
CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

FINANCIAL STATEMENTS

December 31, 2015

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

December 31, 2015

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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, 2015, and the statements of financial activities, change in net financial liabilities 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, 2015, and its results of its operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cornwall, Ontario
July 12, 2016

CKDM LLP
Chartered Professional Accountants
Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT
STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	2015	2014
NET FINANCIAL LIABILITIES		
Assets		
Cash	\$ 513,657	\$ 481,474
Taxes receivable	954,723	980,286
Accounts receivable	1,615,906	1,579,291
	3,084,286	3,041,051
Liabilities		
Temporary borrowings (Note 3)	-	463,000
Accounts payable	618,204	748,005
Accrued interest on municipal debt	18,827	10,256
Deferred revenue - obligatory reserve funds (Note 4)	198,074	-
Future employment benefits payable (Note 5)	51,952	62,433
Municipal debt (Note 6)	2,885,931	2,299,233
	3,772,988	3,582,927
Net Financial Liabilities	(688,702)	(541,876)
NON-FINANCIAL ASSETS		
Tangible capital assets	32,398,985	32,905,313
Inventory	86,585	72,122
	32,485,570	32,977,435
Accumulated Surplus	\$ 31,796,868	\$ 32,435,559

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2015

	(Unaudited) BUDGET 2015	ACTUAL 2015	ACTUAL 2014
REVENUE			
Taxation (Note 1(a)(iii))	\$ 2,456,680	\$ 2,474,437	\$ 2,343,270
Fees and service charges	1,571,165	1,667,276	1,648,933
Grants	1,085,917	1,092,865	1,207,507
Investment income	169,725	158,094	169,924
Donations and other	1,103	37,925	70,409
	5,284,590	5,430,597	5,440,043
EXPENSES			
General government	953,081	860,669	852,977
Protection to persons and property	581,222	704,055	686,994
Transportation services	1,662,808	2,207,882	2,257,503
Environmental services	339,897	398,474	450,071
Water and sewer services	718,957	841,003	825,951
Health services	30,000	22,030	22,970
Recreation and cultural services	462,558	719,650	703,079
Planning and development	169,063	277,527	317,141
	4,917,586	6,031,290	6,116,686
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 4)	392,346	-	214,055
Loss on disposal of tangible capital assets	37,000	(37,998)	(102,642)
	429,346	(37,998)	111,413
DEFICIT FOR THE YEAR	796,350	(638,691)	(565,230)
ACCUMULATED SURPLUS, beginning of year	32,435,559	32,435,559	33,000,789
ACCUMULATED SURPLUS, end of year	\$ 33,231,909	\$ 31,796,868	\$ 32,435,559

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT
STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

For the year ended December 31, 2015

	(Unaudited) BUDGET 2015	ACTUAL 2015	ACTUAL 2014
Deficit for the year	\$ 796,350	\$ (638,691)	\$ (565,230)
Amortization of tangible assets	-	1,101,776	1,016,632
Acquisition of tangible capital assets	(697,765)	(658,958)	(2,438,428)
Proceeds on sale of tangible capital assets	37,000	25,513	9,114
Loss on disposal of tangible capital assets	-	37,998	102,642
Change in inventory	-	(14,464)	9,257
Decrease in net financial assets	135,585	(146,826)	(1,866,013)
Net financial (liabilities) assets, beginning of year	(541,876)	(541,876)	1,324,137
Net financial liabilities, end of year	\$ (406,291)	\$ (688,702)	\$ (541,876)

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	2015	2014
CASH FROM OPERATING ACTIVITIES		
Deficit for the year	\$ (638,691)	\$ (565,230)
Items not affecting cash or equivalent		
Amortization expense	1,101,776	1,016,632
Loss on disposal of tangible capital assets	37,998	102,642
Changes in non-cash working capital balances		
Taxes receivable	25,563	109,004
Accounts receivable	(36,615)	(88,425)
Accounts payable	(129,803)	(33,885)
Accrued interest on municipal debt	8,571	5,092
Deferred revenue - obligatory reserve funds	198,074	(12,334)
Future employment benefits payable	(10,481)	(4,585)
Inventory	(14,464)	9,257
	541,928	538,168
CASH USED IN FINANCING ACTIVITIES		
Proceeds from municipal debt	-	27,100
Repayment of municipal debt	(276,137)	(188,197)
	(276,137)	(161,097)
CASH FROM (USED IN) CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	25,513	9,114
Acquisition of tangible capital assets	(658,958)	(2,438,428)
Loan proceeds used to finance capital projects	862,837	1,500,000
	229,392	(929,314)
INCREASE (DECREASE) IN CASH AND EQUIVALENT	495,183	(552,243)
CASH AND EQUIVALENT, beginning of year	18,474	570,717
CASH AND EQUIVALENT, end of year	\$ 513,657	\$ 18,474
REPRESENTED BY :		
Cash	\$ 513,657	\$ 481,474
Temporary borrowings	-	(463,000)
	\$ 513,657	\$ 18,474

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2015

	Land	Buildings	Vehicles	Equipment	Roads	Bridges	Water and Sewer	2015	2014
Cost									
Balance, beginning of year	\$ 20,111	\$ 10,114,994	\$ 4,734,613	\$ 1,815,061	\$ 7,810,931	\$ 3,968,275	\$ 20,015,745	\$ 48,479,730	\$ 46,387,082
Additions during the year	-	166,639	136,899	9,870	272,427	73,123	-	658,958	2,438,428
Disposals during the year	-	-	311,910	46,452	53,174	-	-	411,536	345,780
Balance, end of year	20,111	10,281,633	4,559,602	1,778,479	8,030,184	4,041,398	20,015,745	48,727,152	48,479,730
Accumulated Amortization									
Balance, beginning of year	-	3,177,675	1,596,141	814,843	3,007,448	1,496,805	5,481,505	15,574,417	14,791,809
Amortization during the year	-	246,879	238,523	78,933	273,993	44,904	218,544	1,101,776	1,016,632
Amortization on disposals	-	-	261,271	45,988	40,767	-	-	348,026	234,024
Balance, end of year	-	3,424,554	1,573,393	847,788	3,240,674	1,541,709	5,700,049	16,328,167	15,574,417
Net book value	\$ 20,111	\$ 6,857,079	\$ 2,986,209	\$ 930,691	\$ 4,789,510	\$ 2,499,689	\$ 14,315,696	\$ 32,398,985	\$ 32,905,313

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2015

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer	Recreation Services	2015	2014
Cost								
Balance, beginning of year	\$ 223,423	\$ 3,679,907	\$ 15,641,247	\$ 632,075	\$ 20,015,745	\$ 7,773,518	\$ 47,965,915	\$ 45,401,241
Additions during the year	-	422,142	583,992	-	-	166,639	1,172,773	2,910,454
Disposals during the year	-	202,320	209,216	-	-	-	411,536	345,780
Assets in service, end of year	223,423	3,899,729	16,016,023	632,075	20,015,745	7,940,157	48,727,152	47,965,915
Assets under construction	-	-	-	-	-	-	-	513,815
Balance, end of year	223,423	3,899,729	16,016,023	632,075	20,015,745	7,940,157	48,727,152	48,479,730
Accumulated Amortization								
Balance, beginning of year	92,656	1,802,705	5,998,506	237,977	5,481,505	1,961,068	15,574,417	14,791,809
Amortization during the year	6,394	129,447	495,527	63,208	218,544	188,656	1,101,776	1,016,632
Amortization on disposals	-	174,695	173,331	-	-	-	348,026	234,024
Balance, end of year	99,050	1,757,457	6,320,702	301,185	5,700,049	2,149,724	16,328,167	15,574,417
Net book value	\$ 124,373	\$ 2,142,272	\$ 9,695,321	\$ 330,890	\$ 14,315,696	\$ 5,790,433	\$ 32,398,985	\$ 32,905,313

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2015

	2015	2014
Operating surpluses (deficits)		
Operating surplus	\$ -	\$ -
Water and sewer surplus	-	-
Unfinanced capital outlay	-	(560,636)
Unexpended capital financing	-	159,841
Unfunded liabilities to be recovered from future revenues		
Future employment benefits and accrued interest	(70,780)	(72,689)
Total operating surpluses (deficits)	(70,780)	(473,484)
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
Working capital	695,165	401,419
Transportation	260,000	260,000
Elections	5,000	-
Fire	-	176,060
Water and sewer	844,258	723,637
Capital	69,840	69,840
Landfill	20,000	20,000
Infrastructure	132,305	132,305
Recreation	-	120,895
	2,026,568	1,904,156
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
Equipment replacement	135,227	134,161
Total reserves and reserve funds	2,161,795	2,038,317
Invested in tangible capital assets		
Tangible capital assets	32,398,985	32,905,313
Less: related debt	(2,693,132)	(2,034,587)
Invested in tangible capital assets	29,705,853	30,870,726
ACCUMULATED SURPLUS	\$ 31,796,868	\$ 32,435,559

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2015

	Operating Surpluses (Deficits)	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2015	2014
Balance, beginning of year	\$ (473,484)	\$ 2,038,317	\$ 30,870,726	\$ 32,435,559	\$ 33,000,789
Surplus (deficit) for the year	462,019	1,066	(1,101,776)	(638,691)	(565,230)
Reserve funds used for operations	31,191	(31,191)	-	-	-
Funds transferred to reserves	(153,603)	153,603	-	-	-
Current year funds used for tangible capital assets	(658,958)	-	658,958	-	-
Disposal of tangible capital assets	63,511	-	(63,511)	-	-
Loan proceeds used to finance capital projects	(862,837)	-	862,837	-	-
Repayment of municipal debt related to capital	1,521,381	-	(1,521,381)	-	-
Change in accumulated surplus	402,704	123,478	(1,164,873)	(638,691)	(565,230)
Balance, end of year	\$ (70,780)	\$ 2,161,795	\$ 29,705,853	\$ 31,796,868	\$ 32,435,559

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2015

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2015	2014
REVENUE										
Taxation	\$ 438,773	\$ 415,089	\$ 1,269,436	\$ -	\$ -	\$ 30,238	\$ 255,250	\$ 65,651	\$ 2,474,437	\$ 2,343,270
Fees and service charges	25,599	2,075	7,146	509,613	715,599	-	208,721	198,523	1,667,276	1,648,933
Grants	144,551	146,366	476,161	131,846	3,911	10,662	93,715	85,653	1,092,865	1,207,507
Investment income	152,404	-	-	-	5,690	-	-	-	158,094	169,924
Donations and other	36,925	1,000	-	-	-	-	-	-	37,925	70,409
	798,252	564,530	1,752,743	641,459	725,200	40,900	557,686	349,827	5,430,597	5,440,043
EXPENSES										
Wages and benefits	571,423	193,487	663,731	127,237	-	-	146,683	62,596	1,765,157	1,670,477
Interest on municipal debt	-	10,342	6,517	2,519	-	-	54,776	15,919	90,073	65,888
Materials and services	241,804	204,505	855,774	110,457	113,494	22,030	191,070	199,012	1,938,146	2,085,458
Contracted services	15,864	8,263	150,451	95,054	492,737	-	-	-	762,369	806,528
Insurance and financial costs	25,184	46,742	35,881	-	16,228	-	47,165	-	171,200	208,069
Third party transfers	-	111,269	-	-	-	-	91,300	-	202,569	184,595
Amortization	6,394	129,447	495,528	63,207	218,544	-	188,656	-	1,101,776	1,095,671
	860,669	704,055	2,207,882	398,474	841,003	22,030	719,650	277,527	6,031,290	6,116,686
OTHER REVENUE RELATED TO CAPITAL										
Deferred revenue earned	-	-	-	-	-	-	-	-	-	214,055
Loss on disposal of tangible capital assets	5,000	(16,966)	(26,032)	-	-	-	-	-	(37,998)	(102,642)
	5,000	(16,966)	(26,032)	-	-	-	-	-	(37,998)	111,413
SURPLUS (DEFICIT) FOR THE YEAR										
	\$ (57,417)	\$ (156,491)	\$ (481,171)	\$ 242,985	\$ (115,803)	\$ 18,870	\$ (161,964)	\$ 72,300	\$ (638,691)	\$ (565,230)

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

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 reserve funds 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 consist 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 legislation.

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, 2015

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, 2015

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, 2015

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 is recorded at the lower of cost or replacement cost.

(n) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into the 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:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Township is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Township expects that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability are:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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. CHANGE IN ACCOUNTING POLICY

Liability for Contaminated Sites, PS 3260 is effective for year-ends beginning on or after April 1, 2014. PS 3260 provides comprehensive guidance on the recognition, measurement and disclosure of liabilities relating to contaminations for non-productive sites. The standard requires the recognition of a liability for the remediation of contaminated sites in the financial statements when the recognition criteria outlined in the standard is met. No liability is presented in the financial statements since all of the recognition criteria are not met by the Township.

3. TEMPORARY BORROWINGS

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

4. 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:

	2015	2014
Balance, beginning of year	\$ -	\$ 12,335
Grants received	196,173	201,720
Interest and other	1,901	-
Deferred revenue earned	-	(214,055)
Balance, end of year	\$ 198,074	\$ -

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

5. 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, 2015.

6. MUNICIPAL DEBT

	2015	2014
Loan, 3.24%, repayable in blended semi-annual payments of \$51,246, due November 2034, unsecured	\$ 1,445,672	\$ 1,500,000
Capital lease, 3.6%, repayable in blended monthly payments of \$4,783, due July 2016, secured by asset	28,401	83,693
Loan, 3.23%, repayable in blended semi-annual payments of \$14,433, due September 2023, unsecured	202,071	223,879
Bank term loan, 4.46%, repayable in blended semi-annual payments of \$16,787, due March 2019, unsecured	107,690	135,526
Loan, 2.38%, repayable in blended semi-annual payments of \$23,888, due July 2025, unsecured	422,942	-
Loan, 2.38%, repayable in blended semi-annual payments of \$12,102, due July 2025, unsecured	214,273	-
Loan, 1.66%, repayable in blended semi-annual payments of \$23,605, due July 2020, unsecured	225,622	-
Bank term loan, 3.54%, repayable in blended monthly payments of \$3,962, due December 2016, secured by asset	46,993	92,022
Tile drain loans, interest ranging from 6 to 8%, repayable over a ten year period in blended annual payments ranging between \$870 and \$6,359, maturity dates ranging from 2016 to 2024	192,267	264,113
Municipal debt, end of the year	\$ 2,885,931	\$ 2,299,233

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

6. MUNICIPAL DEBT (Continued)

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

	2016	\$	314,457
	2017		244,712
	2018		250,433
	2019		235,280
	2020		223,996
	Thereafter		1,617,053
			\$ 2,885,931

Principal payments are payable from the following sources as follows:

	2016 to 2020		Thereafter
General municipal revenues	\$ 1,007,937	\$	1,483,656
Benefiting landowners	140,774		51,493
Recreation associations	120,167		81,904
			\$ 1,268,878 \$ 1,617,053

7. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2015		2014
Municipal debt	\$ 2,885,931	\$	2,299,233
Accrued interest on municipal debt	18,827		10,256
Future employment benefits payable	51,952		62,433
			\$ 2,956,710 \$ 2,371,922

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 2,562,372	\$	1,883,930
Benefiting landowners	192,267		264,113
Recreation associations	202,071		223,879
			\$ 2,956,710 \$ 2,371,922

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

8. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer retirement plan in which 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 2015 was \$98,842 (2014 - \$70,024) for current service and is included as an expenditure on the statement of financial activities.

9. EXPENDITURES BY OBJECT

Operating expenditures is summarized as follows:

	(Unaudited) BUDGET 2015	ACTUAL 2015	ACTUAL 2014
Wages and benefits	\$ 1,854,421	\$ 1,765,157	\$ 1,670,477
Interest on municipal debt	68,705	90,073	65,888
Materials and services	1,829,238	1,938,146	2,085,458
Contracted services	774,221	762,369	806,528
Insurance and financial costs	156,571	171,200	208,069
Third party transfers	234,430	202,569	184,595
Amortization	-	1,101,776	1,095,671
	\$ 4,917,586	\$ 6,031,290	\$ 6,116,686

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

10. OPERATING SURPLUS

	(Unaudited) BUDGET 2015	ACTUAL 2015	ACTUAL 2014
Deficit for the year	\$ 796,350	\$ (638,691)	\$ (565,230)
Funds transferred to reserves	(65,561)	(5,000)	(65,000)
Reserve funds used for operations	95,000	-	16,000
Reserve fund interest	-	(1,066)	(839)
Change in surplus for future capital acquisitions	-	(400,797)	455,713
Acquisition of tangible capital assets	(697,765)	(658,958)	(2,438,428)
Proceeds from the issue of municipal debt	-	862,837	1,500,000
Amortization of tangible capital assets	-	1,101,776	1,016,632
Proceeds on disposal of tangible capital assets	-	25,513	9,114
Loss on disposal of tangible capital assets	-	37,998	102,642
Municipal debt principal repayments	(128,024)	(204,293)	(144,432)
Retirement benefits and accrued interest	-	(1,911)	506
Operating surplus (deficit) for the year	-	117,408	(113,322)
Transfer of waterworks and sewer operations surplus to reserves	-	(120,617)	(147,669)
Transfer of working capital reserve to fund operating deficit	-	3,209	260,991
	\$ -	\$ -	\$ -

11. 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 \$241,376. As at December 31, 2015 no claims have been filed and no liability is presented in the financial statements.

12. 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 expanded 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, 2015

12. 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.

13. 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, 2015

FINANCIAL ACTIVITIES (000's)

	2015	2014	2013	2012	2011
Revenues					
Taxation	\$ 2,474	\$ 2,343	\$ 2,337	\$ 2,186	\$ 2,135
Fees and service charges	1,667	1,649	1,374	1,440	1,248
Grants	1,093	1,208	1,344	1,640	1,496
Investment income	158	170	193	193	223
Donations and other	38	70	578	11	(127)
	5,430	5,440	5,826	5,470	4,975
Expenses					
General government	861	853	789	735	674
Protection to persons and property	704	687	657	612	555
Transportation services	2,208	2,258	2,034	2,065	1,964
Environmental	398	450	1,286	1,182	1,116
Health services	22	23	17	22	17
Social and family services	841	826	-	-	-
Recreation and cultural services	720	704	517	516	559
Planning and development	278	317	224	225	228
	6,032	6,118	5,524	5,357	5,113
Other Revenue Related to Capital					
Deferred revenue earned	-	214	56	233	233
Grants	-	-	401	106	(177)
Donations and other	-	-	10	-	226
Loss on disposal of tangible capital assets	(38)	(103)	(47)	(68)	(6)
	(38)	111	420	271	276
(Deficit) surplus for the year	\$ (640)	\$ (567)	\$ 722	\$ 384	\$ 138

PROPERTY TAXES BILLED (000's)

	2015	2014	2013	2012	2011
Own Purposes	\$ 2,474	\$ 2,343	\$ 2,337	\$ 2,186	\$ 2,135
Upper-Tier Municipality	3,766	3,578	3,414	3,265	3,122
School Boards	1,573	1,505	1,424	1,365	1,838
	\$ 7,813	\$ 7,426	\$ 7,175	\$ 6,816	\$ 7,095

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2015

TAXABLE ASSESSMENT (000's)

	2015	2014	2013	2012	2011
Residential and farm	\$ 818,476	\$ 742,590	\$ 675,077	\$ 600,528	\$ 562,854
Commercial and industrial	29,885	26,672	24,648	22,819	20,569
	848,361	769,262	699,725	623,347	583,423
Exempt	22,928	22,463	22,188	21,554	21,158
	\$ 871,289	\$ 791,725	\$ 721,913	\$ 644,901	\$ 604,581
Commercial and industrial	3.52%	3.47%	3.52%	3.66%	3.53%

FINANCIAL INDICATORS

	2015	2014	2013	2012	2011
Tax arrears					
Percentage of own levy	39 %	42 %	47 %	56 %	64 %
Percentage of total levy	12 %	13 %	15 %	18 %	19 %
Municipal debt	\$ 2,885,932	\$ 2,299,232	\$ 960,329	\$ 883,495	\$ 799,060
Municipal debt charges	\$ 294,366	\$ 210,220	\$ 173,467	\$ 168,631	\$ 165,118
Sustainability					
Financial assets to liabilities	0.82	0.85	1.57	2.21	1.89
Financial assets to liabilities excluding municipal debt	3.48	2.37	2.67	4.92	3.04
Municipal debt to tangible capital assets	8.91 %	6.99 %	3.04 %	2.92 %	2.67 %
Flexibility					
Debt charges to total operating revenue	5.42 %	3.86 %	2.97 %	3.08 %	3.17 %
Total operating revenue to taxable assessment	6.23 %	6.87 %	8.08 %	8.48 %	8.60 %
Vulnerability					
Operating grants to operating revenue	20.12 %	22.20 %	23.03 %	29.98 %	28.76 %
Total grants to total revenues	20.13 %	25.62 %	28.83 %	39.61 %	29.56 %
Reserve coverage					
Reserves	\$ 2,161,795	\$ 2,038,317	\$ 2,101,799	\$ 2,915,715	\$ 3,238,563
Reserves to operating expenses	36 %	33 %	38 %	54 %	63 %
Reserves to working capital	1.02	1.21	0.95	1.06	1.26