-	-
Current year funds used for tangible capital assets	(2,438,428)	-	2,438,428	-	-
Disposal of tangible capital assets	111,756	-	(111,756)	-	-
Loan proceeds used to finance capital projects	1,500,000	-	(1,500,000)	-	-
Repayment of municipal debt related to capital	(144,432)	-	144,432	-	-
<b>Change in accumulated surplus</b>	<b>(456,219)</b>	<b>(63,482)</b>	<b>(45,529)</b>	<b>(565,230)</b>	<b>723,493</b>
<b>Balance, end of year</b>	<b>\$ (473,485)</b>	<b>\$ 2,038,317</b>	<b>\$ 30,870,726</b>	<b>\$ 32,435,558</b>	<b>\$ 33,000,788</b>

See Accompanying Notes



**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**

**SCHEDULE OF SEGMENTED DISCLOSURE**

For the year ended December 31, 2014

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2014	2013
<b>REVENUE</b>										
Taxation	\$ 326,002	\$ 411,624	\$ 1,328,311	\$ -	\$ -	\$ 72,237	\$ 160,981	\$ 38,824	\$ 2,337,979	\$ 2,323,833
Fees and service charges	26,676	11,785	78,021	453,545	729,362	-	172,503	177,040	1,648,932	1,369,725
Grants	142,358	178,927	577,397	117,029	-	31,401	69,976	90,419	1,207,507	1,347,874
Investment income	163,584	-	-	-	6,341	-	-	-	169,925	193,453
Donations and other	-	1,000	-	-	-	-	74,700	-	75,700	1,000
	658,620	603,336	1,983,729	570,574	735,703	103,638	478,160	306,283	5,440,043	5,235,885
<b>EXPENSES</b>										
Wages and benefits	552,548	182,983	604,728	139,405	-	-	135,446	55,367	1,670,477	1,587,850
Interest on municipal debt	-	6,542	11,507	4,080	-	-	27,262	16,498	65,889	34,139
Materials and services	231,810	192,815	995,453	143,884	29,300	22,970	230,667	238,558	2,085,457	1,669,422
Contracted services	17,382	8,568	119,256	99,495	561,828	-	-	-	806,529	924,902
Insurance and financial costs	44,842	57,811	35,506	-	16,279	-	46,914	6,718	208,070	187,183
Third party transfers	-	106,295	-	-	-	-	78,300	-	184,595	164,140
Amortization	6,394	131,981	491,053	63,207	218,544	-	184,490	-	1,095,669	955,032
	852,976	686,995	2,257,503	450,071	825,951	22,970	703,079	317,141	6,116,686	5,322,668
<b>OTHER REVENUE RELATED TO CAPITAL</b>										
Deferred revenue earned	-	-	214,055	-	-	-	-	-	214,055	457,076
Donations and other	-	-	-	-	-	-	-	-	-	600,000
Loss on disposal of tangible capital assets	-	-	(102,642)	-	-	-	-	-	(102,642)	(46,800)
	-	-	111,413	-	-	-	-	-	111,413	1,010,276
<b>SURPLUS FOR THE YEAR</b>	\$ (194,356)	\$ (83,659)	\$ (162,361)	\$ 120,503	\$ (90,248)	\$ 80,668	\$ (224,919)	\$ (10,858)	\$ (565,230)	\$ 723,493

See Accompanying Notes  
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# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

#### (a) Basis of consolidation

##### (i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserves and include the activities of all committees of Council.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

These financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Township and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

##### (ii) Non-consolidated entities

There are no non-consolidated entities.

##### (iii) Accounting for United Counties and school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the United Counties of Stormont, Dundas and Glengarry are not reflected in the municipal fund balances of these financial statements.

##### (iv) Trust funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the trust funds balance sheet and statement of continuity.\

#### (b) Fund accounting

Funds within the financial statements consists of the operating fund, capital fund and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

#### (c) Taxation and related revenue

Property tax billings are issued by the Township based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry, provincial education taxes on behalf of the Province of Ontario, payment in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legalisation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Government grants

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

#### (e) Government transfers

Government transfers are recognized in the financial statements as revenues in the period 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.

#### (f) Fees and service charges

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

#### (g) Investment income

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

#### (h) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective fund when approved.

#### (i) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and temporary borrowings.

#### (j) Deferred revenue

The Township receives restricted contributions under the authority of federal and provincial legislation. These funds by their nature are restricted in their use and recorded as deferred revenue until applied to applicable costs. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Employee benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Township's policy. The Township accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), as a defined benefit plan.

#### (l) Amounts to be recovered from future revenues

Amounts to be recovered from future revenues represents the outstanding principal portion of unmatured long-term liabilities for expenditures, accrued interest on long-term liabilities and future employment benefits payable that will be financed through future revenues of the Township and is reported on the statement of financial position.

#### (m) Non-financial assets

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

##### (i) Tangible capital assets

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

Buildings	40 years
Vehicles	25 years
Machinery and equipment	15 to 25 years
Transportation	
roads	15 to 50 years
bridges and structures	90 years
sidewalks	50 years
illumination	50 years
Water and sewer plants and networks	
underground networks	80 to 100 years
sewage treatment plants	80 years
water pumping stations and reservoirs	80 years
flood stations and other infrastructure	80 years

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

The Township has a capitalization threshold of \$25,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are desktop computer systems, vehicles, utility poles and defibrillators.

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (m) Non-financial assets (Continued)

##### (ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

##### (iii) Leases

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

##### (iv) Inventory

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

#### (n) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, and the valuation of inventories. Actual results could differ from these estimates.

### 2. TEMPORARY BORROWINGS

Temporary borrowings bear interest at 1.59% based on a finance agreement dated July 22, 2013. Temporary borrowings are being used to finance capital expenditures until long-term financing is obtained.

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve fund represents funds held under the federal gas tax program and is summarized as follows:

	2014	2013
Balance, beginning of year	\$ 12,335	\$ 257,858
Grants received	201,720	207,639
Interest and other	-	3,914
Deferred revenue earned	(214,055)	(457,076)
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 12,335</b>

### 4. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Township provides employee benefits that will require funding in future periods for sick leave benefits and vacation payable. Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Township's employment. With respect to responsibilities under the Workplace Safety and Insurance Board Act the Township has elected to be a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. There is no WSIB liability recorded as of December 31, 2014.

### 5. MUNICIPAL DEBT

	2014	2013
Loan, 3.24% interest, repayable in blended semi-annual payments of \$51,246, due November 2034	\$ 1,500,000	\$ -
Capital lease, 3.6% interest, repayable in blended monthly payments of \$4,783, due July 2016, secured by asset	83,693	137,032
Loan, 3.23% interest, repayable in blended semi-annual payments of \$14,433, due September 2023	223,879	245,000
Bank term loan, interest at 4.46%, repayable in blended semi-annual payments of \$16,787, due March 2019	135,526	162,161
Bank term loan, interest at 3.54%, repayable in blended monthly payments of \$3,962, due December 2016, secured by asset	92,022	135,359
Tile drain loans, interest ranging from 6 to 8%, repayable over a ten year period in blended payments ranging between \$870 and \$6,793, maturity dates ranging from 2015 to 2024	264,113	280,778
<b>Municipal debt, end of the year</b>	<b>\$ 2,299,233</b>	<b>\$ 960,330</b>



**CORPORATION OF THE TOWNSHIP OF NORTH STORMONT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2014

**5. MUNICIPAL DEBT (Continued)**

Repayment of municipal, assuming the loans are renewed under the same terms and conditions, is as follows:

	2015	\$	243,897
	2016		221,474
	2017		149,253
	2018		153,644
	2019		136,800
	Thereafter		1,394,165
		\$	2,299,233

Principal payments are payable from the following sources as follows:

	2015 to 2019		Thereafter	
General municipal revenues	\$	601,213	\$	1,210,028
Benefiting landowners		187,477		76,636
Recreation associations		116,378		107,501
	\$	905,068	\$	1,394,165

**6. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES**

Amounts to be recovered from future taxation, benefiting landowners and reserves are as follows:

	2014		2013	
Municipal debt	\$	2,299,233	\$	960,330
Accrued interest on municipal debt		10,256		5,164
Future employment benefits payable		62,433		67,018
	\$	2,371,922	\$	1,032,512

Amounts are to be recovered from the following sources:

General municipal revenues	\$	1,883,930	\$	506,734
Benefiting landowners		264,113		280,778
Recreation associations		223,879		245,000
	\$	2,371,922	\$	1,032,512



# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 7. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan that employers and employees contribute to the plan. The plan is a contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates pay. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The employer amount contributed to OMERS for 2014 was \$70,024 (2013 - \$57,463) for current service and is included as an expenditure on the statement of financial activities.

### 8. EXPENDITURES BY OBJECT

Operating expenditures is summarized as follows:

	(Unaudited) BUDGET 2014	ACTUAL 2014	ACTUAL 2013
Wages and benefits	\$ 1,645,406	\$ 1,670,477	\$ 1,587,850
Interest on municipal debt	30,590	65,889	34,139
Materials and services	1,939,806	2,085,457	1,669,422
Contracted services	829,642	806,529	924,902
Insurance and financial costs	155,627	208,070	187,183
Third party transfers	199,784	184,595	164,140
Amortization	939,343	1,095,669	955,032
	\$ 5,740,198	\$ 6,116,686	\$ 5,522,668

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 9. OPERATING SURPLUS

	(Unaudited) BUDGET 2014	ACTUAL 2014	ACTUAL 2013
(Deficit) surplus for the year	\$ (247,591)	\$ (565,230)	\$ 723,493
Funds transferred to reserves	(65,000)	(65,000)	(58,460)
Reserve funds used for operations	61,621	16,000	839,343
Reserve fund interest	-	(839)	(830)
Change in surplus for future capital acquisitions	-	455,713	(492,139)
Acquisition of tangible capital assets	(2,463,941)	(2,438,428)	(2,310,049)
Proceeds from the issue of municipal debt	1,920,000	1,500,000	408,480
Amortization of tangible capital assets	939,343	1,016,633	955,032
Proceeds of sale of tangible capital assets	-	9,114	-
Loss on disposal of tangible capital assets	-	102,642	46,800
Municipal debt principal repayments	(144,432)	(144,432)	(159,471)
Retirement benefits and accrued interest	-	506	13,935
<b>Operating (deficit) surplus for the year</b>	<b>-</b>	<b>(113,321)</b>	<b>(33,866)</b>
Transfer of waterworks and sewer operations surplus to reserves	-	(147,670)	(64,038)
Transfer of working capital reserve to fund operating deficit	-	260,991	97,904
	\$ -	\$ -	\$ -

### 10. CONTINGENCY

As a result of recent changes to the Workplace Safety and Insurance Act, the Township would be responsible to reimburse WSIB for disability payments under the revised regulations for work-related disabilities for firefighters. The estimated future benefit and administrative costs if claims are made are estimated at \$307,032. As at December 31, 2014 no claims have been filed.

### 11. SEGMENTED INFORMATION

The Township is responsible for providing a range of services to its citizens. For management reporting purposes the Township's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Township of North Stormont and expended disclosure by object has been reflected in the schedule of segmented disclosure.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 11. SEGMENTED INFORMATION (Continued)

A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the Township. Administration as a segment includes operating and maintaining municipal owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services

Protection services includes fire protection, conservation authority, protective inspection and control, and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Township. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Township.

(d) Environmental services

Environmental services includes waste collection, disposal and recycling services.

(e) Water and sewer services

Water and sewer services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Township.

(f) Health and recreation services

Health and recreation provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and arenas.

(g) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

### 12. BUDGET FIGURES

Budgets established for Capital, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. The budget figures have not been audited.

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2014

### FINANCIAL ACTIVITIES (000's)

	2014	2013	2012	2011	2010
<b>Revenues</b>					
Taxation	\$ 2,338	\$ 2,324	\$ 2,186	\$ 2,135	\$ 2,046
Fees and service charges	1,649	1,370	1,440	1,346	1,285
Grants	1,208	1,348	1,640	1,496	1,508
Investment income	170	193	193	223	204
Donations and other	76	1	1	2	1
	5,441	5,236	5,460	5,202	5,044
<b>Expenses</b>					
General government	853	789	760	674	581
Protection to persons and property	687	657	612	555	540
Transportation services	2,258	2,034	2,065	1,964	2,079
Environmental	1,276	1,285	1,183	1,116	1,152
Health services	23	17	22	17	20
Recreation and cultural services	703	518	516	559	408
Planning and development	317	223	200	228	239
	6,117	5,523	5,358	5,113	5,019
<b>Other Revenue Related to Capital</b>					
Deferred revenue earned	214	457	56	233	233
Grants	-	-	283	(177)	1,232
Donations and other	-	600	10	-	226
Gain (loss) on disposal of tangible capital assets	(103)	(47)	(68)	(6)	30
	111	1,010	281	50	1,721
<b>Surplus for the year</b>	\$ (565)	\$ 723	\$ 383	\$ 139	\$ 1,746

### PROPERTY TAXES BILLED (000's)

	2014	2013	2012	2011	2010
Own Purposes	\$ 2,338	\$ 2,324	\$ 2,186	\$ 2,135	\$ 2,046
Upper-Tier Municipality	3,578	3,414	3,265	3,122	2,779
School Boards	1,120	1,424	1,365	1,838	1,688
	\$ 7,036	\$ 7,162	\$ 6,816	\$ 7,095	\$ 6,513

# CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2014

### TAXABLE ASSESSMENT (000's)

	2014	2013	2012	2011	2010
Residential and farm	\$ 742,590	\$ 675,077	\$ 600,528	\$ 562,854	\$ 532,992
Commercial and industrial	26,672	24,648	22,819	20,569	19,370
	769,262	699,725	623,347	583,423	552,362
Exempt	22,463	22,188	21,554	21,158	19,967
	\$ 791,725	\$ 721,913	\$ 644,901	\$ 604,581	\$ 572,329
Commercial and industrial	3.47%	3.52%	3.66%	3.53%	3.51%

### FINANCIAL INDICATORS

	2014	2013	2012	2011	2010
<b>Tax arrears</b>					
Percentage of own levy	42 %	48 %	56 %	64 %	77 %
Percentage of total levy	14 %	15 %	18 %	19 %	24 %
<b>Municipal debt</b>	\$ 2,299,232	\$ 960,329	\$ 683,495	\$ 799,060	\$ 798,288
<b>Municipal debt charges</b>	\$ 210,220	\$ 173,467	\$ 168,631	\$ 165,118	\$ 159,762
<b>Sustainability</b>					
Financial assets to liabilities	0.85	1.57	2.21	1.89	1.92
Financial assets to liabilities excluding municipal debt	2.37	2.67	3.85	3.04	3.27
Municipal debt to tangible capital assets	6.99 %	3.04 %	2.26 %	2.67 %	2.67 %
<b>Flexibility</b>					
Debt charges to total operating revenue	3.86 %	3.31 %	3.08 %	3.17 %	3.03 %
Total operating revenue to taxable assessment	6.87 %	7.25 %	8.48 %	8.60 %	9.21 %
<b>Vulnerability</b>					
Operating grants to operating revenue	22.20 %	25.74 %	29.98 %	28.76 %	28.61 %
Total grants to total revenues	26.13 %	28.90 %	34.47 %	38.31 %	43.95 %
<b>Reserve coverage</b>					
Reserves	\$ 2,038,317	\$ 2,101,799	\$ 2,915,715	\$ 3,238,563	\$ 3,031,723
Reserves to operating expenses	33 %	38 %	54 %	63 %	60 %
Reserves to working capital	1.21	0.95	1.15	1.26	1.21