

**Corporation of the Township of
Hornepayne
Consolidated Financial Statements
For the year ended December 31, 2017**

Corporation of the Township of Hornepayne
Consolidated Financial Statements
For the year ended December 31, 2017

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Corporation of the Township of Hornepayne Management's Responsibility for Financial Reporting

December 31, 2017

The accompanying consolidated financial statements of the Corporation of the Township of Hornepayne and all the information in this annual report are the responsibility of management and have been approved by the CAO/Clerk and Treasurer on behalf of Council.

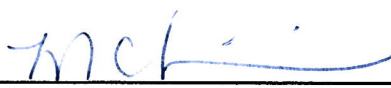
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The municipality maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the municipality's assets are appropriately accounted for and adequately safeguarded.

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

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the ratepayers and inhabitants of the municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the municipality's consolidated financial statements.


_____ CAO/Clerk


_____ Treasurer



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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Hornepayne

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Hornepayne, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations, 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 Consolidated 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 consolidated financial position of the Corporation of the Township of Hornepayne as at December 31, 2017 and the consolidated results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
May 2, 2018

**Corporation of the Township of Hornepayne
Consolidated Statement of Financial Position**

December 31	2017	Restated, see note 9 2016
Financial assets		
Cash and cash equivalents	\$ 485,951	\$ 1,789,220
Taxes receivable	271,697	228,272
Accounts receivable	520,721	891,585
Inventories for resale	18,975	19,843
	1,297,344	2,928,920
Liabilities		
Accounts payable and accrued liabilities	361,945	519,465
Employee benefits plan liability (Note 4)	34,800	30,800
Deferred revenue (Note 5)	59,226	1,322,272
Net long term debt (Note 6)	1,409,716	1,472,253
Solid waste closure and post-closure liabilities (Note 7)	324,913	287,881
	2,190,600	3,632,671
Net debt	(893,256)	(703,751)
Non-financial assets		
Inventories for resale	199,930	210,412
Tangible capital assets (Note 10)	15,350,341	14,164,357
Prepaid expenses and inventories of supplies	26,721	27,196
	15,576,992	14,401,965
Accumulated surplus (Note 11)	\$ 14,683,736	\$ 13,698,214

The accompanying notes are an integral part of these financial statements

**Corporation of the Township of Hornepayne
Consolidated Statement of Operations**

For the year ended December 31	Budget 2017	2017	Restated, see note 9 2016
Revenue			
Taxation (Note 2)	\$ 1,606,075	\$ 1,609,619	\$ 1,558,216
Government grants - Federal	77,028	64,977	193,693
Government grants - Provincial	2,302,472	2,740,459	2,744,273
User fees and service charges	1,123,140	1,086,458	1,173,655
Licenses, permits and rents	320,630	126,287	55,645
Penalties and interest on taxes	28,200	53,187	32,077
Fines and interest penalties	33,720	37,031	37,458
Investment income	15,650	1,800	20,405
Donation and other	44,900	50,524	6,918
Gain (loss) on disposal of tangible capital assets and land	-	(85,586)	(20,174)
	<u>5,551,815</u>	<u>5,684,756</u>	<u>5,802,166</u>
Expenses			
General government	772,561	824,325	710,450
Protection services	331,000	333,055	254,076
Transportation services	944,657	829,172	835,655
Environmental services	2,038,214	1,965,105	1,814,410
Health services	37,000	155,117	122,240
Social and family services	138,090	82,822	77,109
Recreation and cultural services	852,571	487,872	474,637
Planning and development	57,600	21,766	14,331
	<u>5,171,693</u>	<u>4,699,234</u>	<u>4,302,908</u>
Annual surplus	380,122	985,522	1,499,258
Accumulated surplus, beginning of year	<u>13,698,214</u>	<u>13,698,214</u>	<u>12,198,956</u>
Accumulated surplus, end of year	<u>\$ 14,078,336</u>	<u>\$ 14,683,736</u>	<u>\$ 13,698,214</u>

**Corporation of the Township of Hornepayne
Consolidated Statement of Change in Net Debt**

For the year ended December 31	Budget 2017	2017	Restated, see note 9 2016
Annual surplus	\$ 380,122	\$ 985,522	\$ 1,499,258
Acquisition of tangible capital assets	(2,009,756)	(2,098,021)	(2,200,661)
Amortization of tangible capital assets	716,681	716,681	746,064
Loss on sale of tangible capital assets	-	195,356	83,246
	(912,953)	(200,462)	127,907
Prepaid expenses and inventory of supplies	-	475	49,802
Inventories for resale	-	10,482	(60,070)
Net change in net debt	(912,953)	(189,505)	117,639
Net debt, beginning of year	(703,751)	(703,751)	(821,390)
Net debt, end of year	\$ (1,616,704)	\$ (893,256)	\$ (703,751)

Corporation of the Township of Hornepayne
Consolidated Statement of Cash Flows

For the year ended December 31	2017	Restated, see note 9 2016
Operating transactions		
Annual surplus	\$ 985,522	\$ 1,499,258
Items not involving cash		
Amortization	716,681	746,064
Disposal of tangible capital assets	195,356	83,246
Changes in non-cash operating balances		
Taxes receivable	(43,425)	(119,627)
Accounts receivable	370,864	(456,682)
Inventories for resale	11,350	(57,978)
Prepaid expenses and inventories of supplies	475	49,802
Accounts payable and accrued liabilities	(157,520)	197,950
Employee benefits plan liability	4,000	6,000
Deferred revenue	(1,263,046)	149,984
Solid waste closure and post closure liabilities	37,032	31,288
	<u>857,289</u>	<u>2,129,305</u>
Capital transactions		
Acquisition of tangible capital assets	(2,098,021)	(2,200,661)
Financing transactions		
Proceeds from issuance of long-term debt	-	406,000
Repayment of long term debt	(62,537)	(43,748)
	<u>(1,303,269)</u>	<u>290,896</u>
Net change in cash and cash equivalents	(1,303,269)	290,896
Cash and cash equivalents, beginning of year	1,789,220	1,498,324
Cash and cash equivalents, end of year	\$ 485,951	\$ 1,789,220

The accompanying notes are an integral part of these financial statements

Corporation of the Township of Hornepayne Notes to Consolidated Financial Statements

December 31, 2017

1. Significant of significant accounting policies

The consolidated financial statements of the municipality have been prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Basis of consolidation These consolidated statements reflect the assets, liabilities, sources of financing and expenses of all municipal organizations, committees and boards, including the Public Library Board and Hornepayne Recreation Committee, which are owned or controlled by the Municipality.

Cash and cash equivalents Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Trust funds Funds held in trust by the Municipality and their related operations are not included in these consolidated financial statements. The financial activity and financial position of the trust funds are reported separately.

Tangible capital assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 years
Buildings	20 to 40 years
Roads infrastructure	15 to 25 years
Machinery and equipment	5 to 20 years
Water treatment and distribution infrastructure	15 to 50 years
Wastewater collection and disposal infrastructure	10 to 50 years
Vehicles	5 to 15 years
Furniture and equipment	5 to 10 years

Leased assets Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Municipality, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Collection of taxes on behalf of other taxation authorities The Municipality collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

Corporation of the Township of Hornepayne Notes to Consolidated Financial Statements

December 31, 2017

1. Significant accounting policies (continued)

Retirement benefits and other employee benefit plans	The municipality provides pension benefits to specified employees through the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan. The municipality's contributions due during the period are expensed as incurred. The municipality provides other post-employment benefits. These costs accumulate over the period of service provided by employees and are determined using management's best estimates.
Solid waste landfills	The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used. Future events may result in significant changes to the estimated total expenses, capacity used, or total capacity and the estimated liability and would be recognized prospectively, as a change in estimate, when applicable.
Deferred revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
Government transfers	Government transfers are recognized as revenue in the financial statements 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.
Revenue recognition	<p>Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.</p> <p>Charges for sewer and water usage are recorded as user fees. User fees are recognized as revenue in the year they are levied. Connection fee revenues are recognized when the connection has been established.</p> <p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made. Sales of service and other revenue is recognized on an accrual basis.</p>

**Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements**

December 31, 2017

1. Significant accounting policies (continued)

Use of estimates The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Net taxes available for municipal purposes

	2017	2016
Residential and farm taxation	\$ 1,431,772	\$ 1,372,476
Commercial and industrial taxation	153,214	155,896
Supplementary taxation	5,791	10,903
Amounts added to tax bill for collection	18,846	18,846
Taxation from other governments	101,495	101,835
	1,711,118	1,659,956
Deduct: amounts received or receivable for school boards	101,499	101,740
	\$ 1,609,619	\$ 1,558,216

3. Trust funds

Trust funds administered by the Municipality amounting to \$56,065 (2016 - \$53,401) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations".

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2017

4. Pension plan and future employee benefits

The township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full time members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer plan, any pension 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 OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2017 were \$54,620 (2016 - \$49,280).

The Municipality's employees may accumulate unused sick days and may become entitled to a cash payment when they leave the Municipality's employment. The Municipality accrues the cost of these employee future benefits over the periods in which the employees can earn the benefits. The cost of these employee future benefits is determined using management's best estimate.

The estimated liability represents the discounted payout at retirement of the retirement allowance and accumulated sick leave using a discount rate of 3.64% the Municipality's long term borrowing rate. The balance at December 31, 2017 is \$34,800 (2016 - \$30,800).

5. Deferred revenue

	Opening balance	Contributions received	Spent funds	Ending balance
Nuclear Waste Management Organization	\$ -	\$ 172,905	\$ 113,679	\$ 59,226
Ontario Community Infrastructure Fund	1,322,272	-	1,322,272	-
	\$ 1,322,272	\$ 172,905	\$ 1,435,951	\$ 59,226

The Municipality has entered into an agreement with the Association of Municipalities of Ontario for the transfer of Federal Gas Tax Revenues. Prior to spending the funding, the Municipality is required to obtain written approval for a planned project from the Association. The Municipality applied to spend Federal Gas Tax Revenue during the year. The amount spent has been reflected in deferred revenue at year end.

The Municipality received funding from the Ontario Community Infrastructure Fund and is using this funding to upgrade the sewage treatment and collection system.

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2017

6. Net long term debt

Net long term debt reported on the statement of financial position is comprised of the following:

	2017	2016
Ontario Infrastructure and Lands Corporation debenture, repayable \$32,457 semi-annually including interest at 3.64%, due August 2042.	\$ 1,059,166	\$ 1,084,808
Ontario Infrastructure and Lands Corporation debenture, repayable \$22,897 semi-annually including interest at 2.35%, due August 2026.	350,550	387,445
	1,409,716	1,472,253

Principal payments due over the next five years and thereafter is as follows:

2018	\$ 64,351
2019	66,219
2020	68,146
2021	70,131
2022	72,177
Thereafter	1,068,692
	\$ 1,409,716

The municipality's outstanding debt repayment amounts are within the limits established by regulations under section 147 of the Municipal Act. The interest paid relating to the above long term debt was \$41,892 (2016 - \$51,450).

7. Solid waste closure and post-closure liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Municipality's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities. The reported liability as at year end was \$324,913 (2016 - \$287,881) and reflects a discount rate of 3.64% (2016 - 3.64%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The landfill is expected to reach its capacity in 6 years and the estimated remaining capacity is 11,415 cubic metres which is 29% (2016 - 34%) of the site's total capacity. The total undiscounted estimated future expenses for closure and post-closure care are \$863,209 (2016 - \$863,209) leaving an amount to be recognized of \$538,296 (2016 - \$575,328). The estimated length of time needed for post-closure care is 30 years.

8. Public sector salary disclosure act

For 2017, no employees were paid salaries, as defined in the Public Sector Salary Disclosure Act, 1996 of \$100,000 or more.

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2017

9. Prior period adjustment

During the year, it was discovered that items included in accounts payable in 2015 were included again as 2016 expenses, instead of reducing accounts payable. In addition it was discovered that the 2016 OCIF grant receivable was overstated based on eligible costs.

As a result, 2016 accounts receivable, accounts payable and accrued liabilities, revenue, expenses, annual surplus and accumulated surplus were overstated. The financial statement amounts that are presented for comparative purposes have been restated to correct this error as follows:

	<u>2016</u>
Decrease in accounts receivable	\$ 267,800
Decrease in accounts payable and accrued liabilities	101,378
Decrease in 2016 Government grants - Provincial	267,800
Decrease in 2016 General government	8,404
Decrease in 2016 Protection services	34,749
Decrease in 2016 Transportation services	21,039
Decrease in 2016 Environmental services	31,358
Decrease in 2016 Recreation and cultural services	5,828
Decrease in 2016 annual surplus	166,442
Decrease in 2016 accumulated surplus, end of year	<u>166,442</u>

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2017

	2017								
	Land	Land Improve-ments	Buildings	Machinery and Equipment	Vehicles	Furnishings and Fixtures	Infra-structure	Construction in Progress	Total
Cost, beginning of year	\$ 32,366	\$ 174,304	\$ 6,103,402	\$ 5,491,869	\$ 1,364,465	\$ 440,294	\$ 22,119,156	\$ 109,770	\$ 35,835,626
Additions	-	23,486	-	8,548	-	-	2,065,987	-	2,098,021
Disposals	-	-	-	(138,970)	-	-	(241,247)	(109,770)	(489,987)
Cost, end of year	32,366	174,304	6,126,888	5,361,447	1,364,465	440,294	23,943,896	-	37,443,660
Accumulated amortization, beginning of year	-	174,304	2,191,592	2,673,717	968,469	335,869	15,327,318	-	21,671,269
Amortization	-	-	109,147	247,670	34,175	24,057	301,632	-	716,681
Disposals	-	-	-	(100,487)	-	-	(194,144)	-	(294,631)
Accumulated amortization, end of year	-	174,304	2,300,739	2,820,900	1,002,644	359,926	15,434,806	-	22,093,319
Net carrying amount, end of year	\$ 32,366	\$ -	\$ 3,826,149	\$ 2,540,547	\$ 361,821	\$ 80,368	\$ 8,509,090	\$ -	\$ 15,350,341

The Municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2016

10. Tangible capital assets (continued for comparative figures)

	2016									
	Land	Land Improve-ments	Buildings	Machinery and Equipment	Vehicles	Furnishings and Fixtures	Infra-structure	Construction in Progress	Total	
Cost, beginning of year	\$ 32,366	\$ 174,304	\$ 6,103,402	\$ 5,548,043	\$ 1,266,223	\$ 440,294	\$ 20,226,589	\$ 62,229	\$ 33,853,450	
Additions	-	-	-	-	98,242	-	1,992,649	109,770	2,200,661	
Disposals	-	-	-	(56,174)	-	-	(100,082)	(62,229)	(218,485)	
Cost, end of year	32,366	174,304	6,103,402	5,491,869	1,364,465	440,294	22,119,156	109,770	35,835,626	
Accumulated amortization, beginning of year	-	174,304	2,084,794	2,475,789	938,510	308,603	15,078,444	-	21,060,444	
Amortization	-	-	106,798	254,102	29,959	27,266	327,939	-	746,064	
Disposals	-	-	-	(56,174)	-	-	(79,065)	-	(135,239)	
Accumulated amortization, end of year	-	174,304	2,191,592	2,673,717	968,469	335,869	15,327,318	-	21,671,269	
Net carrying amount, end of year	\$ 32,366	\$ -	\$ 3,911,810	\$ 2,818,152	\$ 395,996	\$ 104,425	\$ 6,791,838	\$ 109,770	\$ 14,164,357	

The Municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

**Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements**

December 31, 2017

11. Accumulated surplus

Allocation of annual surplus

	2017	2016
Equity in tangible capital assets	\$ 1,248,521	\$ 1,009,098
Reserve and reserve funds	(25,343)	92,783
General surplus (deficit)	(330,047)	(9,614)
Library surplus	92,391	991
Financed capital assets	-	406,000
	\$ 985,522	\$ 1,499,258

The Municipality segregates its accumulated surplus in the following categories:

	2017	2016
Reserves set aside for specific purposes by Council		
Capital	\$ 46,510	\$ 23,000
Community grant fund	14,242	14,242
Library board	58,160	58,160
Arena	22,225	22,224
Sick leave	59,703	59,703
Student bursary	26,000	32,000
Public works department	6,027	6,027
Recreation - fitness/weight training	8,435	8,435
Recreation committee amounts - skate park	46,648	36,674
Cemetery	740	740
Airport	21,100	21,100
Community well-being	42,331	105,359
100th Anniversary	10,200	-
Total reserves	362,321	387,664
Reserve funds set aside for specific purposes by Council		
Arena	11,739	11,739
Hot tub	9,465	9,465
Cedar Point Park	1,363	1,363
Total reserve funds	22,567	22,567
Reserves	384,888	410,231
Equity in tangible capital assets	13,940,625	12,692,104
General surplus/deficit	393,023	626,679
Unfunded liabilities	(34,800)	(30,800)
	\$ 14,683,736	\$ 13,698,214

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2017

12. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 24, 2017 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the Financial Plan adopted by Council on May 24, 2017 with adjustments as follows:

	2017
Financial Plan (Budget) Bylaw surplus for the year	\$ 1,000
Add:	
Capital expenditures	2,009,756
Net inter-fund transfers to reserves	(976,490)
Principal portion of debt payments	62,537
Less:	
Amortization	(716,681)
Proceeds from land sales	-
	\$ 380,122
Budget surplus per statement of operations	\$ 380,122

Corporation of the Township of Hornepayne Notes to Consolidated Financial Statements

December 31, 2017

13. Segmented Information

The Municipality is a diversified local government institution that provides a wide range of services to its citizens. For management reporting purposes, municipal operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

The administration department oversees the delivery of all government services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of council.

Protection

Protection is comprised of the police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation

The transportation department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, winter control and street lighting.

Environmental

The environmental department consist of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to ratepayers, collecting and treating wastewater, and providing garbage collection and waste minimization programs and facilities for solid waste disposal.

Health

Through the Porcupine Health Unit, the municipality contributes to public health services and education and through the Algoma District Services Administration Board, to ambulance services. In addition, this department oversees the care and maintenance of municipal cemeteries.

Social and family

Through the Algoma District Services Administration Board, the Municipality contributes to social assistance payments, child care services and social housing.

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2017

13. Segmented Information (continued)

Recreation and cultural

The recreation and cultural department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as parks, arena, fitness and sports programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. The department also contributes towards the information needs of the Municipality's citizens through the provision of library services.

Planning

The planning department provides a diverse bundle of services. It manages development for business interests, environmental concerns, heritage matters and neighbourhoods through planning and community development activities. It facilitates economic development by providing services for the approval of all land development plans.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see Note 13 - Consolidated Schedule of Segment Disclosure.

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2017

13. Segmented information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and Family	Recreation and Cultural	Planning	2017 Total
Revenue									
Taxation	\$ 522,155	\$ 182,117	\$ 464,193	\$ 13,661	\$ 24,319	\$ 90,762	\$ 308,291	\$ 4,121	\$ 1,609,619
Government grants - Federal	-	-	64,977	-	-	-	-	-	64,977
Government grants - Provincial	249,091	86,105	219,470	1,854,532	11,497	42,911	274,905	1,948	2,740,459
User fees and service charges	729	-	21,696	988,445	1,434	-	75,422	-	1,087,726
Licenses, permits and rents	66,353	16,981	-	41,263	-	-	622	-	125,219
Investment income	1,600	-	-	-	-	-	-	-	1,600
Interest and penalties on taxes, water and sewer	55,877	19,272	-	15,069	-	-	-	-	90,218
Gain (loss) on disposal of tangible capital assets	(85,586)	-	-	-	-	-	-	-	(85,586)
Other	-	18,558	-	-	-	-	31,966	-	50,524
	810,219	323,033	770,336	2,912,970	37,250	133,673	691,206	6,069	5,684,756
Expenses									
Salaries and benefits	374,214	41,166	362,132	112,001	3,971	-	210,852	-	1,104,336
Interest on long term debt	-	-	-	41,892	-	-	-	-	41,892
Materials and supplies	46,097	12,761	250,489	485,863	2,662	-	149,731	-	947,603
Contracted services	204,756	243,192	59,127	839,275	374	-	123,409	21,766	1,491,899
Rents and financial expenses	195,815	3,636	8,231	593	62	-	13,595	-	221,932
External transfers	-	-	-	-	32,069	142,822	-	-	174,891
Amortization	4,221	31,875	149,192	480,837	-	-	50,556	-	716,681
	825,103	332,630	829,171	1,960,461	39,138	142,822	548,143	21,766	4,699,234
Net surplus (deficit)	\$ (14,884)	\$ (9,597)	\$ (58,835)	\$ 952,509	\$ (1,888)	\$ (9,149)	\$ 143,063	\$ (15,697)	\$ 985,522

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2016

13. Segmented information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and Family	Recreation and Cultural	Planning	2016 Total
Revenue									
Taxation	\$ 448,272	\$ 171,297	\$ 459,908	\$ 13,026	\$ 23,767	\$ 87,816	\$ 354,130	\$ -	\$ 1,558,216
Government grants									
- Federal	-	-	193,693	-	-	-	-	-	193,693
Government grants	161,520	86,915	233,355	2,009,564	12,059	44,557	196,302	-	2,744,272
- Provincial									
User fees and	88	-	56,503	1,002,907	3,200	-	111,162	-	1,173,860
service charges									
Licenses, Permits	49,223	6,300	-	-	-	-	-	-	55,523
and fines	20,322	-	-	-	-	-	-	-	20,322
Investment income									
Interest and	36,644	20,744	-	12,148	-	-	-	-	69,536
penalties on taxes									
Gain (loss) on	(20,174)	-	-	-	-	-	-	-	(20,174)
disposal of	6,918	-	-	-	-	-	-	-	6,918
tangible capital									
assets									
Other	702,813	285,256	943,459	3,037,645	39,026	132,373	661,594	-	5,802,166
Expenses									
Salaries and	357,428	24,373	320,596	99,276	2,692	-	192,955	-	997,320
benefits									
Interest on long									
term debt	-	-	-	51,450	-	-	-	-	51,450
Materials and									
supplies	36,807	14,534	215,317	76,407	283	-	111,426	-	454,774
Contracted services	203,001	176,446	165,283	1,065,883	196	-	112,311	14,331	1,737,451
Rents and financial									
expenses	90,165	5,402	12,340	1,290	151	-	38,505	-	147,853
External transfers	-	-	-	-	35,626	132,373	-	-	167,999
Amortization	5,648	33,322	159,253	490,154	-	-	57,684	-	746,061
	693,049	254,077	872,789	1,784,460	38,948	132,373	512,881	14,331	4,302,908
Net surplus(deficit)	\$ 9,764	\$ 31,179	\$ 70,670	\$ 1,253,185	\$ 78	\$ -	\$ 148,713	\$ (14,331)	\$ 1,499,258

**Corporation of the Township of Hornepayne
Library Board
(Unaudited)**

Statement of Operations

For the year ended December 31	Budget	2017	2016
Sources of Financing			
Municipal contributions	\$ 90,530	\$ 90,530	\$ 83,600
Province of Ontario grants	14,500	13,823	13,398
Fines and photocopies	1,450	1,666	1,321
Donations	2,400	7,736	1,490
Other	730	1,630	1,655
	<u>109,610</u>	<u>115,385</u>	<u>101,464</u>
Applied to			
Amortization	-	19,836	21,618
Subscriptions and films	9,150	9,455	9,586
Equipment	4,000	11,750	5,714
Insurance	380	381	1,675
Repairs and maintenance	2,000	427	933
Supplies	2,850	6,161	4,421
Telecommunications	1,630	1,810	1,607
Travel	1,000	990	882
Wages and employee benefits	89,715	82,550	75,655
	<u>110,725</u>	<u>133,360</u>	<u>122,091</u>
Deficit for the year	\$ (1,115)	\$ (17,975)	\$ (20,627)

Corporation of the Township of Hornepayne
Financial Statements - Trust Funds
For the year ended December 31, 2017

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Hornepayne

We have audited the accompanying financial statements of the Trust Funds of the Corporation of the Township of Hornepayne, which comprise the statement of financial position as at December 31, 2017 and the statement of continuity 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 Trust Funds of the Corporation of the Township of Hornepayne as at December 31, 2017 and the continuity thereof for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
May 2, 2018

**Corporation of the Township of Hornepayne
Trust Funds - Care and Maintenance
Statement of Financial Position**

December 31	2017	2016
Assets		
Current		
Cash	\$ 56,065	\$ 53,401
Fund Balances		
Capital	\$ 56,065	\$ 53,401

		Statement of Continuity	
For the year ended December 31	2017	2016	
Balance, beginning of year	\$ 53,401	\$ 52,679	
Capital receipts			
Interest earned	424	122	
Plot sales and monuments	2,240	600	
	<u>2,664</u>	<u>722</u>	
Balance, end of year	\$ 56,065	\$ 53,401	

Significant Accounting Policy

December 31, 2017

Basis of Accounting

The trust funds follow the accounting recommendations of the Public Sector Accounting Board.