

FINANCIAL STATEMENTS
For the
CORPORATION OF THE TOWNSHIP OF NORTH STORMONT
For year ended
DECEMBER 31, 2016

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

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DECEMBER 31, 2016

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the **Corporation of the Township of North Stormont** are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Welch LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Corporation of the Township of North Stormont and meet when required.

On behalf of the Corporation of the Township of North Stormont:



Marc Chénier
Chief Administrative Officer/Clerk

Berwick, Ontario
May 9, 2017



Catherine Borelly, CPA, CGA
Director of Finance/Treasurer



INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the:

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

We have audited the accompanying financial statements of the **Corporation of the Township of North Stormont** which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net financial liabilities 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 of 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 Township'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 Township'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 **Corporation of the Township of North Stormont** as at December 31, 2016 and its results of operations, changes in net financial liabilities and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Welch LLP

**Cornwall, Ontario
May 9, 2017**

**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Financial assets		
Cash (note 2)	\$ 829,892	\$ 513,903
Taxes receivable	985,409	954,723
Accounts receivable (note 4)	1,237,631	1,236,491
Long-term receivables	<u>202,199</u>	<u>192,267</u>
	<u>3,255,131</u>	<u>2,897,384</u>
Financial liabilities		
Accounts payable and accrued liabilities	403,803	450,129
Employee benefits payable (note 6)	220,208	51,952
Deferred revenue - obligatory reserve funds (note 5)	43,166	198,074
Municipal debt (note 8)	<u>3,012,015</u>	<u>2,885,931</u>
	<u>3,679,192</u>	<u>3,586,086</u>
Net financial liabilities	<u>(424,061)</u>	<u>(688,702)</u>
Non-financial assets		
Tangible capital assets (note 7)	32,351,544	32,398,985
Inventories	69,900	82,231
Prepaid expenses	<u>2,753</u>	<u>4,354</u>
	<u>32,424,197</u>	<u>32,485,570</u>
Accumulated surplus (note 9)	<u>\$ 32,000,136</u>	<u>\$ 31,796,868</u>

Contingencies (note 14)

The accompanying notes are an integral part of these financial statements.

(See accompanying notes)

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CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> <u>Budget</u> (Note 10)	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Operating revenues			
Municipal taxation	\$ 2,687,615	\$ 2,724,895	\$ 2,474,437
User charges	1,648,062	1,917,660	1,667,276
Government transfers - operating	1,030,776	1,220,754	1,092,865
Investment income	18,000	7,685	14,350
Interest and penalties on taxes	150,000	151,878	143,744
Donations and other income	1,000	10,264	37,925
	<u>5,535,453</u>	<u>6,033,136</u>	<u>5,430,597</u>
Operating expenditures			
General government	813,987	929,608	860,669
Protection to persons and property	712,803	724,727	704,055
Transportation services	2,263,420	2,203,995	2,207,882
Environmental services	382,116	410,944	398,474
Water and sewer services	730,874	749,876	841,003
Health services	28,000	38,743	22,030
Recreational and cultural services	744,639	801,464	719,650
Planning and development	188,512	372,282	277,527
	<u>5,864,351</u>	<u>6,231,639</u>	<u>6,031,290</u>
Net operating expenditures	<u>(328,898)</u>	<u>(198,503)</u>	<u>(600,693)</u>
Other income and (expenses) related to capital			
Government transfers - capital	397,173	401,771	-
Loss on disposal of tangible capital assets	-	-	(37,998)
	<u>397,173</u>	<u>401,771</u>	<u>(37,998)</u>
Annual surplus (deficit)	68,275	203,268	(638,691)
Accumulated surplus at beginning of year	<u>31,796,868</u>	<u>31,796,868</u>	<u>32,435,559</u>
Accumulated surplus at end of year	<u>\$ 31,865,143</u>	<u>\$ 32,000,136</u>	<u>\$ 31,796,868</u>

(See accompanying notes)

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CORPORATION OF THE TOWNSHIP OF NORTH STORMONT
STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> <u>Budget</u> <small>(Note 10)</small>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Annual surplus (deficit)	\$ 68,275	\$ 203,268	\$ (638,691)
Amortization of tangible capital assets	1,181,180	1,181,180	1,101,776
Acquisition of tangible capital assets	(837,388)	(1,133,739)	(658,958)
Loss on sale of tangible capital assets	-	-	37,998
Proceeds on sale of tangible capital assets	-	-	25,513
Change in inventory	-	12,331	(14,464)
Change in prepaid expenses	<u>-</u>	<u>1,601</u>	<u>-</u>
Decrease (increase) in net financial liabilities	412,067	264,641	(146,826)
Net financial liabilities at beginning of year	<u>(688,702)</u>	<u>(688,702)</u>	<u>(541,876)</u>
Net financial liabilities at end of year	<u>\$ (276,635)</u>	<u>\$ (424,061)</u>	<u>\$ (688,702)</u>

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Annual surplus (deficit)	\$ 203,268	\$ (638,691)
Items not affecting cash:		
Amortization	1,181,180	1,101,776
Loss on sale of tangible capital assets	<u>-</u>	<u>37,998</u>
	1,384,448	501,083
Net changes in non-cash working capital items:		
Taxes receivable	(30,686)	25,563
Accounts receivable	(1,140)	(108,461)
Inventories	12,331	(14,464)
Prepaid expenses	1,601	-
Accounts payable and accrued liabilities	(46,326)	(120,986)
Employee benefits payable	168,256	(10,481)
Deferred revenue	<u>(154,908)</u>	<u>198,074</u>
	<u>1,333,576</u>	<u>470,328</u>
Cash flows from capital activities		
Acquisition of tangible capital assets	(1,133,739)	(658,958)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>25,513</u>
	<u>(1,133,739)</u>	<u>(633,445)</u>
Cash flows from investing activities		
Advances of long-term receivables	(50,000)	-
Repayment of long-term receivable	<u>40,068</u>	<u>71,846</u>
	<u>(9,932)</u>	<u>71,846</u>
Cash flows from financing activities		
Municipal debt debt repaid	(336,416)	(276,137)
Proceeds from long-term debt	<u>462,500</u>	<u>862,837</u>
	<u>126,084</u>	<u>586,700</u>
Increase in cash	315,989	495,429
Cash at beginning of year	<u>513,903</u>	<u>18,474</u>
Cash at end of year	<u>\$ 829,892</u>	<u>\$ 513,903</u>

(See accompanying notes)

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CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

NATURE OF OPERATIONS

The Corporation of the Township of North Stormont (the "Township") was incorporated on January 1, 1998 and is a lower tier municipality in the Province of Ontario. The Township is responsible for providing a variety of municipal services to its residents. The Township conducts its operations under the direction of its elected Council, guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township are prepared by management in accordance with Canadian generally accepted accounting policies for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. These financial statements include the following significant accounting policies:

a) *Reporting entity*

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all municipal organizations, committees, and local boards accountable to the Township, and which are owned or controlled by the Township.

b) *Accounting for United Counties and School Board transactions*

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

c) *Trust funds*

Trust funds and their related operations administered by the Township are not reflected in these financial statements, but are reported separately.

d) *Basis of accounting*

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon cost of goods or services acquired.

e) *Deferred revenue*

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

f) *Reserve and reserve funds*

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

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Government transfers*

Government transfers are recognized as revenues or expenditures in the period in which the events giving rise to the transfer occurred, provided the transfers are authorized, any eligibility criteria have been met by the recipient, and a reasonable estimates of the amounts can be made.

h) *Taxation and related revenues*

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council incorporating amounts to be raised for local services and amounts the Township is required to collect on behalf of the United Counties of Stormont, Dundas and Glengarry and the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Township determines the taxes applicable and renders supplementary tax billings. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the period they are determined and the effect shared with the school boards as appropriate.

i) *Contaminated Sites Liability*

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when, as at the financial reporting date, all of the following criteria are met for a site or a portion of a site which is no longer in productive use:

- (a) an environmental standard exists;
- (b) contamination exceeds environmental standard;
- (c) the Township is directly responsible or accepts responsibility; and
- (d) a reasonable estimate of the amount can be made.

j) *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 reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the year they become known. Management makes accounting estimates when determining the estimated useful life of the Township's tangible capital assets, its allowance for doubtful accounts, and the accrued liability for employee benefits. Actual results could differ from those estimates.

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) *Tangible capital assets*

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

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

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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

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

2. CASH

Cash consists of the following:

	<u>2016</u>	<u>2015</u>
Unappropriated cash	\$650,549	\$180,602
Restricted under federal gas tax agreement	43,166	198,074
Restricted for water and sewer equipment replacement	<u>136,177</u>	<u>135,227</u>
	<u>\$829,892</u>	<u>\$513,903</u>

3. CREDIT FACILITY

The Township has a revolving operating credit facility of up to \$2,070,000 with its main financial institution to finance current expenditures pending receipt of property taxes. The credit facility bears interest at prime and was unused at year end.

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2016</u>	<u>2015</u>
Water and sewer user fees receivables	\$ 214,191	\$ 167,047
Excise tax rebates receivable	76,122	226,004
Municipal drains charges receivable	139,417	159,956
Zoning charges receivable	65,356	78,804
Accounts receivable - other	<u>742,545</u>	<u>604,680</u>
	<u>\$1,237,631</u>	<u>\$1,236,491</u>

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

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

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ <u>198,074</u>	\$ <u>-</u>
Transactions in year:		
Grants received in year	205,982	196,173
Interest earned and other	1,321	1,901
Transferred to revenue	<u>(362,211)</u>	<u>-</u>
	<u>(154,908)</u>	<u>198,074</u>
Balance at end of year	<u>\$ 43,166</u>	<u>\$ 198,074</u>

6. EMPLOYEE BENEFITS PAYABLE

The Township provides certain employee benefits that will require funding in future periods for sick leave benefits, vacation pay and banked time owing. Under the present sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment. The Township is presently evaluating its sick leave policy and is expecting to eliminate this accumulated sick leave bank within the next eight years by allowing active employees to use their banked sick time to pay for disability premiums. The liability for sick leave benefits at December 31, 2016 has been estimated based on the following assumptions: a discount rate of 2.7%, future salary rate increases of 2% per annum and projected cash payments as projected by management. Vacation pay and banked time liabilities have been estimated based on pay rates in effect at December 31, 2016 and are expected to be paid out over the next fiscal year.

Employee benefits payable is comprised of:

	<u>2016</u>	<u>2015</u>
Sick leave benefits	\$ 143,371	\$ -
Vacation pay	44,579	36,965
Banked time	<u>32,258</u>	<u>14,987</u>
	<u>\$220,208</u>	<u>\$ 51,952</u>

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets consists of the following:

<u>Cost</u>	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2016</u>
Land	\$ 20,111	\$ 446	\$ -	\$ 20,557
Buildings	10,281,633	35,587	-	10,317,220
Vehicles	4,559,602	428,644	-	4,988,246
Equipment	1,778,479	114,959	-	1,893,438
Roads	8,030,184	392,806	-	8,422,990
Bridges	4,041,398	96,655	-	4,138,053
Water and sewer	<u>20,015,745</u>	<u>64,642</u>	<u>-</u>	<u>20,080,387</u>
	<u>\$48,727,152</u>	<u>\$1,133,739</u>	<u>\$ -</u>	<u>\$49,860,891</u>

<u>Accumulated Amortization</u>	<u>Balance December 31, 2015</u>	<u>Amortization Expense</u>	<u>Disposals</u>	<u>Balance December 31, 2016</u>
Land	\$ -	\$ -	\$ -	\$ -
Buildings	3,424,554	246,358	-	3,670,912
Vehicles	1,573,393	250,086	-	1,823,479
Equipment	847,788	80,901	-	928,689
Roads	3,240,674	301,534	-	3,542,208
Bridges	1,541,709	82,953	-	1,624,662
Water and sewer	<u>5,700,049</u>	<u>219,348</u>	<u>-</u>	<u>5,919,397</u>
	<u>\$16,328,167</u>	<u>\$1,181,180</u>	<u>\$ -</u>	<u>\$17,509,347</u>

<u>Net book value</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Land	\$ 20,111	\$ 20,557
Buildings	6,857,079	6,646,308
Vehicles	2,986,209	3,164,767
Equipment	930,691	964,749
Roads	4,789,510	4,880,782
Bridges	2,499,689	2,513,391
Water and sewer	<u>14,315,696</u>	<u>14,160,990</u>
	<u>\$32,398,985</u>	<u>\$32,351,544</u>

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

8. MUNICIPAL DEBT

Municipal debt consists of the following:

	<u>2016</u>	<u>2015</u>
<u>Ontario Infrastructure and Lands Corporation:</u>		
Debenture loan - 3.24% repayable in blended semi-annual payments of \$51,246, due November, 2034	\$1,389,570	\$1,445,672
Debenture loans - 2.38% repayable in blended semi-annual payments of \$35,990, due July, 2025	580,062	637,215
Debenture loan - 2.39% repayable in blended semi-annual payments of \$23,310, due December, 2026	412,500	-
Debenture loan - 1.66% repayable in blended semi-annual payments of \$23,605, due July, 2020	181,977	225,622
Debenture loan - 3.23% repayable in blended semi-annual payments of \$14,433, due September, 2023	179,596	202,071
Debenture loan - 4.46% repayable in blended semi-annual payments of \$16,787, due March, 2019	<u>78,598</u>	<u>107,690</u>
	<u>2,822,303</u>	<u>2,618,270</u>
<u>Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA):</u>		
Tile drainage debenture loans - 6% repayable over a ten year period in blended annual payments ranging between \$870 and \$6,793, maturity dates ranging from 2017 to 2026	185,525	192,267
Other	<u>4,187</u>	<u>75,394</u>
	<u>\$3,012,015</u>	<u>\$2,885,931</u>

The Township has offsetting tile drain loans receivable from property owners with the same terms and maturity dates as the OMAFRA tile drain loans above. These loans receivable have been included in long-term receivables on the statement of financial position.

Principal repayments on municipal debt are estimated to be as follows:

2017	\$ 278,906
2018	285,714
2019	271,317
2020	262,227
2021	220,193
2022 and subsequent	<u>1,693,658</u>
	<u>\$3,012,015</u>

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

9. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2016</u>	<u>2015</u>
Invested in tangible capital assets:		
Equity in tangible capital assets	32,351,544	32,398,985
Less: related debt	<u>(2,826,490)</u>	<u>(2,693,133)</u>
	<u>29,525,054</u>	<u>29,705,852</u>
Reserves:		
Working capital	1,088,087	695,165
Transportation	299,000	260,000
Elections	10,000	5,000
Fire	100,000	-
Water and sewer	844,258	844,258
Capital	69,840	69,840
Landfill	20,000	20,000
Infrastructure	<u>145,070</u>	<u>132,305</u>
	<u>2,576,255</u>	<u>2,026,568</u>
Reserve funds:		
Water and sewer equipment replacement	<u>136,177</u>	<u>135,227</u>
Amounts to be recovered from future revenues:		
Accrued interest	(17,143)	(18,827)
Future employee benefits	<u>(220,207)</u>	<u>(51,952)</u>
	<u>(237,350)</u>	<u>(70,779)</u>
	<u>\$ 32,000,136</u>	<u>\$ 31,796,868</u>

10. BUDGETED FIGURES

The budgeted figures are presented for comparison purposes as prepared and approved by the Township's Council. The budget figures have been adjusted from the cash basis of accounting as originally prepared and have been restated as follows to conform with Canadian public sector accounting standards:

	<u>2016</u>
Annual surplus as budgeted	\$ -
Add:	
Capital expenditures expensed	837,388
Principal repayment of municipal debt expensed	344,449
Transfers to reserves expensed	156,765
Less:	
Principal repayment of tile drain loans receivable included as income	(89,147)
Amortization of tangible capital assets not recorded	<u>(1,181,180)</u>
Annual surplus as presented on the statement of operations	<u>\$ 68,275</u>

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

11. SEGMENTED INFORMATION

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the statement of operations. Departments have been separately disclosed in the segmented information. For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those in the preparation of the financial statements as disclosed in note 1. The nature of the Township's segments and the activities they encompass are as follows:

General Government

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

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

Environmental services includes waste collection, disposal and recycling services.

Water and Sewer Services

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

Health Services

Health services includes health and safety programs, cemetery maintenance and costs related to medical centres.

Recreation and Cultural Services

Recreation and cultural services includes services that contribute to the Township's development and sustainability through the provision of recreation and leisure programs including community halls, libraries, parks, recreation fields and arenas.

Planning and Development

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

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

11. SEGMENTED INFORMATION (continued)

	<u>General Government</u>	<u>Protection</u>	<u>Transportation</u>	<u>Environment</u>	<u>Water and Sewer</u>	<u>Health</u>	<u>Recreation and Cultural</u>	<u>Planning and Development</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
Revenues										
Municipal taxation	\$ 387,892	\$ 469,044	\$ 1,352,885	\$ -	\$ -	\$ 5,423	\$ 389,719	\$ 119,932	\$ 2,724,895	\$ 2,474,437
User charges	45,944	179,863	2,461	523,654	797,313	44,786	233,582	90,057	1,917,660	1,667,276
Government transfers	173,777	210,132	606,093	-	-	2,429	174,594	53,729	1,220,754	1,092,865
- operating										
Government transfers	-	-	401,771	-	-	-	-	-	401,771	-
- capital										
Other	164,137	-	-	-	5,690	-	-	-	169,827	196,019
	<u>771,750</u>	<u>859,039</u>	<u>2,363,210</u>	<u>523,654</u>	<u>803,003</u>	<u>52,638</u>	<u>797,895</u>	<u>263,718</u>	<u>6,434,907</u>	<u>5,430,597</u>
Expenditures										
Wages and benefits	619,634	304,925	775,868	131,770	-	-	220,479	67,273	2,119,949	1,753,198
Interest municipal debt	-	14,324	7,817	-	-	-	51,051	10,853	84,045	90,073
Materials and services	258,243	187,893	678,751	84,187	5,405	24,542	219,892	294,156	1,753,069	1,649,158
Contracted services	17,130	20,870	136,157	131,780	508,967	-	-	-	814,904	1,050,829
Insurance and	27,793	25,118	36,418	-	16,156	14,201	47,235	-	166,921	183,687
financial costs										
Third party transfers	-	36,898	-	-	-	-	74,673	-	111,571	202,569
Other	-	-	-	-	-	-	-	-	-	37,998
Amortization	6,808	134,699	568,984	63,207	219,348	-	188,134	-	1,181,180	1,101,776
	<u>929,608</u>	<u>724,727</u>	<u>2,203,995</u>	<u>410,944</u>	<u>749,876</u>	<u>38,743</u>	<u>801,464</u>	<u>372,282</u>	<u>6,231,639</u>	<u>6,069,288</u>
Net surplus (deficit)	\$ (157,858)	\$ 134,312	\$ 159,215	\$ 112,710	\$ 53,127	\$ 13,895	\$ (3,569)	\$ (108,564)	\$ 203,268	\$ (638,691)

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

12. OPERATION OF SCHOOL BOARDS AND THE UNITED COUNTIES

The following taxation revenues were raised and remitted to school boards and the United Counties of Stormont, Dundas and Glengarry:

	<u>2016</u>	<u>2015</u>
School boards	<u>\$ 1,676,337</u>	<u>\$ 1,573,231</u>
United Counties of Stormont, Dundas and Glengarry	<u>\$ 3,952,840</u>	<u>\$ 3,766,157</u>

13. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees, based on length of service and rates of pay. OMERS provides pension services to approximately 1,000 employers and 470,000 plan members.

Each year an independent actuary determines the funding status of the OMERS pension plan (the Plan) by comparing the actuarial value of the 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, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million in respect of defined benefit obligations with actuarial assets of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of employers and plan members participating in the Plan. The Township has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. As a result, the Township does not recognize any share of the OMERS pension deficit.

The amount contributed to OMERS for 2016 was \$100,564 (2015 - \$98,842) for current service and is included as an expenditure on the statement of operations.

14. CONTINGENCIES

In 2014, the Government of Ontario expanded regulations to include six additional cancers presumed to be work related for firefighters under the Workplace Safety and Insurance Act. This change is retroactive to January 1, 1960. The Workplace Safety and Insurance Board (WSIB) has determined a potential liability for all Schedule 2 employers based on the total number of firefighters employed across the province. As the WSIB potential liability has been based on assumptions and general allocations and no specific claims have been filed with the Township, no provision for potential claims has been recorded in these financial statements.

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2016, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in these financial statements.

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

15. EXPENSES BY OBJECT

Operating expenditures by object is summarized as follows:

	<u>2016</u>	<u>2015</u>
Wages and benefits	\$2,119,949	\$1,753,198
Interest on municipal debt	84,045	90,073
Materials and services	1,753,069	1,649,158
Contracted services	814,904	1,050,829
Insurance and financial costs	166,921	183,687
Third party transfers	111,571	202,569
Amortization	<u>1,181,180</u>	<u>1,101,776</u>
	<u>\$6,231,639</u>	<u>\$6,031,290</u>

16. COMPARATIVE FIGURES

Comparative figures have been audited by another auditor and have been reclassified where necessary to conform to the presentation adopted for 2016.

CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

SCHEDULE 1 - FIVE YEAR FINANCIAL REVIEW (unaudited)

DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Population (MPAC)	5,766	5,804	5,938	5,938	5,934
Number of Households (MPAC)	2,922	2,828	2,815	2,815	2,765
Taxable Assessment (000's)					
Residential and farm	\$ 885,865	\$ 818,476	\$ 742,590	\$ 675,077	\$ 600,528
Commercial and industrial	31,748	29,885	26,672	24,648	22,819
Exempt	<u>24,442</u>	<u>22,928</u>	<u>22,463</u>	<u>22,188</u>	<u>21,554</u>
Total	<u>\$ 942,055</u>	<u>\$ 871,289</u>	<u>\$ 791,725</u>	<u>\$ 721,913</u>	<u>\$ 644,901</u>
Property Taxes Billed (000's)					
Own purpose	\$ 2,725	\$ 2,474	\$ 2,343	\$ 2,337	\$ 2,186
Upper-Tier Municipality	3,952	3,766	3,578	3,414	3,265
School Boards	<u>1,676</u>	<u>1,573</u>	<u>1,505</u>	<u>1,424</u>	<u>1,365</u>
Total	<u>\$ 8,353</u>	<u>\$ 7,813</u>	<u>\$ 7,426</u>	<u>\$ 7,175</u>	<u>\$ 6,816</u>
Tax Arrears					
% of own levy	36 %	39 %	42 %	47 %	56 %
% of total levy	12 %	12 %	13 %	15 %	18 %
Municipal Debt (000's)					
Municipal debt	\$ 3,012	\$ 2,886	\$ 2,299	\$ 960	\$ 883
Annual debt charges	\$ 356	\$ 294	\$ 210	\$ 174	\$ 168
Municipal Equity (000's)					
Surplus and reserves	\$ 2,712	\$ 2,162	\$ 2,038	\$ 2,102	\$ 2,916
Invested in Tangible Capital Assets	\$ 29,525	\$ 29,706	\$ 30,871	\$ 30,916	\$ 29,857
Reserves as % of operating expenses	43.52 %	35.85 %	33.00 %	38.00 %	54.00 %
Financial Indicators:					
Sustainability:					
Financial assets to liabilities	0.88 %	0.81 %	0.85 %	1.57 %	2.21 %
Municipal debt to tangible capital assets	9.31 %	8.91 %	6.99 %	3.04 %	2.92 %
Flexibility:					
Debt charges to total operating revenue	5.90 %	5.42 %	3.86 %	2.97 %	3.08 %
Total operating revenue to taxable assessment	0.64 %	0.62 %	0.69 %	0.81 %	0.85 %
Vulnerability:					
Operating government transfers to operating revenues	20.23 %	20.12 %	22.20 %	23.03 %	29.98 %
Total government transfers to total revenues	26.89 %	20.12 %	25.62 %	28.83 %	39.61 %