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**THE CORPORATION OF  
THE VILLAGE OF SUNDRIDGE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

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# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

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# Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers of  
The Corporation of the Village of Sundridge

We have audited the accompanying consolidated financial statements of The Corporation of the Village of Sundridge which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations and accumulated surplus, remeasurement losses, change in net financial assets and cash flows for the year then ended and 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Village of Sundridge as at December 31, 2013, and the 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.

As part of our audit of the 2013 consolidated financial statements, we also audited the adjustments described in Note 3 that were applied to amend the 2012 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

*Grant Thornton LLP*

North Bay, Canada  
May 13, 2014

Chartered Accountants  
Licensed Public Accountants

**THE CORPORATION OF THE VILLAGE OF SUNDRIDGE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2013**

	2013	2012 <i>(Restated – see Note 3)</i>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 963,146	\$ 768,993
Taxes receivable	346,755	333,832
Accounts receivable	654,160	448,848
Investment in Lakeland Holding Ltd. <i>(Note 6)</i>	1,274,563	1,122,261
Inventories held for resale	1,687	1,630
	<b>3,240,311</b>	<b>2,675,564</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	502,961	385,028
Deferred revenue-general	12,665	24,273
Deferred revenue-obligatory reserve funds <i>(Note 8)</i>	3,038	15,032
Long-term commitments <i>(Note 9)</i>	35,592	48,945
Employee benefits payable <i>(Note 10)</i>	105,545	99,011
	<b>659,801</b>	<b>572,289</b>
<b>NET FINANCIAL ASSETS</b>	<b>2,580,510</b>	<b>2,103,275</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net <i>(Note 13)</i>	6,620,422	5,756,639
Inventories of supplies	4,971	9,839
Prepaid expenses	23,208	222,121
	<b>6,648,601</b>	<b>5,988,599</b>
<b>ACCUMULATED SURPLUS</b>		
Accumulated operating surplus <i>(Note 14)</i>	9,240,991	8,116,923
Accumulated remeasurement losses <i>(Note 6)</i>	\$ (11,880)	\$ (25,049)

Contingencies *(Notes 4 and 12)*  
 Commitments *(Note 11)*

APPROVED ON BEHALF OF COUNCIL:

\_\_\_\_\_ Mayor

**THE CORPORATION OF THE VILLAGE OF SUNDRIDGE**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget 2013 <i>(see Note 17)</i>	Actual 2013	Actual 2012 <i>(Restated - see Note 3)</i>
<b>REVENUE</b>			
Property taxes	\$ 1,600,030	\$ 1,604,985	\$ 1,549,073
User charges	27,203	23,660	26,776
Government transfers	4,322,066	1,421,006	1,173,213
Change in retained earnings of Lakeland Holding Ltd. <i>(Note 6)</i>	-	139,133	125,644
Other	201,017	193,192	253,891
<b>TOTAL REVENUE</b>	<b>6,150,316</b>	<b>3,381,976</b>	<b>3,128,597</b>
<b>EXPENSES</b>			
General government	441,113	429,323	449,587
Protection to persons and property	387,809	369,427	411,771
Transportation services	600,028	540,679	507,729
Environmental services	267,388	279,792	246,880
Health services	221,280	211,696	223,332
Social and family services	76,852	76,882	77,920
Recreation and cultural services	334,686	304,273	309,627
Planning and development	54,071	45,836	40,302
<b>TOTAL EXPENSES</b>	<b>2,383,227</b>	<b>2,257,908</b>	<b>2,267,148</b>
<b>ANNUAL OPERATING SURPLUS</b> <i>(Note 14)</i>	<b>3,767,089</b>	<b>1,124,068</b>	<b>861,449</b>
<b>ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR</b>	<b>8,116,923</b>	<b>8,116,923</b>	<b>7,255,474</b>
<b>ACCUMULATED OPERATING SURPLUS, END OF YEAR</b>	<b>\$ 11,884,012</b>	<b>\$ 9,240,991</b>	<b>\$ 8,116,923</b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE VILLAGE OF SUNDRIDGE**  
**CONSOLIDATED STATEMENT OF REMEASUREMENT LOSSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012 <i>(Restated - see Note 3)</i>
Accumulated remeasurement losses, beginning of year	\$ (25,049)	\$ -
Unrealized gain (loss) attributed to change in fair value of interest rate swap held by government business enterprise <i>(Note 6)</i>	13,169	(25,049)
<b>Accumulated remeasurement losses, end of year</b>	<b>\$ (11,880)</b>	<b>\$ (25,049)</b>

The accompanying notes are an integral part of these financial statements

**THE CORPORATION OF THE VILLAGE OF SUNDRIDGE**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget 2013 <i>(see Note 17)</i>	Actual 2013	Actual 2012
Annual operating surplus	\$ 3,767,089	\$ 1,124,068	\$ 861,449
Unrealized gain (loss) attributed to change in fair value of interest rate swap held by government business enterprise	-	13,169	(25,049)
Acquisition of tangible capital assets	(5,916,187)	(1,214,476)	(658,315)
Contributed tangible capital assets	-	(17,711)	(21,870)
Accumulated amortization - contributed airpark assets	-	7,196	9,720
Amortization of tangible capital assets	297,332	297,231	297,355
Loss on disposal of tangible capital assets	-	60,377	1,051
Proceeds from disposal of tangible capital assets	-	3,600	-
Change in supplies inventories	-	4,868	(614)
Change in prepaid expenses	-	198,913	(200,857)
<b>Increase (decrease) in net financial assets</b>	<b>(1,851,766)</b>	<b>477,235</b>	<b>262,870</b>
<b>Net financial assets, beginning of year</b>	<b>2,103,275</b>	<b>2,103,275</b>	<b>1,840,405</b>
<b>Net financial assets, end of year</b>	<b>\$ 251,509</b>	<b>\$ 2,580,510</b>	<b>\$ 2,103,275</b>



**THE CORPORATION OF THE VILLAGE OF SUNDRIDGE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012 <i>(Restated – see Note 3)</i>
<b>Operating transactions</b>		
Annual operating surplus	\$ 1,124,068	\$ 861,449
Non-cash charges to operations:		
Amortization	297,231	297,355
Loss on disposal of tangible capital assets	60,377	1,051
Change in employee benefits payable	6,534	6,758
	1,488,210	1,166,613
Changes in non-cash items:		
Taxes receivable	(12,923)	(2,238)
Accounts receivable	(205,312)	(226,727)
Inventories held for resale	(57)	(301)
Accounts payable and accrued liabilities	117,933	117,446
Deferred revenue-general	(11,608)	8,277
Deferred revenue-obligatory reserve funds	(11,994)	(149,029)
Inventories of supplies	4,868	(614)
Prepaid expenses	198,913	(200,857)
	79,820	(454,043)
Cash provided by operating transactions	1,568,030	712,570
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(1,214,476)	(658,315)
Contributed tangible capital assets	(17,711)	(21,870)
Accumulated amortization - contributed airpark assets	7,196	9,720
Proceeds from disposal of tangible capital assets	3,600	-
Cash applied to capital transactions	(1,221,391)	(670,465)
<b>Investing transactions</b>		
Change in retained earnings of Lakeland Holding Ltd.	(139,133)	(125,644)
Cash applied to investing transactions	(139,133)	(125,644)
<b>Financing transactions</b>		
Increase (decrease) in long-term commitments	(13,353)	4,431
Cash provided by (applied to) financing transactions	(13,353)	4,431
<b>Net change in cash and cash equivalents</b>	<b>194,153</b>	<b>(79,108)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>768,993</b>	<b>848,101</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 963,146</b>	<b>\$ 768,993</b>
<b>Cash flow supplementary information:</b>		
Cash paid for interest	\$ 1,647	\$ 1,782

# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Village of Sundridge (the "Municipality") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Proportionally consolidated entities

The following joint boards and committees are proportionally consolidated:

- Fire
- Medical Centre
- Recreation
- Arena and Hall
- Library
- Building Committee
- Airpark
- Economic Development

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements: Lakeland Holding Ltd.

(iii) Non-consolidated entities

The following joint boards are not consolidated:

- North Bay Parry Sound District Health Unit
- Parry Sound District Social Services Administration Board
- District of Parry Sound (East) Home for the Aged

(iv) Accounting for school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

(v) Trust funds

Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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(b) Basis of Accounting

(i) Accrual basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with financial institutions and short-term deposits with original maturities of three months or less.

(iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) 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. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements - 20 years  
 Buildings - 40 to 50 years  
 Machinery, equipment and furniture - 5 to 20 years  
 Vehicles - 7 to 30 years  
 Roads - 10 to 60 years  
 Wastewater infrastructure- 80 years

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

Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

(b) Inventories of supplies

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(iv) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

(v) Government transfers

Government transfers are recognized in the financial statements as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.

## THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

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- (vi) Taxation and related revenues  
Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Property tax billings are prepared by the Municipality based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenues are initially recorded at the time assessment information is received from MPAC and are subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.
- (vii) Pensions and employee benefits  
The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Obligations for sick leave and employee retirement gratuities under employee benefits payable are accrued as the employees render the services necessary to earn the benefits.
- (viii) 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 revenues and expenses during the period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include valuation allowances for taxes and accounts receivable, employee benefits payable, estimated useful lives of tangible capital assets and supplementary taxes. Actual results could differ from these estimates.

#### 2. CHANGE IN ACCOUNTING POLICY

On January 1, 2013 the Municipality adopted Public Sector Accounting Standards section 3410 "Government Transfers". This new standard replaces the existing Section 3410 of the same name and establishes guidance on the recognition, presentation and disclosure of government transfers from the perspective of both transferring governments and recipient governments. The Municipality has adopted this new standard prospectively.

On January 1, 2013 the Municipality adopted Public Sector Accounting Standards section 3510 "Tax Revenue". This is a new standard and this Section establishes standards for the recognition, measurement and disclosure of tax revenue in government financial statements. The Municipality's adoption of this new standard has not resulted in any significant change in how property tax revenue has been recognized.

## THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

#### 3. CORRECTION OF PRIOR PERIOD

In 2012 the Municipality reported its proportionate share of Lakeland Holding Ltd. other comprehensive loss on the consolidated statement of operations in error. Such losses are to be reported on the statement of remeasurement gains and losses, since they are not attributable to the net income reported by the government business enterprise. This error was discovered in the current year and has been corrected retroactively. As a result, the December 31, 2012 figures, presented for comparative purposes, have been restated from those previously reported as follows:

	As Previously Reported	Restated	Increase (Decrease)
<b>STATEMENTS OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS</b>			
Revenue			
Lakeland Holding Ltd. increase in retained earnings	\$ 100,595	\$ 125,644	\$ 25,049
Annual operating surplus	836,400	861,449	25,049
Accumulated operating surplus, end of year	8,091,874	8,116,923	25,049
<b>STATEMENT OF REMEASUREMENT LOSSES</b>			
Unrealized loss attributed to change in fair value of interest rate swap held by government business enterprise	-	(25,049)	(25,049)
Accumulated remeasurement losses, end of year	-	(25,049)	(25,049)

#### 4. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to Note 1(a)(iii), the following contributions were made by the Municipality to these boards:

	2013	2012
District of Parry Sound Social Services Administration Board	\$ 49,452	\$ 51,023
North Bay Parry Sound District Health Unit	29,597	28,277
District of Parry Sound (East) Home for the Aged	23,600	23,067
	<b>\$ 102,649</b>	<b>\$ 102,367</b>

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Municipality's share of these long-term liabilities has not been determined at this time.

**THE CORPORATION OF THE VILLAGE OF SUNDRIDGE**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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5. TRANSACTIONS ON BEHALF OF OTHERS

- (a) During the year, \$334,899 of taxation was collected on behalf of school boards (2012 \$329,737).
- (b) Trust funds administered by the Municipality amounting to \$38,141 (2012 \$38,687) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

## THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

#### 6. INVESTMENT IN LAKELAND HOLDING LTD.

Lakeland Holding Ltd. is a municipally owned government business enterprise. Its subsidiaries produce and distribute hydro electric power to users in Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan. Condensed financial information in respect to Lakeland Holding Ltd. is provided below.

	2013	2012
<b>Consolidated Balance Sheet</b>		
Assets		
Current assets	\$ 9,207,200	\$ 8,315,498
Property and equipment	47,549,341	46,035,006
Intangible assets	979,674	1,060,027
Regulatory assets	1,119,010	1,258,457
Future income tax assets	-	180,274
<b>Total Assets</b>	<b>\$ 58,855,225</b>	<b>\$ 56,849,262</b>
Liabilities		
Current liabilities	\$ 6,635,229	\$ 7,632,328
Interest rate swap	274,374	578,495
Future income tax liabilities	814,332	-
Other long-term liabilities	21,695,662	22,720,171
<b>Total Liabilities</b>	<b>29,419,597</b>	<b>30,930,994</b>
Equity		
Share capital	12,609,650	12,609,650
Accumulated other comprehensive loss	(274,374)	(578,495)
Retained earnings	17,100,352	13,887,113
<b>Total Equity</b>	<b>29,435,628</b>	<b>25,918,268</b>
<b>Total Liabilities and Equity</b>	<b>\$ 58,855,225</b>	<b>\$ 56,849,262</b>
Municipality's investment (4.33% ownership)	\$ 1,274,563	\$ 1,122,261
Municipality's share of accumulated other comprehensive loss (4.33% ownership)	\$ (11,880)	\$ (25,049)
Municipality's share of other equity (4.33% ownership)	\$ 1,286,443	\$ 1,147,310
<b>Consolidated Statement of Earnings</b>		
Total Revenues	\$ 35,973,207	\$ 32,527,118
Total Expenses	30,804,119	28,071,566
Payments in lieu of income taxes	1,080,849	1,053,844
Net earnings	4,088,239	3,401,708
Less: dividends	(875,000)	(500,000)
Increase in retained earnings	\$ 3,213,239	\$ 2,901,708
Municipality's share of increase in retained earnings (4.33% ownership)	\$ 139,133	\$ 125,644
<b>Consolidated Statement of Comprehensive Loss</b>		
Change in fair value of interest rate swap	\$ 304,121	\$ (578,495)
Municipality's share of other comprehensive gain (loss) (4.33% ownership)	\$ 13,169	\$ (25,049)

## THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

#### 7. CREDIT FACILITY AGREEMENT

The Municipality has credit facility agreement with the Royal Bank of Canada of \$200,000 (2012 \$200,000) of which NIL (2012 NIL) was used at the end of the year.

#### 8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The balance of deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position is made up of the following:

	2013	2012
Recreational land (the Planning Act)	\$ 2,126	\$ 2,126
Building Code Act	912	10,394
Federal Gas Tax	-	2,512
	<b>\$ 3,038</b>	<b>\$ 15,032</b>

#### 9. LONG-TERM COMMITMENTS

Municipal commitments, which are accounted for on the Consolidated Statement of Financial Position at the present value of future payments, using estimated long-term borrowing rates of 2% to 4%, are as follows:

	2013	2012
North Bay Regional Health Centre \$100,000 payable over ten years (2007-2016)	\$ 30,000	\$ 40,000
Central Almaguin Economic Development Association \$13,000 payable over two years (2013-2014)	8,000	13,000
Less: amount representing interest	(2,408)	(4,055)
	<b>\$ 35,592</b>	<b>\$ 48,945</b>

#### 10. EMPLOYEE BENEFITS PAYABLE

- (a) Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and qualifying employees may become entitled to a cash payment when they leave the Municipality's employment. The sick leave benefit liability estimates the use of accumulated sick leave prior to retirement, as well as any lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 3% per annum. The liability for these accumulated days amounted to \$39,037 (2012 \$37,903) at the end of the year.
- (b) Under the retirement gratuity plan, qualifying employees are entitled to a payout, upon retirement, based on length of service and rate of pay. The retirement gratuity liability estimates the lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 3% per annum. The liability for the retirement gratuity is estimated at \$66,508 (2012 \$61,108) at the end of the year.



## THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

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#### 11. COMMITMENTS

The Municipality has contracted AECOM Canada Limited to provide engineering services with respect to its lagoon expansion project at a contracted amount of \$1,199,150. To the end of the year, \$962,977 (2012 \$703,934) of services under this contract have been received. The balance of the fees will be paid in future years as the services are rendered.

The Municipality has contracted Kingdom Construction Limited to perform wastewater treatment facility upgrades at a contracted amount of \$5,643,509. To the end of the year, \$190,250 of services under this contract have been received. The balance of the contract is expected to be completed in 2014.

#### 12. CONTINGENCIES

- (a) The Municipality has entered into an agreement with the Association of Municipalities of Ontario with respect to the transfer of federal gas tax revenues. The agreement contains specific provisions for the utilization of the funds, including a provision for repayment of a proportionate amount of funds in the event that, any time within 10 years from the date of completion of the eligible project the Municipality sells, leases, encumbers or otherwise disposes of, directly or indirectly any asset constructed, rehabilitated or improved, in whole or in part, with the financial assistance received under the terms of the agreement. At December 31, 2013, the Municipality has received a total of \$391,084 for the years 2005 to 2013, and has expended \$398,287, including interest earned, for the years 2005 to 2013.
- (b) Prior to 2005, the Municipality participated in group underwriting relating to its insurance claims and this group has ceased writing new policies of insurance. Each participant in the underwriting group may be required to fund a deficit in any policy year to ensure that sufficient funds are available to cover all outstanding liabilities. The Municipality's share of the group's deficit is not determinable at this time.
- (c) The Municipality is involved from time to time in litigation, which arises in the normal course of business. With respect to outstanding claims, the Municipality believes that insurance coverage is adequate, and that no material exposure exists on the eventual settlement of such litigation. Therefore, no provision has been made in the accompanying financial statements.

# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

### 13. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Municipality by major asset class are outlined below.

<b>2013</b>								
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Wastewater Infrastructure	Assets Under Construction	TOTAL
<b>COST</b>								
Balance, beginning of year	\$ 1,582,507	\$ 1,335,047	\$ 633,763	\$ 464,460	\$ 4,095,883	\$ 1,428,799	\$ 1,284,390	\$ 10,824,849
Additions and betterments	7,911	15,833	12,017	128,009	195,879	16,935	837,892	1,214,476
Contributed airpark assets	5,299	7,127	5,285	-	-	-	-	17,711
Disposals and writedowns	(73,569)	(1,520)	(3,723)	(72,080)	(14,238)	-	-	(165,130)
Transfer between classes	-	-	-	-	-	685,505	(685,505)	-
<b>BALANCE, END OF YEAR</b>	<b>1,522,148</b>	<b>1,356,487</b>	<b>647,342</b>	<b>520,389</b>	<b>4,277,524</b>	<b>2,131,239</b>	<b>1,436,777</b>	<b>11,891,906</b>
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	237,423	640,015	362,897	235,204	2,958,641	634,030	-	5,068,210
Annual amortization	52,811	28,683	43,425	24,705	125,357	22,250	-	297,231
Accumulated amortization-contributed airpark assets	-	4,401	2,795	-	-	-	-	7,196
Amortization disposals	(14,501)	(235)	(3,723)	(70,575)	(12,119)	-	-	(101,153)
<b>BALANCE, END OF YEAR</b>	<b>275,733</b>	<b>672,864</b>	<b>405,394</b>	<b>189,334</b>	<b>3,071,879</b>	<b>656,280</b>	<b>-</b>	<b>5,271,484</b>
<b>TANGIBLE CAPITAL ASSETS-NET</b>	<b>\$ 1,246,415</b>	<b>\$ 683,623</b>	<b>\$ 241,948</b>	<b>\$ 331,055</b>	<b>\$ 1,205,645</b>	<b>\$ 1,474,959</b>	<b>\$ 1,436,777</b>	<b>\$ 6,620,422</b>

<b>2012</b>								
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Wastewater Infrastructure	Assets Under Construction	TOTAL
<b>COST</b>								
Balance, beginning of year	\$ 1,575,055	\$ 1,315,363	\$ 626,164	\$ 464,460	\$ 4,095,883	\$ 1,428,799	\$ 645,787	\$ 10,151,511
Additions and betterments	-	12,823	6,889	-	-	-	638,603	658,315
Contributed airpark assets	7,452	10,023	4,395	-	-	-	-	21,870
Disposals and writedowns	-	(3,162)	(3,685)	-	-	-	-	(6,847)
<b>BALANCE, END OF YEAR</b>	<b>1,582,507</b>	<b>1,335,047</b>	<b>633,763</b>	<b>464,460</b>	<b>4,095,883</b>	<b>1,428,799</b>	<b>1,284,390</b>	<b>10,824,849</b>
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	182,972	608,214	311,047	216,793	2,831,735	616,170	-	4,766,931
Annual amortization	54,451	27,999	51,728	18,411	126,906	17,860	-	297,355
Accumulated amortization-contributed airpark assets	-	5,913	3,807	-	-	-	-	9,720
Amortization disposals	-	(2,111)	(3,685)	-	-	-	-	(5,796)
<b>BALANCE, END OF YEAR</b>	<b>237,423</b>	<b>640,015</b>	<b>362,897</b>	<b>235,204</b>	<b>2,958,641</b>	<b>634,030</b>	<b>-</b>	<b>5,068,210</b>
<b>TANGIBLE CAPITAL ASSETS-NET</b>	<b>\$ 1,345,084</b>	<b>\$ 695,032</b>	<b>\$ 270,866</b>	<b>\$ 229,256</b>	<b>\$ 1,137,242</b>	<b>\$ 794,769</b>	<b>\$ 1,284,390</b>	<b>\$ 5,756,639</b>

# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

### 14. ACCUMULATED OPERATING SURPLUS

The 2013 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

	Balance Beginning of Year <i>(Restated - see Note 3)</i>	Annual Surplus (Deficit)	Balance End of Year
<b>RESERVES AND RESERVE FUNDS</b>			
Working capital	\$ 64,831	\$ -	\$ 64,831
General government retirement gratuity	35,042	5,515	40,557
Fire	20,746	30,000	50,746
GIS	6,000	-	6,000
Roads capital and construction	246,290	218,848	465,138
Roads retirement gratuity	18,683	3,136	21,819
Sidewalks	2,394	-	2,394
Airpark	14,551	(14,551)	-
Wastewater	612,586	(129,018)	483,568
North Bay Health Centre	10,000	(10,000)	-
Medical Centre	2,000	-	2,000
Medical Centre interest	25,163	-	25,163
Historical book	15,673	(1,454)	14,219
Parks and recreation	94,068	(1)	94,067
Special events, triathlon and sunflower festival	13,506	1,960	15,466
Arena	12,956	(8,000)	4,956
Library	2,775	1,250	4,025
	<b>1,197,264</b>	<b>97,685</b>	<b>1,294,949</b>
<b>OTHER</b>			
Consolidated tangible capital assets	5,756,639	863,783	6,620,422
General operating surplus (deficit)-			
Municipality	183,359	450	183,809
Airpark	(1,813)	14,584	12,771
Arena	21,584	(10,269)	11,315
Library	6,205	(3,435)	2,770
Central Almaguin Economic Development Association	388	27	415
Medical Centre	(46,057)	15,291	(30,766)
Equity in Lakeland Holding Ltd. net of accumulated remeasurement losses	1,147,310	139,133	1,286,443
Unfunded amounts -			
Long-term commitments	(48,945)	13,353	(35,592)
Employee benefits payable	(99,011)	(6,534)	(105,545)
	<b>\$ 8,116,923</b>	<b>\$ 1,124,068</b>	<b>\$ 9,240,991</b>

# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

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### 15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

#### General Government

This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

#### Protection to Persons and Property

This segment includes fire, police, building inspection, and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

#### Transportation Services

Transportation services include roadway systems, winter control and airpark.

#### Environmental Services

This segment includes solid waste management and sanitary sewers.

#### Health Services

This segment includes cemeteries, ambulance services as well as payments to the district health unit.

#### Social and Family Services

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

#### Recreation and Culture

This segment includes parks, recreation programs, recreation facilities, library services and cultural services such as TV 11.

#### Planning and Development

This segment includes activities related to planning, zoning and economic development.

#### Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and the municipality's annual Ontario Municipal Partnership fund unconditional grant.

In the preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of rent, machinery and administrative time to specific segments.

# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

### 15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

#### FOR THE YEAR ENDED DECEMBER 31, 2013

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
<b>REVENUE</b>										
Property taxes	\$ -	\$ -	\$ -	\$ 212,802	\$ -	\$ -	\$ -	\$ -	\$ 1,392,183	\$ 1,604,985
User charges	445	153	-	-	-	-	19,623	3,439	-	23,660
Government transfers -										
Canada	-	-	-	342,275	-	-	1,778	9,805	-	353,858
Ontario	-	5,617	197,460	289,916	120,049	-	15,864	25,136	387,265	1,041,307
Other municipalities	-	20,539	2,249	-	-	-	3,053	-	-	25,841
Change in retained earnings of Lakeland Holding Ltd.	-	-	-	-	-	-	-	-	139,133	139,133
Loss on disposal of capital assets	-	(1,005)	(58,087)	-	-	-	(1,285)	-	-	(60,377)
Other	12,418	6,594	21,892	4,621	39,527	-	86,292	1,658	80,567	253,569
<b>TOTAL REVENUE</b>	<b>12,863</b>	<b>31,898</b>	<b>163,514</b>	<b>849,614</b>	<b>159,576</b>	<b>-</b>	<b>125,325</b>	<b>40,038</b>	<b>1,999,148</b>	<b>3,381,976</b>
<b>EXPENSES</b>										
Salaries, wages and benefits	284,749	84,992	172,113	13,139	45,625	-	118,625	10,069	-	729,312
Long-term debt charges (interest)	-	-	-	-	1,453	-	-	194	-	1,647
Materials	52,707	41,344	100,692	767	15,182	-	116,294	4,143	-	331,129
Contracted services	76,074	219,282	78,634	240,488	108,422	-	27,672	30,181	-	780,753
Rents and financial expenses	5,315	52	2,712	-	4,711	-	592	5	-	13,387
External transfers	-	-	-	-	29,597	74,852	-	-	-	104,449
Interfunctional adjustments	(8,408)	1,500	(6,519)	3,148	3,648	-	6,631	-	-	-
Amortization	18,886	22,257	193,047	22,250	3,058	2,030	34,459	1,244	-	297,231
<b>TOTAL EXPENSES</b>	<b>429,323</b>	<b>369,427</b>	<b>540,679</b>	<b>279,792</b>	<b>211,696</b>	<b>76,882</b>	<b>304,273</b>	<b>45,836</b>	<b>-</b>	<b>2,257,908</b>
<b>ANNUAL OPERATING SURPLUS (DEFICIT)</b>	<b>\$ (416,460)</b>	<b>\$ (337,529)</b>	<b>\$ (377,165)</b>	<b>\$ 569,822</b>	<b>\$ (52,120)</b>	<b>\$ (76,882)</b>	<b>\$ (178,948)</b>	<b>\$ (5,798)</b>	<b>\$ 1,999,148</b>	<b>\$ 1,124,068</b>

# THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013

### 15. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2012 (Restated - see Note 3)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
<b>REVENUE</b>										
Property taxes	\$ -	\$ -	\$ -	\$ 206,907	\$ -	\$ -	\$ -	\$ -	\$ 1,342,166	\$ 1,549,073
User charges	841	454	-	-	-	-	24,481	1,000	-	26,776
Government transfers -										
Canada	-	-	-	425,736	-	-	4,229	2,851	-	432,816
Ontario	434	7,114	720	219,774	125,170	-	6,884	8,014	347,200	715,310
Other municipalities	-	19,956	2,279	-	-	-	2,852	-	-	25,087
Change in retained earnings of Lakeland Holding Ltd.	-	-	-	-	-	-	-	-	125,644	125,644
Other	11,475	25,969	21,670	136	37,679	-	90,399	27	66,536	253,891
<b>TOTAL REVENUE</b>	<b>12,750</b>	<b>53,493</b>	<b>24,669</b>	<b>852,553</b>	<b>162,849</b>	<b>-</b>	<b>128,845</b>	<b>11,892</b>	<b>1,881,546</b>	<b>3,128,597</b>
<b>EXPENSES</b>										
Salaries, wages and benefits	305,801	105,262	166,340	9,163	45,331	-	130,070	1,748	-	763,715
Long-term debt charges (interest)	-	-	-	-	1,782	-	-	-	-	1,782
Materials	56,505	41,506	105,373	1,022	18,273	-	113,469	4,221	-	340,369
Contracted services	62,353	240,660	49,631	215,913	118,328	-	25,418	33,086	-	745,389
Rents and financial expenses	5,796	596	3,092	-	4,521	-	362	3	-	14,370
External transfers	-	-	-	-	28,278	75,890	-	-	-	104,168
Interfunctional adjustments	(8,392)	1,500	(6,352)	2,922	3,792	-	6,530	-	-	-
Amortization	27,524	22,247	189,645	17,860	3,027	2,030	33,778	1,244	-	297,355
<b>TOTAL EXPENSES</b>	<b>449,587</b>	<b>411,771</b>	<b>507,729</b>	<b>246,880</b>	<b>223,332</b>	<b>77,920</b>	<b>309,627</b>	<b>40,302</b>	<b>-</b>	<b>2,267,148</b>
<b>ANNUAL OPERATING SURPLUS (DEFICIT)</b>	<b>\$ (436,837)</b>	<b>\$ (358,278)</b>	<b>\$ (483,060)</b>	<b>\$ 605,673</b>	<b>\$ (60,483)</b>	<b>\$ (77,920)</b>	<b>\$ (180,782)</b>	<b>\$ (28,410)</b>	<b>\$ 1,881,546</b>	<b>\$ 861,449</b>

## THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2013

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#### 16. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality received dividends of \$37,890 (2012 \$21,652) and purchased power in the amount of \$107,243 (2012 \$112,100) from Lakeland Holding Ltd. All related party transactions are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties, which approximates the arm's length equivalent value.

#### 17. BUDGET FIGURES

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

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	Budget
<b>ADOPTED BUDGET:</b>	
Decrease in general municipal operating surplus	\$ (183,359)
Decrease in unfinanced capital - Medical Centre	9,600
Decrease in municipal reserves and reserve funds	(585,079)
Decrease in board and joint board general operating surplus and reserves and reserve funds	(46,609)
<b>ADJUSTMENTS:</b>	
Acquisition of tangible capital assets	5,916,187
Amortization of tangible capital assets	(297,332)
Loan proceeds	(1,051,125)
Decrease in long-term commitments	4,806
<b>ANNUAL OPERATING SURPLUS</b>	<b>\$ 3,767,089</b>

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#### 18. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2013 was \$25,380 (2012 \$23,892) for current service and is included as an expense on the Consolidated Statement of Operations.

#### 19. COMPARATIVE FIGURES

Certain prior year figures presented for comparative purposes have been reclassified to conform to the presentation adopted for the current year.