
BURK'S FALLS AND DISTRICT FIRE DEPARTMENT

FINANCIAL STATEMENTS

DECEMBER 31, 2014

BURK'S FALLS AND DISTRICT FIRE DEPARTMENT

CONTENTS

| | Page |
|--|--------|
| Independent Auditor's Report | 1-2 |
| Statement of Financial Position | 3 |
| Statements of Operations and Accumulated Surplus | 4 |
| Statement of Change in Net Debt | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7 - 12 |

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 Village of Burk's Falls, The Township of Ryerson and The Township of Armour

We have audited the accompanying financial statements of the Burk's Falls and District Fire Department which comprise the statement of financial position as at December 31, 2014 and the statements of operations and accumulated surplus, change in net debt 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 financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Burk's Falls and District Fire Department as at December 31, 2014, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

North Bay, Canada
June 2, 2015

Chartered Accountants
Licensed Public Accountants

BURK'S FALLS AND DISTRICT FIRE DEPARTMENT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

| | 2014 | 2013 |
|---|-------------------|-------------------|
| FINANCIAL ASSETS | | |
| Accounts receivable | \$ 9,718 | \$ 11,924 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 9,518 | 11,724 |
| Long-term debt <i>(Note 2)</i> | 25,902 | 38,870 |
| Employee benefits payable <i>(Note 3)</i> | 4,805 | 3,142 |
| | 40,225 | 53,736 |
| NET DEBT | (30,507) | (41,812) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets - net <i>(Note 4)</i> | 396,088 | 423,411 |
| ACCUMULATED SURPLUS <i>(Note 5)</i> | \$ 365,581 | \$ 381,599 |

APPROVED ON BEHALF OF COUNCIL:

_____ Reeve

BURK'S FALLS AND DISTRICT FIRE DEPARTMENT
STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Budget 2014 <i>(see Note 6)</i> | Actual 2014 | Actual 2013 |
|---|---------------------------------------|-------------------|-------------------|
| REVENUE | | | |
| Municipal contributions - Armour | \$ 196,980 | \$ 178,494 | \$ 175,939 |
| Municipal contributions - Burk's Falls | 115,619 | 104,768 | 103,269 |
| Municipal contributions - Ryerson | 115,619 | 104,768 | 103,269 |
| Other government transfers | 11,700 | 19,949 | 11,788 |
| Other | 2,000 | 3,137 | 2,771 |
| Loss on disposal of capital assets | - | - | (4,508) |
| TOTAL REVENUE | 441,918 | 411,116 | 392,528 |
| EXPENSES | | | |
| Salaries, wages and benefits | 173,670 | 169,758 | 170,578 |
| Interest on long-term debt | 1,010 | 976 | 32 |
| Materials and supplies | 133,955 | 119,813 | 115,112 |
| Contracted services | 91,700 | 77,495 | 88,650 |
| Rent <i>(Note 7)</i> | 3,600 | 3,242 | 2,391 |
| External transfers | - | 75 | - |
| Amortization | 55,800 | 55,775 | 51,231 |
| TOTAL EXPENSES | 459,735 | 427,134 | 427,994 |
| ANNUAL DEFICIT <i>(Note 5)</i> | (17,817) | (16,018) | (35,466) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 381,599 | 381,599 | 417,065 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 363,782 | \$ 365,581 | \$ 381,599 |

The accompanying notes are an integral part of these financial statements

BURK'S FALLS AND DISTRICT FIRE DEPARTMENT
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Budget 2014 <i>(see Note 6)</i> | Actual 2014 | Actual 2013 |
|---|---------------------------------------|--------------------|--------------------|
| Annual deficit | \$ (17,817) | \$ (16,018) | \$ (35,466) |
| Acquisition of tangible capital assets | (25,000) | (28,452) | (58,643) |
| Amortization of tangible capital assets | 55,800 | 55,775 | 51,231 |
| Loss on disposal of tangible capital assets | - | - | 4,508 |
| Decrease (increase) in net debt | 12,983 | 11,305 | (38,370) |
| Net debt, beginning of year | (41,812) | (41,812) | (3,442) |
| Net debt, end of year | \$ (28,829) | \$ (30,507) | \$ (41,812) |

The accompanying notes are an integral part of these financial statements

BURK'S FALLS AND DISTRICT FIRE DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | 2014 | 2013 |
|--|-------------|-------------|
| Operating transactions | | |
| Annual deficit | \$ (16,018) | \$ (35,466) |
| Non-cash charges to operations: | | |
| Amortization | 55,775 | 51,231 |
| Loss on disposal of tangible capital assets | - | 4,508 |
| Change in employee benefits payable | 1,663 | (300) |
| | 41,420 | 19,973 |
| Changes in non-cash items: | | |
| Accounts receivable | 2,206 | (3,867) |
| Accounts payable and accrued liabilities | (2,206) | 3,667 |
| | - | (200) |
| Cash provided by operating transactions | 41,420 | 19,773 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (28,452) | (58,643) |
| Cash applied to capital transactions | (28,452) | (58,643) |
| Financing transactions | | |
| Proceeds of long-term debt | - | 40,000 |
| Debt principal repayments | (12,968) | (1,130) |
| Cash (applied to) provided by financing transactions | (12,968) | 38,870 |
| Net change in cash and cash equivalents | - | - |
| Cash and cash equivalents, beginning of year | - | - |
| Cash and cash equivalents, end of year | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements

BURK'S FALLS AND DISTRICT FIRE DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2014

The Burk's Falls and District Fire Department (the "organization") is a joint committee of the Corporation of the Village of Burk's Falls, the Corporation of the Township of Armour and the Corporation of the Township of Ryerson. In 2014, the municipalities contributed towards the organization in the following proportions: Burk's Falls - 27%; Armour - 46%; Ryerson - 27% (2013 Burk's Falls - 27%; Armour - 46%; Ryerson - 27%).

The financial statements of the organization 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 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 financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the organization are as follows:

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) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but 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.

(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. Borrowing costs related to the acquisition of tangible capital assets are expensed in the year incurred. 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
Machinery and equipment - 10 to 20 years
Vehicles - 5 to 15 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.

Tangible capital assets received as donations are recorded at their fair value at the date of receipt.

BURK'S FALLS AND DISTRICT FIRE DEPARTMENTNOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2014

- (iii) 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 Statement of Operations as the stipulation liabilities are settled.

- (iv) Pensions and employee benefits
The organization 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 under employee benefits payable are accrued as the employees render the services necessary to earn the benefits.

- (v) 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 organization may undertake in the future. Significant accounting estimates include estimated useful lives of tangible capital assets and employee benefits payable. Actual results could differ from these estimates.

BURK'S FALLS AND DISTRICT FIRE DEPARTMENTNOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 20142. LONG-TERM DEBT

(a) The balance of the long-term debt reported on the Statement of Financial Position is made up of the following:

| | 2014 | 2013 |
|---|------------------|------------------|
| Royal Bank of Canada term loan, due November 2016, repayable in monthly payments of \$1,162 including interest calculated at 2.96%. As security, the organization has pledged the equipment to which the loan relates (carrying value \$33,413) | \$ 25,902 | \$ 38,870 |

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

| | Principal | | Interest | |
|------|-----------|---------------|-----------|------------|
| 2015 | \$ | 13,358 | \$ | 586 |
| 2016 | | 12,544 | | 238 |
| 2017 | | - | | - |
| 2018 | | - | | - |
| | \$ | 25,902 | \$ | 824 |

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

| | 2014 | 2013 |
|--------------------|------------------|-----------------|
| Principal payments | \$ 12,968 | \$ 1,130 |
| Interest | 976 | 32 |
| | \$ 13,944 | \$ 1,162 |

3. EMPLOYEE BENEFITS PAYABLE

Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and employees may become entitled to a cash payment when they leave the organization'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 \$4,805 (2013 \$3,142) at the end of the year.

BURK'S FALLS AND DISTRICT FIRE DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS Year Ended December 31, 2014

4. TANGIBLE CAPITAL ASSETS

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

| 2014 | | | | | | |
|------------------------------------|-----------------|-----------------|----------------------------|-------------------|-------------------|--|
| | Land | Buildings | Machinery and Equipment | Vehicles | TOTAL | |
| COST | | | | | | |
| Balance, beginning of year | \$ 9,035 | \$ 42,642 | \$ 177,394 | \$ 576,850 | \$ 805,921 | |
| Additions and betterments | - | - | - | 28,452 | 28,452 | |
| BALANCE, END OF YEAR | 9,035 | 42,642 | 177,394 | 605,302 | 834,373 | |
| ACCUMULATED AMORTIZATION | | | | | | |
| Balance, beginning of year | - | 37,344 | 69,749 | 275,417 | 382,510 | |
| Annual amortization | - | 137 | 13,775 | 41,863 | 55,775 | |
| BALANCE, END OF YEAR | - | 37,481 | 83,524 | 317,280 | 438,285 | |
| TANGIBLE CAPITAL ASSETS-NET | \$ 9,035 | \$ 5,161 | \$ 93,870 | \$ 288,022 | \$ 396,088 | |

| 2013 | | | | | | |
|------------------------------------|-----------------|-----------------|----------------------------|-------------------|-------------------|--|
| | Land | Buildings | Machinery and Equipment | Vehicles | TOTAL | |
| COST | | | | | | |
| Balance, beginning of year | \$ 9,035 | \$ 42,642 | \$ 152,100 | \$ 557,516 | \$ 761,293 | |
| Additions and betterments | - | - | 39,309 | 19,334 | 58,643 | |
| Disposals and writedowns | - | - | (14,015) | - | (14,015) | |
| BALANCE, END OF YEAR | 9,035 | 42,642 | 177,394 | 576,850 | 805,921 | |
| ACCUMULATED AMORTIZATION | | | | | | |
| Balance, beginning of year | - | 37,206 | 66,996 | 236,584 | 340,786 | |
| Annual amortization | - | 138 | 12,260 | 38,833 | 51,231 | |
| Amortization disposals | - | - | (9,507) | - | (9,507) | |
| BALANCE, END OF YEAR | - | 37,344 | 69,749 | 275,417 | 382,510 | |
| TANGIBLE CAPITAL ASSETS-NET | \$ 9,035 | \$ 5,298 | \$ 107,645 | \$ 301,433 | \$ 423,411 | |

BURK'S FALLS AND DISTRICT FIRE DEPARTMENTNOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 20145. ACCUMULATED SURPLUS

The 2014 continuity of accumulated surplus reported on the Statement of Financial Position is as follows:

| | Balance Beginning of Year | Annual Surplus (Deficit) | Balance End of Year |
|------------------------------------|---------------------------------|---------------------------------|------------------------|
| Tangible capital assets | \$ 423,411 | \$ (27,323) | \$ 396,088 |
| Reserves | 200 | - | 200 |
| Unfunded employee benefits payable | (3,142) | (1,663) | (4,805) |
| Unfunded long-term debt | (38,870) | 12,968 | (25,902) |
| | \$ 381,599 | \$ (16,018) | \$ 365,581 |

6. 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: | |
| Change in general operating surplus | \$ - |
| ADJUSTMENTS: | |
| Acquisition of tangible capital assets | 25,000 |
| Amortization of tangible capital assets | (55,800) |
| Budgeted decrease in long-term debt | 12,983 |
| ANNUAL DEFICIT | \$ (17,817) |

7. MUNICIPAL TRANSACTIONS

During the normal course of operations, the organization rents office space from the Village of Burk's Falls at an annual cost of \$3,600 including HST. All related party transactions are recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. SEGMENT DISCLOSURE AND EXPENSES BY OBJECT

Since the organization's operations are not considered diverse and operations are managed as one department, no segment disclosure has been provided. In addition, supplementary expenses by object information has been omitted as it would not provide additional meaningful information not readily determinable from the Statement of Operations.

BURK'S FALLS AND DISTRICT FIRE DEPARTMENTNOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2014

9. PENSION AGREEMENTS

The organization 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, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million with respect to benefits accrued for service with actuarial assets at that date of \$64,363 million indicating an actuarial deficit of \$8,641 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 organization does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2014 was \$11,492 (2013 \$13,666) for current service and is included as an expense on the Statement of Operations.