

Township of Horton

Financial Statements

For the year ended 31 December 2015

**TOWNSHIP OF**

**HORTON**



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#### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Corporation of the Township of Horton (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is contained in Note 1 to the consolidated financial statements. The preparation of consolidated 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.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MacKillican & Associates, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

  
Mackie McLaren  
CAO/Clerk

Township of Horton  
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For the year ended 31 December 2015

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**MACKILLICAN  
& ASSOCIATES**  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council,  
Inhabitants and Ratepayers of the  
Corporation of the Township of Horton.

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Horton, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards for local governments, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Horton as at 31 December 2015, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.

*Mackillican & Associates*

RENFREW, Ontario.  
15 March 2016.

Chartered Professional Accountants,  
Licensed Public Accountants.

Township of Horton  
Consolidated Statement of Financial Position  
As at 31 December 2015  
(with 2014 figures for comparison)

	<u>2015</u>	<u>2014</u>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 960,241	\$ 834,895
Taxes receivable	454,383	407,650
Accounts receivable	<u>131,289</u>	<u>135,622</u>
	<u>\$ 1,545,913</u>	<u>\$ 1,378,167</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 190,129	\$ 131,924
Deferred revenue - obligatory reserve funds (Note 6)	282,928	293,805
- other	27,849	21,596
Net long term liabilities (Note 12)	285,426	329,338
Landfill closure and post closure costs (Note 7)	<u>120,000</u>	<u>120,000</u>
	<u>\$ 906,332</u>	<u>\$ 896,663</u>
<b>Net financial assets</b>	<u>\$ 639,581</u>	<u>\$ 481,504</u>
<b>Non-financial assets:</b>		
Tangible capital assets (net)	\$ 9,505,612	\$ 9,838,994
Inventories of supplies	23,676	21,426
Prepaid expenses	<u>15,540</u>	<u>52,433</u>
	<u>\$ 9,544,828</u>	<u>\$ 9,912,853</u>
<b>Accumulated surplus</b>	<u>\$ 10,184,409</u>	<u>\$ 10,394,357</u>
<b>Accumulated surplus comprised of:</b>		
Equity in tangible capital assets (Note 14)	\$ 9,041,718	\$ 9,291,654
Reserves and reserve funds	1,262,691	1,222,703
Unfunded - landfill closure and post closure costs (Note 3)	<u>(120,000)</u>	<u>(120,000)</u>
<b>Total accumulated surplus</b>	<u>\$ 10,184,409</u>	<u>\$ 10,394,357</u>

(See accompanying notes)

Township of Horton  
Consolidated Statement of Operations  
For the year ended 31 December 2015  
(with 2015 budget and 2014 actual figures for comparison)

	2015 <u>Budget</u>	2015 <u>Actual</u>	2014 <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 1,982,652	\$ 1,966,215	\$ 1,848,031
Government transfers:			
Ontario	276,200	304,761	305,564
Canada	92,848	120,126	72,404
Other	<u>399,500</u>	<u>441,213</u>	<u>479,579</u>
	<u>\$ 2,751,200</u>	<u>\$ 2,832,315</u>	<u>\$ 2,705,578</u>
Expenses:			
General government	\$ 648,506	\$ 628,852	\$ 657,541
Protection to persons and property	557,947	526,110	497,806
Transportation services	1,372,146	1,345,102	1,356,807
Environmental services	285,201	256,657	319,037
Health services	30,364	30,630	29,661
Recreation and cultural services	275,546	250,342	232,386
Planning and development	<u>4,900</u>	<u>4,570</u>	<u>4,776</u>
	<u>\$ 3,174,610</u>	<u>\$ 3,042,263</u>	<u>\$ 3,098,014</u>
Shortfall of revenue over expenses	\$ (423,410)	\$ (209,948)	\$ (392,436)
Accumulated surplus at the beginning of the year	<u>10,394,357</u>	<u>10,394,357</u>	<u>10,786,793</u>
Accumulated surplus at the end of the year	<u>\$ 9,970,947</u>	<u>\$ 10,184,409</u>	<u>\$ 10,394,357</u>

(See accompanying notes)

Township of Horton  
Consolidated Statement of Changes in Net Financial Assets  
For the year ended 31 December 2015  
(with 2014 figures for comparison)

	<u>2015</u> <u>Budget</u>	<u>2015</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>
Shortfall of revenue over expenses	\$ (423,410)	\$ (209,948)	\$ (392,436)
Amortization of tangible capital assets	852,631	852,631	900,278
Acquisition of tangible capital assets	(678,047)	(531,387)	(304,230)
Gain on disposal of tangible capital assets		(28,677)	(276)
Proceeds on sale of tangible capital assets		40,815	276
Consumption (acquisition) of inventory		(2,250)	24,605
Consumption (acquisition) of prepaid expenses	<u>                    </u>	<u>36,893</u>	<u>(29,414)</u>
Increase (decrease) in net financial assets	\$ (248,826)	\$ 158,077	\$ 198,803
Net financial assets at the beginning of the year	<u>481,504</u>	<u>481,504</u>	<u>282,701</u>
Net financial assets at the end of the year	<u>\$ 232,678</u>	<u>\$ 639,581</u>	<u>\$ 481,504</u>

(See accompanying notes)

Township of Horton  
Consolidated Statement of Cash Flows  
For the year ended 31 December 2015  
(with 2014 figures for comparison)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Shortfall of revenue over expenses	\$ (209,948)	\$ (392,436)
Add amortization which does not involve cash	852,631	900,278
Gain on disposal of tangible capital assets	<u>(28,677)</u>	<u>(276)</u>
	<u>\$ 614,006</u>	<u>\$ 507,566</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in taxes receivable	\$ (46,733)	\$ 28,456
Decrease (increase) in accounts receivable	4,333	(4,498)
Increase (decrease) in accounts payable and accrued liabilities	58,205	(45,976)
Increase (decrease) in deferred revenue	(4,624)	83,136
Decrease (increase) in inventories of supplies	(2,250)	24,605
Decrease (increase) in prepaid expenses	<u>36,893</u>	<u>(29,414)</u>
	<u>\$ 45,824</u>	<u>\$ 56,309</u>
Cash flows from operating activities	<u>\$ 659,830</u>	<u>\$ 563,875</u>
Cash flows used for financing activities:		
Decrease in long term debt	<u>\$ (43,912)</u>	<u>\$ (43,912)</u>
Cash flows used for investing activities:		
Additions to tangible capital assets:		
General government	\$ (21,854)	
Protection to persons and property	(4,834)	\$ (61,123)
Transportation services	(449,331)	(125,446)
Environmental services	(10,822)	(23,881)
Recreation services	(44,546)	(93,780)
Proceeds on sale of tangible capital assets	<u>40,815</u>	<u>276</u>
Cash flows used for investing activities	<u>\$ (490,572)</u>	<u>\$ (303,954)</u>
Increase in cash and cash equivalents during the year	\$ 125,346	\$ 216,009
Cash and cash equivalents at the beginning of the year	<u>834,895</u>	<u>618,886</u>
Cash and cash equivalents at the end of the year	<u>\$ 960,241</u>	<u>\$ 834,895</u>

(See accompanying notes)



Township of HortonNotes to the Consolidated Financial StatementsFor the year ended 31 December 2015**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Corporation of the Township of Horton are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

**(a) Reporting Entity**

(i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and organizational transactions and balances between these organizations are eliminated.

**(ii) Accounting for County and School Board Transactions**

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the county and school boards are not reflected in the municipal fund balances of these financial statements.

**(b) Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

**(c) Non-financial Assets**

Non-financial assets are not available to discharge existing liabilities and 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. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the change in net financial assets for the year.

Township of Horton

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

(d) Tangible Capital Assets

- (i) Tangible capital assets (TCAs) are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Consumer Price Index (CPI). Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Vehicles	7 - 25 years
Linear assets	10 - 50 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

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

(iii) Inventories

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

(iv) Leases

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.

(e) Investment Income

Investment income earned on current funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

(f) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Township of HortonNotes to the Consolidated Financial StatementsFor the year ended 31 December 2015**(g) Deferred Revenue**

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

**(h) Deferred Revenue - Obligatory Reserve Funds**

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

**(i) 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

**2. FINANCIAL INSTRUMENTS**

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and net long term liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

The fair value of net long term liabilities, including the current portion, is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

**3. AMOUNTS TO BE RECOVERED**

Amounts to be recovered represent the requirement of the Township to raise funds in subsequent periods to finance unfunded liabilities, comprised of the landfill closure and post closure liabilities.

**4. TRUST FUND**

Trust fund administered by the Township, totaling \$ 3,676 (2014 - \$ 3,627) is presented in a separate financial statement of trust fund financial position and operations. As such, balances held in trust by the Township for the benefit of others have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

Township of HortonNotes to the Consolidated Financial StatementsFor the year ended 31 December 2015

## 5. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

Requisitions were made by the School Boards and County of Renfrew requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 1,103,143	\$ 1,317,397
Payments in lieu		<u>569</u>
	<u>\$ 1,103,143</u>	<u>\$ 1,317,966</u>

## 6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting standards of the Canadian Institute of Chartered Professional Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

(a) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2015</u>	<u>2014</u>
Gas tax revenue	\$ 57,534	\$ 96,740
Lot development charges	<u>225,394</u>	<u>197,065</u>
	<u>\$ 282,928</u>	<u>\$ 293,805</u>

(b) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	\$ 293,805	\$ 218,893
Gas tax revenue received	78,730	81,027
Development charges and lot fees	82,220	83,433
Interest earned	<u>2,328</u>	<u>2,783</u>
	\$ 457,083	\$ 386,136
Used for acquisition of tangible capital assets	<u>174,155</u>	<u>92,331</u>
Balance at the end of the year	<u>\$ 282,928</u>	<u>\$ 293,805</u>

Township of Horton

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

**7. LANDFILL CLOSURE AND POST CLOSURE LIABILITY**

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation. The Township has set aside reserves of \$ 133,571 (2014 - \$ 103,734) for either closure or post closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the useful life and estimated post closure care period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Landfill sites' estimated remaining capacity in cubic metres	35,000
Landfill sites' remaining useful life in years	15
Expected years of post closure care	25

**8. CONTINGENT LIABILITIES**

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at 31 December 2015, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position.

**9. BUDGET FIGURES**

The operating budget approved by the Township of Horton for 2015 is reflected on the Consolidated Statement of Operations. The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements. Budget figures have not been audited.

Township of Horton

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. There were \$ 35,311 such transfers in 2015.

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances. The 2015 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

12. NET LONG TERM LIABILITIES

	<u>2015</u>	<u>2014</u>
(a) Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.50% interest, \$ 43,912 principal only payment, payable semi-annually, maturing January 2022	\$ <u>285,426</u>	\$ <u>329,338</u>

(b) Principal and interest payments required on the net long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 43,912	\$ 6,882	\$ 50,794
2017	43,912	5,797	49,709
2018	43,912	4,653	48,565
2019	43,912	3,560	47,472
2020	43,912	2,478	46,390
2021 to 2022	<u>65,866</u>	<u>1,654</u>	<u>67,520</u>
	\$ <u>285,426</u>	\$ <u>25,024</u>	\$ <u>310,450</u>

(c) The Municipality is contingently liable for debt with respect to tile drainage loans made by landowners with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). The Municipality collects the loan repayments from the owners and remits them to OMAFRA. The Municipality does not have any history of default payments on the loans. The total amount outstanding as at 31 December 2015 is \$ 57,422 (2014 - \$ 93,973) and is not recorded on the statement of financial position.

Township of Horton  
Notes to the Consolidated Financial Statements  
For the year ended 31 December 2015

13. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2015</u>	<u>2014</u>
Principal	\$ 43,912	\$ 43,912
Interest	<u>7,408</u>	<u>8,506</u>
	<u>\$ 51,320</u>	<u>\$ 52,418</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Consolidated Statement of Operations under the appropriate functional expenditure heading.

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Tangible capital assets - net	\$ 9,505,612	\$ 9,838,994
Net long term liabilities (Note 12)	(285,426)	(329,338)
Amounts to be funded in future years	<u>(178,468)</u>	<u>(218,002)</u>
Equity in tangible capital assets	<u>\$ 9,041,718</u>	<u>\$ 9,291,654</u>

15. EXPENDITURES BY OBJECT

The Consolidated Statement of Operations presents the consolidated expenditures by function. The following listing classifies the expenditures by object:

	<u>2015</u>	<u>2014</u>
Salaries, wages and employee benefits	\$ 997,247	\$ 924,618
Interest on long term debt	7,408	8,506
Operating materials and supplies	625,546	714,310
Contracted services	528,931	520,422
Rents and financial expense	618	610
External transfers	29,882	29,270
Amortization	<u>852,631</u>	<u>900,278</u>
Total expenditures by object	<u>\$ 3,042,263</u>	<u>\$ 3,098,014</u>

16. PENSION CONTRIBUTIONS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2015, the Municipality contributed \$ 61,665 (2014 - \$ 57,314) to the plan and is included as an expense in the consolidated statement of operations.

Township of HortonNotes to the Consolidated Financial StatementsFor the year ended 31 December 2015**17. MUNICIPALITIES BENEFIT COMMITTEE**

The Township of Horton is a member of the Municipalities Benefit Committee (MBC) which is an employee group benefits plan arranged through Manulife to share in the financial risk of extended health and dental benefits. In the event that a deficit position is incurred, the Township must repay their pro-rata share of the deficit through a lump sum deposit or an increase in future annual premiums collected through the monthly billed rates. In the case of a surplus position, upon full funding of the claims fluctuation reserve (CFR), the surplus is transferred into a deposit account held by Manulife on the MBC's behalf. The surplus funds in the deposit account are to be used to fund premium requirements, enhancements to the benefit plan or fund future deficits. If the Township of Horton leaves the MBC, the Township forfeits its right to any surplus.

**18. CONTRACTUAL OBLIGATIONS**

In 2015, the Township entered into a recreation agreement with the Town of Renfrew. The annual cost of this contract was \$ 20,500 (2014 - \$ 20,000).

The Township has not negotiated a contract with the Ontario Provincial Police for the provision of policing services, however the Ontario Provincial Police provide policing services on an annual basis. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2015 was \$ 315,159 (2014 - \$ 263,179).

The Township has negotiated an annual contract with Beaumen Waste Management for the collection and disposal of waste and recycled materials. Annual costs of this contract for 2015 were \$ 117,600 (2014 - \$ 117,600) plus fuel surcharge.

The Township has negotiated an annual contract with Brian Dedo for the compaction and covering of household waste at the Horton landfill site. Annual charges of this contract for 2015 were \$ 41,132 (2014 - \$ 36,110).



Township of Horton  
Schedule of General Operations  
For the year ended 31 December 2015  
(with 2015 budget and 2014 actual figures for comparison)

	2015 <u>Budget</u>	2015 <u>Actual</u>	2014 <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 1,982,652	\$ 1,966,215	\$ 1,848,031
Government transfers:			
Ontario	276,200	304,761	305,564
Canada	92,848	120,126	72,404
Other	<u>399,500</u>	<u>441,213</u>	<u>479,579</u>
	<u>\$ 2,751,200</u>	<u>\$ 2,832,315</u>	<u>\$ 2,705,578</u>
Expenses:			
General government	\$ 648,506	\$ 628,852	\$ 657,541
Protection to persons and property	557,947	526,110	497,806
Transportation services	1,372,146	1,345,102	1,356,807
Environmental services	285,201	256,657	319,037
Health services	30,364	30,630	29,661
Recreation and cultural services	275,546	250,342	232,386
Planning and development	<u>4,900</u>	<u>4,570</u>	<u>4,776</u>
	<u>\$ 3,174,610</u>	<u>\$ 3,042,263</u>	<u>\$ 3,098,014</u>
Shortfall of revenue over expenses	<u>\$ (423,410)</u>	<u>\$ (209,948)</u>	<u>\$ (392,436)</u>
Transfers:			
Transfer from (to) reserves	\$ 248,826	\$ (39,988)	\$ (181,144)
Transfer from equity in tangible capital assets	<u>174,584</u>	<u>249,936</u>	<u>573,580</u>
Net transfers	<u>\$ 423,410</u>	<u>\$ 209,948</u>	<u>\$ 392,436</u>
Change in general surplus for the year	\$ -	\$ -	\$ -
General surplus at the beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
General surplus at the end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying notes)

Township of Horton  
Schedule of Reserves and Reserve Funds  
For the year ended 31 December 2015  
(with 2014 figures for comparison)

	<u>2015</u>	<u>2014</u>
Contributions:		
From operations	\$ 333,292	\$ 360,654
Transfers:		
To operations	<u>293,304</u>	<u>179,510</u>
Change in reserves and reserve funds balance	\$ 39,988	\$ 181,144
Reserves and reserve funds at the beginning of the year	<u>1,222,703</u>	<u>1,041,559</u>
Reserves and reserve funds at the end of the year	<u>\$ 1,262,691</u>	<u>\$ 1,222,703</u>
Reserves:		
Working funds	\$ 326,503	\$ 326,503
Fire equipment replacement	262,608	225,683
Landfill site	144,665	103,734
Transportation	330,934	361,997
Planning	2,482	2,482
Future equipment	88,937	132,440
Recreation	32,530	24,435
Election expense	4,471	4,531
Protection	<u>69,561</u>	<u>40,898</u>
Total reserves	<u>\$ 1,262,691</u>	<u>\$ 1,222,703</u>

(See accompanying notes)

Township of Horton  
Schedule of Tangible Capital Assets  
For the year ended 31 December 2015  
(with 2014 figures for comparison)

Segmented by asset class:	Balance at 31 December <u>2014</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2015</u>
<u>Cost</u>				
Land and land improvements	\$ 120,240			\$ 120,240
Buildings	1,977,072	\$ 13,879		1,990,951
Machinery and equipment	608,353	52,683		661,036
Vehicles	1,154,902	251,538	\$ (194,425)	1,212,015
Linear assets	21,087,977	107,060	(14,057)	21,180,980
Capital work in progress	<u>41,103</u>	<u>133,637</u>	<u>(13,353)</u>	<u>161,387</u>
Total	<u>\$ 24,989,647</u>	<u>\$ 558,797</u>	<u>\$ (221,835)</u>	<u>\$ 25,326,609</u>

Accumulated <u>amortization</u>	Balance at 31 December <u>2014</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2015</u>
Land and land improvements	\$ 1,072	\$ 268		\$ 1,340
Buildings	402,531	50,423		452,954
Machinery and equipment	365,653	29,920		395,573
Vehicles	860,936	61,023	\$ (182,287)	739,672
Linear assets	<u>13,520,461</u>	<u>710,997</u>		<u>14,231,458</u>
Total	<u>\$ 15,150,653</u>	<u>\$ 852,631</u>	<u>\$ (182,287)</u>	<u>\$ 15,820,997</u>

<u>Net book value</u>	Balance at 31 December <u>2014</u>	Balance at 31 December <u>2015</u>
Land and land improvements	\$ 119,168	\$ 118,900
Buildings	1,574,541	1,537,997
Machinery and equipment	242,700	265,463
Vehicles	293,966	472,343
Linear assets	7,567,516	6,949,522
Capital work in progress	<u>41,103</u>	<u>161,387</u>
Total	<u>\$ 9,838,994</u>	<u>\$ 9,505,612</u>

(See accompanying notes)

Township of Horton  
Schedule of Tangible Capital Assets  
For the year ended 31 December 2015  
(with 2014 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2014</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2015</u>
General government	\$ 360,011	\$ 21,854		\$ 381,865
Protection services	869,090	4,834		873,924
Transportation services	21,751,509	449,331	\$ (194,425)	22,006,415
Environmental services	216,261	10,822		227,083
Recreation services	<u>1,792,776</u>	<u>44,546</u>		<u>1,837,322</u>
Total	<u>\$ 24,989,647</u>	<u>\$ 531,387</u>	<u>\$ (194,425)</u>	<u>\$ 25,326,609</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2014</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2015</u>
General government	\$ 122,841	\$ 11,216		\$ 134,057
Protection services	467,063	25,073		492,136
Transportation services	14,072,816	754,296	\$ (182,287)	14,644,825
Environmental services	11,808	3,243		15,051
Recreation services	<u>476,125</u>	<u>58,803</u>		<u>534,928</u>
Total	<u>\$ 15,150,653</u>	<u>\$ 852,631</u>	<u>\$ (182,287)</u>	<u>\$ 15,820,997</u>

<u>Net book value</u>	Balance at 31 December <u>2014</u>	Balance at 31 December <u>2015</u>
General government	\$ 237,170	\$ 247,808
Protection services	402,027	381,788
Transportation services	7,678,693	7,361,590
Environmental services	204,453	212,032
Recreation services	<u>1,316,651</u>	<u>1,302,394</u>
Total	<u>\$ 9,838,994</u>	<u>\$ 9,505,612</u>

(See accompanying notes)



**MACKILLICAN  
& ASSOCIATES**  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council,  
Inhabitants and Ratepayers of the  
Corporation of the Township of Horton.

We have audited the accompanying financial statements of the McLaren Cemetery trust fund of the Corporation of the Township of Horton, which comprise the statement of financial position as at 31 December 2015, and the statement of operations and change in fund balance 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 for local governments, 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 McLaren Cemetery trust fund of the Corporation of the Township of Horton as at 31 December 2015, and the results of its operations for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.

*Mackilligan & Associates*

RENFREW, Ontario.  
15 March 2016.

Chartered Professional Accountants,  
Licensed Public Accountants.

Township of Horton  
McLaren Cemetery Trust Fund  
Statement of Financial Position  
As at 31 December 2015  
(with 2014 figures for comparison)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Investments	\$ <u>3,676</u>	\$ <u>3,627</u>
<u>FUND BALANCE</u>		
Fund balance	\$ <u>3,676</u>	\$ <u>3,627</u>

Township of Horton  
McLaren Cemetery Trust Fund  
Statement of Operations and Change in Fund Balance  
For the year ended 31 December 2015  
(with 2014 figures for comparison)

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the year	\$ <u>3,627</u>	\$ <u>3,500</u>
Revenue:		
Interest earned - bank	\$ <u>49</u>	\$ <u>127</u>
Expenses	\$ <u>-</u>	\$ <u>-</u>
Balance at the end of the year	\$ <u>3,676</u>	\$ <u>3,627</u>

(See accompanying notes)

Township of Horton  
McLaren Cemetery Trust Fund  
Notes to the Consolidated Financial Statements  
For the year ended 31 December 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the McLaren Cemetery trust fund are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

**Basis of Accounting:**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

**Cash and Cash Equivalents:**

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

2. CEMETERY TRUST

The Municipality has assumed the responsibility of maintaining the McLaren Cemetery.