
**THE CORPORATION OF
THE VILLAGE OF SUNDRIDGE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONTENTS

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Accumulated Surplus	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 23

Independent Auditor's Report

Grant Thornton LLP
Suite 200
222 McIntyre Street W
North Bay, ON
P1B 2Y8
T (705) 472-6500
F (705) 472-7760
www.GrantThornton.ca

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, 2015 and the consolidated statements of operations and accumulated surplus, 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, 2015, 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.

Grant Thornton LLP

North Bay, Canada
June 22, 2016

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	2015	2014 <i>(Restated - see Note 3)</i>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,926,979	\$ 1,808,807
Taxes receivable	317,501	373,312
Accounts receivable	146,641	1,212,078
Investment in Lakeland Holding Ltd. <i>(Note 6)</i>	1,584,275	1,481,188
Inventories held for resale	-	4,103
	3,975,396	4,879,488
LIABILITIES		
Temporary borrowing <i>(Note 7)</i>	-	457,940
Accounts payable and accrued liabilities	419,673	1,181,986
Deferred revenue-general <i>(Note 8)</i>	6,145	24,397
Deferred revenue-obligatory reserve funds <i>(Note 9)</i>	5,171	4,768
Municipal debt <i>(Note 10)</i>	1,961,925	2,043,370
Long-term commitments <i>(Note 11)</i>	9,615	18,860
Employee benefits payable <i>(Note 12)</i>	81,655	111,539
	2,484,184	3,842,860
NET FINANCIAL ASSETS	1,491,212	1,036,628
NON-FINANCIAL ASSETS		
Tangible capital assets - net <i>(Note 15)</i>	11,930,186	12,138,034
Inventories of supplies	6,710	6,418
Prepaid expenses	21,720	23,655
	11,958,616	12,168,107
ACCUMULATED SURPLUS <i>(Note 16)</i>	\$ 13,449,828	\$ 13,204,735

Contingencies *(Notes 4 and 14)*
 Commitments *(Note 13)*

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget 2015 <i>(see Note 19)</i>	Actual 2015	Actual 2014 <i>(Restated - see Note 3)</i>
REVENUE			
Property taxes	\$ 1,863,322	\$ 1,870,381	\$ 2,156,516
User charges	39,422	42,368	38,486
Government transfers	647,213	641,506	3,812,017
Lakeland Holding Ltd. - share of income, net of dividends <i>(Note 6)</i>	-	101,849	168,224
Lakeland Holding Ltd. - gain on business combination <i>(Note 6)</i>	-	-	36,337
Other	257,555	257,637	283,434
TOTAL REVENUE	2,807,512	2,913,741	6,495,014
EXPENSES			
General government	464,792	446,360	444,236
Protection to persons and property	404,275	393,471	397,155
Transportation services	666,695	540,933	634,961
Environmental services	633,239	631,279	375,506
Health services	230,345	230,956	230,901
Social and family services	83,954	83,924	78,312
Recreation and cultural services	359,421	323,917	332,599
Planning and development	27,392	19,046	27,784
TOTAL EXPENSES	2,870,113	2,669,886	2,521,454
ANNUAL SURPLUS (DEFICIT)	(62,601)	243,855	3,973,560

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget 2015 <i>(see Note 19)</i>	2015	2014 <i>(Restated - see Note 3)</i>
Accumulated surplus, beginning of year, as previously reported	\$ 13,231,464	\$ 13,231,464	\$ 9,240,991
Restatement of prior period <i>(Note 3)</i>	(26,729)	(26,729)	(11,880)
Accumulated surplus, beginning of year, as restated	13,204,735	13,204,735	9,229,111
Annual surplus (deficit)	(62,601)	243,855	3,973,560
Lakeland Holding Ltd. – share of change in other comprehensive income	-	1,238	2,064
ACCUMULATED SURPLUS, END OF YEAR	\$ 13,142,134	\$ 13,449,828	\$ 13,204,735

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, 2015

	Budget 2015 <i>(see Note 19)</i>	Actual 2015	Actual 2014 <i>(Restated - see Note 3)</i>
Annual surplus (deficit)	\$ (62,601)	\$ 243,855	\$ 3,973,560
Lakeland Holding Ltd. – share of change in other comprehensive income	-	1,238	2,064
Acquisition of tangible capital assets	(664,942)	(245,645)	(5,851,073)
Contributed tangible capital assets	-	(7,780)	(92,657)
Accumulated amortization-contributed tangible capital assets	-	51	-
Amortization of tangible capital assets	402,340	402,430	350,053
Loss on disposal of tangible capital assets	-	58,792	66,019
Proceeds from disposal of tangible capital assets	-	-	10,046
Change in supplies inventories	-	(292)	(1,447)
Change in prepaid expenses	-	1,935	(447)
Increase (decrease) in net financial assets	(325,203)	454,584	(1,543,882)
Net financial assets, beginning of year	1,036,628	1,036,628	2,580,510
Net financial assets, end of year	\$ 711,425	\$ 1,491,212	\$ 1,036,628

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014 <i>(Restated - see Note 3)</i>
Operating transactions		
Annual surplus	\$ 243,855	\$ 3,973,560
Non-cash charges to operations:		
Amortization	402,430	350,053
Loss on disposal of tangible capital assets	58,792	66,019
Change in employee benefits payable	(29,884)	5,994
Lakeland Holding Ltd. - share of income net of dividends	(101,849)	(168,224)
Lakeland Holding Ltd. - gain on business combination	-	(36,337)
	<u>573,344</u>	<u>4,191,065</u>
Changes in non-cash items:		
Taxes receivable	55,811	(26,557)
Accounts receivable	1,065,437	(557,918)
Inventories held for resale	4,103	(2,416)
Accounts payable and accrued liabilities	(762,313)	679,025
Deferred revenue-general	(18,252)	11,732
Deferred revenue-obligatory reserve funds	403	1,730
Inventories of supplies	(292)	(1,447)
Prepaid expenses	1,935	(447)
	<u>346,832</u>	<u>103,702</u>
Cash provided by operating transactions	<u>920,176</u>	<u>4,294,767</u>
Capital transactions		
Acquisition of tangible capital assets	(245,645)	(5,851,073)
Contributed tangible capital assets	(7,780)	(92,657)
Accumulated amortization - contributed tangible capital assets	51	-
Proceeds from disposal of tangible capital assets	-	10,046
Cash applied to capital transactions	<u>(253,374)</u>	<u>(5,933,684)</u>
Financing transactions		
Increase (decrease) in temporary borrowing	(457,940)	457,940
Proceeds from municipal debt	-	2,050,061
Debt principal repayments	(81,445)	(6,691)
Decrease in long-term commitments	(9,245)	(16,732)
Cash provided by (applied to) financing transactions	<u>(548,630)</u>	<u>2,484,578</u>
Net change in cash and cash equivalents	118,172	845,661
Cash and cash equivalents, beginning of year	1,808,807	963,146
Cash and cash equivalents, end of year	\$ 1,926,979	\$ 1,808,807
Cash flow supplementary information:		
Cash paid for interest	\$ 76,119	\$ 29,927

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2015

The consolidated financial statements of the Corporation of the Village of Sundridge (the "Municipality") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenue, 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
- 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 revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

- (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.

(b) Basis of Accounting

- (i) Accrual basis of accounting
Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. Expenses 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 - 20 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.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

- (v) Government transfers
Government transfers are recognized in the financial statements as revenue 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.
- (vi) Deferred revenue
Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specified purpose.
- (vii) Taxation and related revenue
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 revenue is initially recorded at the time assessment information is received from MPAC and is 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. This revenue is recorded in the period the interest and penalties are levied.
- (viii) 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.
- (ix) Use of estimates
The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the 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, 2015 the Municipality adopted Public Sector Accounting Standards section 3260 "Liability for contaminated sites". This new standard establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites. The Municipality's adoption of this new standard has not resulted in any significant changes in liability recognition.

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

3. RESTATEMENT OF PRIOR PERIOD

- (a) In prior years, the Municipality incorrectly presented its proportionate share of the unrealized gain (loss) attributed to the change in fair value of the interest rate swap held by its government business enterprise, Lakeland Holding Ltd., in accumulated remeasurement gains and losses rather than as a direct increase (decrease) in accumulated surplus. As a result, the Municipality has restated its financial statements to remove the statement of remeasurement gains and losses and has decreased its opening accumulated surplus as at January 1, 2014 and December 31, 2014 by \$11,880 and \$18,053 respectively.
- (b) In 2014, the Municipality's government business enterprise, Lakeland Holding Ltd., incorrectly calculated goodwill and the provision for payments in lieu of deferred taxes upon the amalgamation with Parry Sound Hydro Corporation. The error was discovered in the current year and has been corrected retroactively. The Municipality's proportionate share of this error is \$7,613 which resulted in a decrease in the share of income from the investment in Lakeland Holding Ltd., a decrease in annual surplus, a decrease in the investment in Lakeland Holding Ltd. and a decrease in accumulated surplus of \$7,613 as at December 31, 2014.
- (c) In 2015, the Municipality's government business enterprise, Lakeland Holding Ltd., adopted International Financial Reporting Standards ("IFRS") with a transition date of January 1, 2014. As a result of adopting IFRS, Lakeland Holding Ltd.'s changes in accounting framework resulted in transitional adjustments which resulted in retroactive restatements of the Municipality's financial statements for the comparative period and resulted in a decrease in the investment in Lakeland Holding Ltd. of \$1,063, a decrease in the share of income from Lakeland Holding Ltd. of \$9,300, a decrease in the change to accumulated surplus related to the change in Lakeland Holding Ltd.'s other comprehensive income of \$8,237 and a decrease in accumulated surplus of \$1,063.

As a result, the December 31, 2014 figures, presented for comparative purposes, have been restated from those previously reported as follows:

ACCUMULATED SURPLUS	
Balance January 1, 2014 as previously reported	\$ 9,240,991
Restatement to remove statement of remeasurement gains and losses	(11,880)
<u>Balance January 1, 2014 as restated</u>	<u>\$ 9,229,111</u>
Balance January 1, 2015 as previously report	\$ 13,231,464
Restatement to remove statement of remeasurement gains and losses	(18,053)
Restatement for share of Lakeland Holding Ltd.'s correction of prior period	(7,613)
Restatement for share of Lakeland Holding Ltd.'s IFRS transition adjustments	(1,063)
<u>Balance January 1, 2015 as restated</u>	<u>\$ 13,204,735</u>
INVESTMENT IN LAKELAND HOLDING LTD.	
Balance December 31, 2014 as previously reported	\$ 1,489,864
Restatement for share of Lakeland Holding Ltd.'s correction of prior period	(7,613)
Restatement for share of Lakeland Holding Ltd.'s IFRS transition adjustments	(1,063)
<u>Balance December 31, 2014 as restated</u>	<u>\$ 1,481,188</u>
LAKELAND HOLDING LTD. – SHARE OF INCOME	
Balance December 31, 2014 as previously reported	\$ 185,137
Restatement for share of Lakeland Holding Ltd.'s correction of prior period	(7,613)
Restatement for share of Lakeland Holding Ltd.'s IFRS transition adjustments	(9,300)
<u>Balance December 31, 2014 as restated</u>	<u>\$ 168,224</u>

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

3. RESTATEMENT OF PRIOR PERIOD (continued)

ANNUAL SURPLUS

Balance December 31, 2014 as previously reported	\$ 3,990,473
Restatement for share of Lakeland Holding Ltd.'s correction of prior period	(7,613)
Restatement for share of Lakeland Holding Ltd.'s IFRS transition adjustments	(9,300)
Balance December 31, 2014 as restated	\$ 3,973,560

4. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

	2015	2014
District of Parry Sound Social Services Administration Board	\$ 47,645	\$ 48,631
North Bay Parry Sound District Health Unit	31,642	30,206
District of Parry Sound (East) Home for the Aged	31,909	25,338
	\$ 111,196	\$ 104,175

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.

5. TRANSACTIONS ON BEHALF OF OTHERS

- (a) During the year, \$306,465 of taxation was collected on behalf of school boards (2014 \$332,418).
- (b) The Municipality administers the High Rock Look-out trust fund. This fund was established in 1967 for the purposes of providing a picnic area and community gathering place for the citizens of the Sundridge area. This endowment fund is to be held in perpetuity, and any interest earnings derived therefrom are to be used to maintain the park. The balance of the trust is \$38,587 (2014 \$38,387). As this balance is held in trust by the Municipality for the benefit of others, it 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, 2015

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 and after July 1, 2014, Parry Sound. Prior to July 1, 2014 the Municipality held a 4.33% ownership in the common shares of Lakeland Holding Ltd. On July 1, 2014, Lakeland Holding Ltd. amalgamated with Parry Sound Hydro Corporation and this amalgamation was accounted for as a business combination. Effective July 1, 2014, the Municipality now holds a 3.75% ownership in the newly amalgamated Lakeland Holding Ltd.

Condensed financial information in respect to Lakeland Holding Ltd. for the full year, including the new operation from the date of amalgamation, is provided below.

	2015	2014 (Restated - see Note 3)
Consolidated Statement of Financial Position		
Assets		
Current Assets	\$ 14,485,000	\$ 14,826,000
Non-Current Assets	68,144,000	63,628,000
Total Assets	82,629,000	78,454,000
Regulatory Deferral Account Balances	836,000	1,132,000
Total Assets and Regulatory Deferral Account Balances	83,465,000	79,586,000
Liabilities		
Current Liabilities	9,487,000	8,663,000
Non-Current Liabilities	31,733,000	31,427,000
Total Liabilities	41,220,000	40,090,000
Shareholder's Equity	42,245,000	39,496,000
Total Liabilities and Equity	\$ 83,465,000	\$ 79,586,000
Municipality's investment	\$ 1,584,275	\$ 1,481,188
Consolidated Statement of Comprehensive Income		
Total operating revenue	\$ 55,121,000	\$ 46,110,000
Total operating expenses	(48,630,000)	(37,888,000)
Other income and expenses	(1,141,000)	(937,000)
Provision for payments in lieu of taxes	(1,386,000)	(1,524,000)
Net movement in regulatory deferral account balances	80,000	(615,000)
Profit for the year and net movements in regulatory deferral account balances	4,044,000	5,146,000
Amortization of change in fair value of interest rate swap	33,000	33,000
Remeasurement of defined benefit plan	-	(21,000)
Total comprehensive income for the year	\$ 4,077,000	\$ 5,158,000
Municipality's share of profit for the year and net movements in regulatory deferral account balances	\$ 151,589	\$ 202,874
Less: dividends received from Lakeland Holding Ltd.	(49,740)	(34,650)
Municipality's share of income, net of dividends	101,849	168,224
Add:		
Gain on business combination excluding gain on other comprehensive income	-	36,337
Gain on business combination relating to other comprehensive income	-	1,591
Municipality's share of amortization of change in fair value of interest rate swap	1,238	1,429
Municipality's share of remeasurement of defined benefit plan	-	(956)
Increase in Municipality's investment	\$ 103,087	\$ 206,625

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

7. TEMPORARY BORROWING

The Municipality has a promissory note payable to the Ontario Infrastructure and Lands Corporation to provide interim financing for funding capital projects to a maximum of \$5,969,605. The note is payable on demand, with interest only, calculated at Infrastructure Ontario's monthly construction interest rate in effect for the interest period, payable monthly. At the end of the year, NIL (2014 \$457,940) of the facility was used. As security, the Municipality has pledged its receivables.

In addition, the Municipality has a credit facility agreement with the Royal Bank of Canada of \$200,000 (2014 \$200,000) of which NIL (2014 NIL) was used at the end of the year.

8. DEFERRED REVENUE-GENERAL

In 2014 the Municipality received funding from the Make a Splash For Stacey Foundation to be used towards the future maintenance of the splashpad. In May 2015, the Municipality agreed to assume responsibility for maintenance of the splashpad, and transferred accumulated funding to a reserve earmarked for this purpose.

The Sundridge and District Medical Centre has an ongoing Rural and Northern Physicians Group Agreement with the Ministry of Health and Long-term Care. Payments received under this agreement are recognized in revenue as the related expenditures are incurred.

Details of the deferred revenue reported on the Consolidated Statement of Financial Position are as follows:

	2015	2014
Balance, beginning of year:		
Medical Centre	\$ 3,278	\$ 7,519
Splashpad	9,816	-
Other	11,303	5,146
	<u>24,397</u>	<u>12,665</u>
Received during the year:		
Medical Centre	124,531	124,148
Splashpad	6,310	9,816
Other	4,071	27,420
	<u>134,912</u>	<u>161,384</u>
Recognized in revenue during the year	(149,994)	(149,652)
Repaid during the year	(3,170)	-
Balance, end of year	\$ 6,145	\$ 24,397
Medical Centre	\$ 4,530	\$ 3,278
Splashpad		9,816
Other deferred revenue	1,615	11,303
Balance, end of year	\$ 6,145	\$ 24,397

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

9. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act, building permit revenue under the Building Code Act and federal gas tax funding under an agreement with the Association of Municipalities of Ontario. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland, revenue recognition occurs when the Municipality has approved eligible expenditures for park and other public recreation purposes. Building permit revenue is recognized when applicable building expenditures are incurred. Gas tax revenue recognition occurs when the Municipality has approved the expenditures for eligible capital works.

Details of the deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position are as follows:

	2015	2014
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 2,126	\$ 2,126
Building Code Act	2,642	912
	<u>4,768</u>	<u>3,038</u>
Received during the year:		
Building Code Act	396	1,730
Federal Gas Tax	57,042	58,586
Interest earned	7	-
	<u>57,445</u>	<u>60,316</u>
Recognized in revenue during the year	<u>(57,042)</u>	<u>(58,586)</u>
Balance, end of year	\$ 5,171	\$ 4,768
Recreational land (the Planning Act)	\$ 2,133	\$ 2,126
Building Code Act	3,038	2,642
Balance, end of year	\$ 5,171	\$ 4,768

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

10. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2015	2014
Ontario Infrastructure and Lands Corporation loan, due November 2044, repayable in monthly payments of \$8,204 including interest calculated at 3.6%	\$ 1,767,593	\$ 1,801,740
Ontario Infrastructure and Lands Corporation loan, due November 2019, repayable in monthly payments of \$4,297 including interest calculated at 1.94%	194,332	241,630
	\$ 1,961,925	\$ 2,043,370

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2016	\$ 83,621	\$ 66,396
2017	85,860	64,156
2018	88,165	61,851
2019	86,242	59,478
2020	40,871	57,580
2021 onwards	1,577,166	777,442
	\$ 1,961,925	\$ 1,086,903

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2015	2014
Principal payments	\$ 81,445	\$ 6,691
Interest	68,407	11,146
	\$ 149,852	\$ 17,837

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

11. 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 rate of 4%, are as follows:

	2015	2014
North Bay Regional Health Centre \$100,000 payable over ten years (2007-2016)	\$ 10,000	\$ 20,000
Less: amount representing interest	(385)	(1,140)
	\$ 9,615	\$ 18,860

12. 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 2% per annum. The liability for these accumulated days amounted to \$32,135 (2014 \$43,704) 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 2% per annum. The liability for the retirement gratuity is estimated at \$49,520 (2014 \$67,835) at the end of the year.

13. COMMITMENTS

In conjunction with the Corporation of the Township of Strong, the Municipality committed to the purchase of a fire pumper truck for the Sundridge-Strong Fire Department from Carrier Centres Inc. - Metalfab at a cost of \$370,512, with the Municipality's share being 50%. The vehicle is expected to be delivered in 2016.

14. CONTINGENCIES

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, 2015

15. TANGIBLE CAPITAL ASSETS

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

2015								
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Wastewater Infrastructure	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	\$ 1,807,686	\$ 1,664,061	\$ 766,429	\$ 520,083	\$ 4,277,524	\$ 8,595,655	\$ 27,788	\$ 17,659,226
Additions and betterments	17,050	-	42,073	3,727	43,871	114,450	24,474	245,645
Contributed assets	-	-	7,370	410	-	-	-	7,780
Disposals and writedowns	(21,858)	(29,400)	(40,025)	(30,020)	(21,838)	-	(17,611)	(160,752)
Transfer between classes	10,177	-	-	-	-	-	(10,177)	-
BALANCE, END OF YEAR	1,813,055	1,634,661	775,847	494,200	4,299,557	8,710,105	24,474	17,751,899
ACCUMULATED AMORTIZATION								
Balance, beginning of year	331,661	698,492	402,111	217,840	3,195,693	675,395	-	5,521,192
Annual amortization	61,368	36,071	40,935	29,035	123,818	111,203	-	402,430
Accumulated amortization-contributed assets	-	-	-	51	-	-	-	51
Amortization disposals	-	(19,111)	(31,863)	(30,020)	(20,966)	-	-	(101,960)
BALANCE, END OF YEAR	393,029	715,452	411,183	216,906	3,298,545	786,598	-	5,821,713
TANGIBLE CAPITAL ASSETS-NET	\$ 1,420,026	\$ 919,209	\$ 364,664	\$ 277,294	\$ 1,001,012	\$ 7,923,507	\$ 24,474	\$ 11,930,186

2014								
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Wastewater Infrastructure	Assets Under Construction	TOTAL
COST								
Balance, beginning of year	\$ 1,522,148	\$ 1,356,487	\$ 647,342	\$ 520,389	\$ 4,277,524	\$ 2,131,239	\$ 1,436,777	\$ 11,891,906
Additions and betterments	29,460	314,869	83,967	2,166	-	5,398,865	21,746	5,851,073
Contributed Air Park assets	-	-	92,657	-	-	-	-	92,657
Disposals and writedowns	-	(9,485)	(57,537)	(2,472)	-	(106,916)	-	(176,410)
Transfer between classes	256,078	2,190	-	-	-	1,172,467	(1,430,735)	-
BALANCE, END OF YEAR	1,807,686	1,664,061	766,429	520,083	4,277,524	8,595,655	27,788	17,659,226
ACCUMULATED AMORTIZATION								
Balance, beginning of year	275,733	672,864	405,394	189,334	3,071,879	656,280	-	5,271,484
Annual amortization	55,928	32,897	37,872	30,978	123,814	68,564	-	350,053
Amortization disposals	-	(7,269)	(41,155)	(2,472)	-	(49,449)	-	(100,345)
BALANCE, END OF YEAR	331,661	698,492	402,111	217,840	3,195,693	675,395	-	5,521,192
TANGIBLE CAPITAL ASSETS-NET	\$ 1,476,025	\$ 965,569	\$ 364,318	\$ 302,243	\$ 1,081,831	\$ 7,920,260	\$ 27,788	\$ 12,138,034

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

16. ACCUMULATED SURPLUS

The 2015 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
RESERVES AND RESERVE FUNDS			
Working capital	\$ 64,831	\$ (6,902)	\$ 57,929
General government retirement gratuity	41,320	825	42,145
Fire	90,746	40,000	130,746
GIS	6,000	-	6,000
Roads capital and construction	655,719	532,000	1,187,719
Roads retirement gratuity	26,515	(22,170)	4,345
Sidewalks	2,394	-	2,394
Wastewater	561,297	(85,418)	475,879
Medical Centre	2,000	(2,000)	-
Medical Centre interest	25,163	-	25,163
Historical book	14,609	86	14,695
Splashpad	-	16,127	16,127
Parks and recreation	86,223	4,100	90,323
Special events, triathlon and sunflower festival	7,694	902	8,596
Official Plan	-	15,000	15,000
Message Board	-	6,548	6,548
Fire Department retirement gratuity	-	2,500	2,500
Arena	5,756	800	6,556
Library	4,129	-	4,129
	1,594,396	502,398	2,096,794
OTHER			
Consolidated tangible capital assets	12,138,034	(207,848)	11,930,186
General operating surplus (deficit)-			
Municipality	182,066	(292,459)	(110,393)
Air Park	(831)	831	-
Arena	8,363	7,677	16,040
Library	(620)	1,935	1,315
Central Almaguin Economic Development Association	5,009	(2,380)	2,629
Medical Centre	(29,101)	11,278	(17,823)
Equity in Lakeland Holding Ltd.	1,481,188	103,087	1,584,275
Unfunded amounts -			
Municipal debt	(2,043,370)	81,445	(1,961,925)
Long-term commitments	(18,860)	9,245	(9,615)
Employee benefits payable	(111,539)	29,884	(81,655)
	\$ 13,204,735	\$ 245,093	\$ 13,449,828

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

17. 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, 2015

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2015

	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
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ 408,923	\$ -	\$ -	\$ -	\$ -	\$ 1,461,458	\$ 1,870,381
User charges	600	475	6,750	-	-	-	27,738	6,730	75	42,368
Government transfers -										
Canada	-	-	-	57,042	-	-	1,750	5,246	-	64,038
Ontario	4,840	24,568	26,034	9,108	123,279	-	8,831	2,401	347,200	546,261
Other municipalities	-	25,453	2,390	-	-	-	3,364	-	-	31,207
Lakeland Holding Ltd. - share of income, net of dividends	-	-	-	-	-	-	-	-	101,849	101,849
Loss on disposal of capital assets	-	(1,078)	(40,103)	-	(17,611)	-	-	-	-	(58,792)
Other	10,810	19,737	10,685	2,394	47,682	-	99,638	59	125,424	316,429
TOTAL REVENUE	16,250	69,155	5,756	477,467	153,350	-	141,321	14,436	2,036,006	2,913,741
EXPENSES										
Salaries, wages and benefits	302,033	91,369	157,697	8,911	45,914	-	109,394	3,074	-	718,392
Long-term debt charges (interest)	-	-	-	68,407	755	-	-	-	-	69,162
Materials	62,566	37,835	127,034	92,918	18,306	-	123,158	1,180	-	462,997
Contracted services	79,536	239,913	67,998	324,274	125,387	-	38,747	10,685	-	886,540
Rents and financial expenses	2,003	227	299	6,792	1,548	-	607	246	-	11,722
External transfers	3,710	-	-	-	31,642	81,354	-	1,937	-	118,643
Interfunctional adjustments	(12,244)	1,500	(7,942)	3,324	3,648	-	11,714	-	-	-
Amortization	8,756	22,627	195,847	126,653	3,756	2,570	40,297	1,924	-	402,430
TOTAL EXPENSES	446,360	393,471	540,933	631,279	230,956	83,924	323,917	19,046	-	2,669,886
ANNUAL SURPLUS (DEFICIT)	\$ (430,110)	\$ (324,316)	\$ (535,177)	\$ (153,812)	\$ (77,606)	\$ (83,924)	\$ (182,596)	\$ (4,610)	\$ 2,036,006	\$ 243,855

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2015

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2014 (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
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ 696,279	\$ -	\$ -	\$ -	\$ -	\$ 1,460,237	\$ 2,156,516
User charges	1,105	238	6,421	-	-	-	27,186	3,536	-	38,486
Government transfers -										
Canada	-	-	-	1,640,089	-	-	1,795	21,246	-	1,663,130
Ontario	-	6,068	28,019	1,589,595	128,388	-	10,859	4,632	347,200	2,114,761
Other municipalities	-	28,289	2,450	-	-	-	3,387	-	-	34,126
Lakeland Holding Ltd. - share of income, net of dividends	-	-	-	-	-	-	-	-	168,224	168,224
Lakeland Holding Ltd. - gain on business combination	-	-	-	-	-	-	-	-	36,337	36,337
Loss on disposal of capital assets	(683)	(589)	(5,748)	(57,467)	-	(341)	(1,191)	-	-	(66,019)
Other	10,315	20,879	11,849	63	41,464	-	170,659	8,450	85,774	349,453
TOTAL REVENUE	10,737	54,885	42,991	3,868,559	169,852	(341)	212,695	37,864	2,097,772	6,495,014
EXPENSES										
Salaries, wages and benefits	313,926	102,338	188,446	13,738	46,793	-	106,607	6,674	-	778,522
Long-term debt charges (interest)	-	-	-	11,146	1,111	-	-	157	-	12,414
Materials	63,722	39,182	127,495	18,548	21,853	-	147,227	13,242	-	431,269
Contracted services	59,061	231,342	129,193	228,275	119,474	-	34,592	5,854	-	807,791
Rents and financial expenses	2,208	460	327	22,848	4,955	-	594	272	-	31,664
External transfers	3,425	-	-	-	30,206	75,769	-	341	-	109,741
Interfunctional adjustments	(8,408)	1,500	(7,547)	4,662	3,648	-	6,145	-	-	-
Amortization	10,302	22,333	197,047	76,289	2,861	2,543	37,434	1,244	-	350,053
TOTAL EXPENSES	444,236	397,155	634,961	375,506	230,901	78,312	332,599	27,784	-	2,521,454
ANNUAL SURPLUS (DEFICIT)	\$ (433,499)	\$ (342,270)	\$ (591,970)	\$ 3,493,053	\$ (61,049)	\$ (78,653)	\$ (119,904)	\$ 10,080	\$ 2,097,772	\$ 3,973,560

THE CORPORATION OF THE VILLAGE OF SUNDRIDGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2015

18. RELATED PARTY TRANSACTIONS

During the normal course of operations, the Municipality received dividends of \$49,740 (2014 \$37,888), made sales in the amount of NIL (2014 \$550) and purchased power in the amount of \$118,000 (2014 \$111,378) 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.

19. 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.

	Budget
ADOPTED BUDGET:	
Decrease in general municipal operating surplus	\$ (182,066)
Decrease in unfinanced capital - Medical Centre	9,600
Decrease in municipal reserves and reserve funds	(241,200)
Decrease in board and joint board general operating surplus and reserves and reserve funds	(2,157)
ADJUSTMENTS:	
Acquisition of tangible capital assets	664,942
Amortization of tangible capital assets	(402,340)
Repayment of municipal debt	81,375
Decrease in long-term commitments	9,245
ANNUAL DEFICIT	\$ (62,601)

20. 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. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$81,924 million with respect to benefits accrued for service with actuarial assets at that date of \$74,947 million indicating an actuarial deficit of \$6,977 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2015 was \$28,836 (2014 \$27,427) for current service and is included as an expense on the Consolidated Statement of Operations.