

Township of Horton

Financial Statements

For the year ended 31 December 2018

**MACKILLICAN & ASSOCIATES**

CHARTERED PROFESSIONAL ACCOUNTANTS



2253 Johnston Road, R.R. 5, Renfrew, Ontario K7V 3Z8

[reception@hortontownship.ca](mailto:reception@hortontownship.ca)

Phone 613-432-6271

Fax 613-432-7298


## Management's Responsibility for the Financial Statements

The accompanying 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 financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, 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 financial statements. These systems are monitored and evaluated by management.

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

The 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 of the Township's financial statements.

  
Hope Dillabough  
CAO/Clerk

  
Jennifer Barr  
Treasurer/Tax Collector

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For the year ended 31 December 2018

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MACKILLICAN  
& ASSOCIATES  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the financial statements of the Township of Horton (the Township), which comprise the statement of financial position as at 31 December 2018, and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAB).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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.

In preparing the financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at MacKillican's website at: [http://mackillicans.com/PDF/Auditors\\_Responsibilities.pdf](http://mackillicans.com/PDF/Auditors_Responsibilities.pdf). This description forms part of our auditor's report.

*MacKillican & Associates*

RENFREW, Ontario.

19 March 2019.

**Chartered Professional Accountants,**

**Licensed Public Accountants.**

620 Barnet Blvd.  
Renfrew ON, K7V 0A8  
T: 613.432.3664 | F: 613.432.8424

Email: [info@mackillicans.com](mailto:info@mackillicans.com) | Website: [www.mackillicans.com](http://www.mackillicans.com)

14 Madawaska Street – P.O. Box 94  
Arnprior ON, K7S 3H2  
T: 613.623.7926 | F: 613.623.7927

Township of Horton  
Statement of Financial Position  
As at 31 December 2018  
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 1,244,109	\$ 1,593,809
Taxes receivable	328,484	388,868
Accounts receivable	<u>228,133</u>	<u>464,381</u>
	\$ <u>1,800,726</u>	\$ <u>2,447,058</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 161,893	\$ 140,733
Deferred revenue - obligatory reserve funds (Note 5)	93,534	202,674
- other	46,422	319,074
Net long term liabilities (Note 10)	548,691	397,603
Landfill closure and post closure costs (Note 6)	<u>120,000</u>	<u>120,000</u>
	\$ <u>970,540</u>	\$ <u>1,180,084</u>
Net financial assets	\$ <u>830,186</u>	\$ <u>1,266,974</u>
Non-financial assets:		
Tangible capital assets (net)	\$ 10,708,132	\$ 9,486,468
Inventories of supplies	15,652	21,555
Prepaid expenses	<u>55,000</u>	<u>9,999</u>
	\$ <u>10,778,784</u>	\$ <u>9,518,022</u>
Accumulated surplus	\$ <u>11,608,970</u>	\$ <u>10,784,996</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 12)	\$ 10,152,148	\$ 8,991,832
Reserves and reserve funds	1,576,822	1,913,164
Unfunded - landfill closure and post closure costs (Note 2)	<u>(120,000)</u>	<u>(120,000)</u>
Total accumulated surplus	\$ <u>11,608,970</u>	\$ <u>10,784,996</u>

(See accompanying notes)

Township of Horton  
Statement of Operations and Accumulated Surplus  
For the year ended 31 December 2018  
 (with 2018 budget and 2017 actual figures for comparison)

	<u>2018</u> <u>Budget</u>	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 2,319,822	\$ 2,304,685	\$ 2,203,510
Government transfers:			
Ontario	1,351,736	966,503	504,359
Canada	197,351	190,615	164,075
Other municipalities	11,055	19,057	191,232
Other	<u>468,627</u>	<u>719,023</u>	<u>472,764</u>
	<u>\$ 4,348,591</u>	<u>\$ 4,199,883</u>	<u>\$ 3,535,940</u>
Expenses:			
General government	\$ 684,659	\$ 606,039	\$ 669,984
Protection to persons and property	705,105	683,174	768,937
Transportation services	1,429,362	1,414,390	1,349,458
Environmental services	279,094	241,805	257,357
Health services	33,366	33,640	32,758
Recreation and cultural services	304,059	382,360	288,535
Planning and development	<u>23,100</u>	<u>14,501</u>	<u>4,888</u>
	<u>\$ 3,458,745</u>	<u>\$ 3,375,909</u>	<u>\$ 3,371,917</u>
Excess of revenue over expenses	\$ 889,846	\$ 823,974	\$ 164,023
Accumulated surplus at the beginning of the year	<u>10,784,996</u>	<u>10,784,996</u>	<u>10,620,973</u>
Accumulated surplus at the end of the year	<u>\$ 11,674,842</u>	<u>\$ 11,608,970</u>	<u>\$ 10,784,996</u>

(See accompanying notes)

Township of Horton  
Statement of Changes in Net Financial Assets  
For the year ended 31 December 2018  
(with 2017 figures for comparison)

	<u>2018</u> <u>Budget</u>	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Excess of revenue over expenses	\$ 889,846	\$ 823,974	\$ 164,023
Amortization of tangible capital assets	821,041	821,041	807,505
Acquisition of tangible capital assets	(2,035,321)	(2,043,335)	(886,883)
Gain on disposal of tangible capital assets		(191,915)	
Proceeds on sale of tangible capital assets		192,545	
Consumption (acquisition) of inventory		5,903	(5,188)
Consumption (acquisition) of prepaid expenses	<u>                    </u>	<u>(45,001)</u>	<u>44,709</u>
Increase (decrease) in net financial assets	\$ (324,434)	\$ (436,788)	\$ 124,166
Net financial assets at the beginning of the year	<u>1,266,974</u>	<u>1,266,974</u>	<u>1,142,808</u>
Net financial assets at the end of the year	<u>\$ 942,540</u>	<u>\$ 830,186</u>	<u>\$ 1,266,974</u>

(See accompanying notes)

Township of Horton

Statement of Cash Flows

For the year ended 31 December 2018  
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 823,974	\$ 164,023
Add amortization which does not involve cash	821,041	807,505
Gain on disposal of tangible capital assets	<u>(191,915)</u>	<u>                    </u>
	<u>\$ 1,453,100</u>	<u>\$ 971,528</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in taxes receivable	\$ 60,384	\$ 151,276
Decrease (increase) in accounts receivable	236,248	(410,317)
Increase (decrease) in accounts payable and accrued liabilities	21,160	(56,757)
Increase (decrease) in deferred revenue	(381,792)	281,084
Decrease (increase) in inventories of supplies	5,903	(5,188)
Decrease (increase) in prepaid expenses	<u>(45,001)</u>	<u>44,709</u>
	<u>\$ (103,098)</u>	<u>\$ 4,807</u>
Cash flows from operating activities	<u>\$ 1,350,002</u>	<u>\$ 976,335</u>
Cash flows from (used for) financing activities:		
Repayment of long term debt	\$ (93,912)	\$ (93,912)
Proceeds from long term debt issues	<u>245,000</u>	<u>                    </u>
Cash flows from (used for) financing activities	<u>\$ 151,088</u>	<u>\$ (93,912)</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government	\$ (70,980)	
Transportation services	(1,934,291)	\$ (839,184)
Recreation services	(38,064)	(47,699)
Proceeds on sale of tangible capital assets	<u>192,545</u>	<u>                    </u>
Cash flows used for capital activities	<u>\$ (1,850,790)</u>	<u>\$ (886,883)</u>
Decrease in cash and cash equivalents during the year	\$ (349,700)	\$ (4,460)
Cash and cash equivalents at the beginning of the year	<u>1,593,809</u>	<u>1,598,269</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 1,244,109</u></u>	<u><u>\$ 1,593,809</u></u>

(See accompanying notes)



Township of Horton  
Notes to the Financial Statements  
For the year ended 31 December 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES

The 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 Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The 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 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.

### (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 Financial Statements  
For the year ended 31 December 2018

(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 Horton

Notes to the Financial Statements

For the year ended 31 December 2018

(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. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs and amortization.

(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.

(k) Revenue Recognition

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Other revenue relates to licensing fees, fees for use of various programming, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(l) 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.

## 2. 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.

Township of Horton  
Notes to the Financial Statements  
For the year ended 31 December 2018

### 3. TRUST FUND

Trust fund administered by the Township, totaling \$ 3,827 (2017 - \$ 3,776) 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 Statement of Financial Position nor have their operations been included in the Statement of Operations.

### 4. 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	\$ 1,090,063	\$ 1,521,661
Payments in lieu	<u>                    </u>	<u>1,431</u>
	<u>\$ 1,090,063</u>	<u>\$ 1,523,092</u>

### 5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada 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 "Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2018</u>	<u>2017</u>
Gas tax revenue	\$ 76	\$ 49,699
Lot development charges	<u>93,458</u>	<u>152,975</u>
	<u>\$ 93,534</u>	<u>\$ 202,674</u>

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

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ 202,674	\$ 219,700
Gas tax revenue received	86,603	84,130
Development charges and lot fees	100,455	52,400
Interest earned	<u>3,699</u>	<u>2,319</u>
	\$ 393,431	\$ 358,549
Utilized during the year	<u>299,897</u>	<u>155,875</u>
Balance at the end of the year	<u>\$ 93,534</u>	<u>\$ 202,674</u>

Township of Horton  
Notes to the Financial Statements  
For the year ended 31 December 2018

## 6. 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 \$ 304,284 (2017 - \$ 222,371) 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	28,725
Landfill sites' remaining useful life in years	14
Expected years of post closure care	10

The estimated total undiscounted expenses over the 10 year post closure period amount to approximately \$ 120,000.

## 7. 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 2018, 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.

## 8. BUDGET FIGURES

The operating budget approved by the Township of Horton for 2018 is reflected on the 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.

## 9. 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:

Township of Horton

Notes to the Financial Statements

For the year ended 31 December 2018

9. TANGIBLE CAPITAL ASSETS (Continued)

(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 no transfers during the year.

(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 2018 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

10. NET LONG TERM LIABILITIES	<u>2018</u>	<u>2017</u>
(a) Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.50% interest, \$ 43,912 principal only payment, payable semi-annually, maturing January 2022	\$ 153,691	\$ 197,603
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 1.60% interest, \$ 50,000 principal only payment, payable semi-annually, maturing July 2021	150,000	200,000
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 3.05% interest, \$ 45,000 principal only payment, payable semi-annually, maturing August 2028	<u>245,000</u>	<u>          </u>
Net long term liabilities at the end of the year	\$ <u>548,691</u>	\$ <u>397,603</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>
2019	\$ 118,412	\$ 13,059	\$ 131,471
2020	118,412	10,441	128,853
2021	118,412	7,769	126,181
2022	46,455	5,322	51,777
2023	24,500	4,298	28,798
2024 to 2028	<u>122,500</u>	<u>10,293</u>	<u>132,793</u>
	\$ <u>548,691</u>	\$ <u>51,182</u>	\$ <u>599,873</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 2018 is \$ 24,616 (2017 - \$ 36,194) and is not recorded on the statement of financial position.

Township of Horton  
Notes to the Financial Statements  
For the year ended 31 December 2018

# 11. CHARGES FOR NET LONG TERM LIABILITIES

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

	<u>2018</u>	<u>2017</u>
Principal	\$ 93,912	\$ 93,912
Interest	<u>7,116</u>	<u>8,998</u>
	<u>\$ 101,028</u>	<u>\$ 102,910</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 Statement of Operations under the appropriate functional expenditure heading.

# 12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets - net	\$ 10,708,132	\$ 9,486,468
Net long term liabilities (Note 10)	(548,691)	(397,603)
Amounts to be funded in future years	<u>(7,293)</u>	<u>(97,033)</u>
Equity in tangible capital assets	<u>\$ 10,152,148</u>	<u>\$ 8,991,832</u>

# 13. 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 2018, the Municipality contributed \$ 53,959 (2017 - \$ 57,136) to the plan and is included as an expense in the statement of operations. The Township does not recognize in its financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan surplus for 2017 is \$ 605,000,000 (deficit for 2016 - \$ 2,341,000,000) based on the fair market value of the Plan's assets.

# 14. SEGMENTED INFORMATION

(a) The Township is responsible for providing a wide range of services to its citizens. The Township reports on functional areas and programs in its financial statements. A brief description of each segment follows:

- i) General government is comprised of Council and administration and is responsible for the overall governance and management of the Municipality.
- ii) Protection is comprised of police, fire, and other protective services.
- iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
- iv) Environmental services include solid waste and recycling services.

Township of Horton  
Notes to the Financial Statements  
For the year ended 31 December 2018

14. SEGMENTED INFORMATION (Continued)

- v) Health services include expenditures related to the doctor recruitment.
- vi) Recreation and cultural services include parks and recreation.
- vii) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.

(b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2018 are as follows:

	Salaries and <u>benefits</u>	Interest on long term <u>debt</u>	Materials and contracted <u>services</u>	Rent and external <u>transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 435,841	\$ 1,515	\$ 158,484		\$ 10,199	\$ 606,039
Protection services	100,018		563,450		19,706	683,174
Transportation services	340,151	5,601	330,393		738,245	1,414,390
Environmental services	43,831		194,453		3,521	241,805
Health services	429		300	\$ 32,911		33,640
Recreation services	67,351		218,639	47,000	49,370	382,360
Planning and development	<u>1,375</u>	<u>          </u>	<u>13,126</u>	<u>          </u>	<u>          </u>	<u>14,501</u>
	<u>\$ 988,996</u>	<u>\$ 7,116</u>	<u>\$ 1,478,845</u>	<u>\$ 79,911</u>	<u>\$ 821,041</u>	<u>\$ 3,375,909</u>

(c) The expenditures for 31 December 2017 are as follows:

	Salaries and <u>benefits</u>	Interest on long term <u>debt</u>	Materials and contracted <u>services</u>	Rent and external <u>transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 434,418	\$ 1,898	\$ 222,084	\$ 275	\$ 11,309	\$ 669,984
Protection services	88,545		660,918		19,474	768,937
Transportation services	309,539	7,100	308,423		724,396	1,349,458
Environmental services	44,431		209,405		3,521	257,357
Health services	411		100	32,247		32,758
Recreation services	94,134		124,096	21,500	48,805	288,535
Planning and development	<u>1,390</u>	<u>          </u>	<u>3,498</u>	<u>          </u>	<u>          </u>	<u>4,888</u>
	<u>\$ 972,868</u>	<u>\$ 8,998</u>	<u>\$ 1,528,524</u>	<u>\$ 54,022</u>	<u>\$ 807,505</u>	<u>\$ 3,371,917</u>



Township of HortonNotes to the Financial StatementsFor the year ended 31 December 2018**15. 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.

**16. CONTRACTUAL OBLIGATIONS**

In 2015, the Township entered into a recreation agreement with the Town of Renfrew. The annual cost of this contract was \$ 22,000 (2017 - \$ 21,500).

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 2018 was \$ 466,224 (2017 - \$ 462,132).

The Township has negotiated an annual contract with Beaumen Waste Management for the collection and disposal of recycled materials. Annual costs of this contract for 2018 were \$ 71,755 plus fuel surcharge.

The Township has negotiated an annual contract with Canadian Waste for the collection and disposal of waste. Annual costs of this contract for 2018 were \$ 40,861 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 2018 were \$ 39,788 (2017 - \$ 39,796).

The Township has entered into a financing agreement with three other Municipalities and the Renfrew & Area Health Services Village. This agreement provides annual funding to the Renfrew & Area Health Services Village the program to recruit doctors for the Renfrew Area. Each Municipality is responsible for an equal share of the funding. As at 31 December 2018 the Township had 6 years remaining on the current agreement with a total outstanding balance of \$ 188,469.

Township of Horton  
Schedule of General Operations  
For the year ended 31 December 2018  
 (with 2018 budget and 2017 actual figures for comparison)

	<u>2018</u> <u>Budget</u>	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 2,319,822	\$ 2,304,685	\$ 2,203,510
Government transfers:			
Ontario	1,351,736	966,503	504,359
Canada	197,351	190,615	164,075
Other municipalities	11,055	19,057	191,232
Other	<u>468,627</u>	<u>719,023</u>	<u>472,764</u>
	<u>\$ 4,348,591</u>	<u>\$ 4,199,883</u>	<u>\$ 3,535,940</u>
Expenses:			
General government	\$ 684,659	\$ 606,039	\$ 669,984
Protection to persons and property	705,105	683,174	768,937
Transportation services	1,429,362	1,414,390	1,349,458
Environmental services	279,094	241,805	257,357
Health services	33,366	33,640	32,758
Recreation and cultural services	304,059	382,360	288,535
Planning and development	<u>23,100</u>	<u>14,501</u>	<u>4,888</u>
	<u>\$ 3,458,745</u>	<u>\$ 3,375,909</u>	<u>\$ 3,371,917</u>
Excess of revenue over expenses	<u>\$ 889,846</u>	<u>\$ 823,974</u>	<u>\$ 164,023</u>
Transfers:			
Transfer from reserves	\$ 898,075	\$ 336,342	\$ 60,444
Transfer to equity in tangible capital assets	<u>(1,787,921)</u>	<u>(1,160,316)</u>	<u>(224,467)</u>
Net transfers	<u>\$ (889,846)</u>	<u>\$ (823,974)</u>	<u>\$ (164,023)</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 2018  
 (with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Contributions:		
From operations	\$ 510,801	\$ 276,290
Transfers:		
To operations	<u>847,143</u>	<u>336,734</u>
Change in reserves and reserve funds balance	\$ (336,342)	\$ (60,444)
Reserves and reserve funds at the beginning of the year	<u>1,913,164</u>	<u>1,973,608</u>
Reserves and reserve funds at the end of the year	<u><u>\$ 1,576,822</u></u>	<u><u>\$ 1,913,164</u></u>
Reserves:		
Working funds	\$ 320,872	\$ 357,163
Fire equipment replacement	404,607	371,048
Landfill site	310,284	233,465
Transportation	213,560	761,858
Planning	10,995	10,995
Future equipment	114,106	84,223
Recreation	160,642	36,691
Election expense	514	8,514
Protection	<u>41,242</u>	<u>49,207</u>
Total reserves	<u><u>\$ 1,576,822</u></u>	<u><u>\$ 1,913,164</u></u>

(See accompanying notes)

Township of Horton  
Schedule of Tangible Capital Assets  
For the year ended 31 December 2018  
(with 2017 figures for comparison)

Segmented by asset class: <u>Cost</u>	Balance at 31 December <u>2017</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
Land and land improvements	\$ 152,447		\$ (630)	\$ 151,817
Buildings	2,048,680	\$ 4,919	2,266	2,055,865
Machinery and equipment	780,777	26,068		806,845
Vehicles	1,049,887	237,519	(272,022)	1,015,384
Linear assets	22,615,466	1,713,892	65,875	24,395,233
Capital work in progress	<u>135,340</u>	<u>60,937</u>	<u>(68,141)</u>	<u>128,136</u>
Total	<u>\$ 26,782,597</u>	<u>\$ 2,043,335</u>	<u>\$ (272,652)</u>	<u>\$ 28,553,280</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2017</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
Land and land improvements	\$ 1,876	\$ 268		\$ 2,144
Buildings	554,356	51,967	\$ 363	606,686
Machinery and equipment	451,391	34,312		485,703
Vehicles	700,827	49,554	(272,022)	478,359
Linear assets	<u>15,587,679</u>	<u>684,940</u>	<u>(363)</u>	<u>16,272,256</u>
Total	<u>\$ 17,296,129</u>	<u>\$ 821,041</u>	<u>\$ (272,022)</u>	<u>\$ 17,845,148</u>

<u>Net book value</u>	Balance at 31 December <u>2017</u>	Balance at 31 December <u>2018</u>
Land and land improvements	\$ 150,571	\$ 149,673
Buildings	1,494,324	1,449,179
Machinery and equipment	329,386	321,142
Vehicles	349,060	537,025
Linear assets	7,027,787	8,122,977
Capital work in progress	<u>135,340</u>	<u>128,136</u>
Total	<u>\$ 9,486,468</u>	<u>\$ 10,708,132</u>

(See accompanying notes)

Township of Horton  
Schedule of Tangible Capital Assets  
For the year ended 31 December 2018  
(with 2017 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2017</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
General government	\$ 381,865	\$ 70,980	\$ (630)	\$ 452,215
Protection services	880,706			880,706
Transportation services	23,365,000	1,934,291	(269,756)	25,029,535
Environmental services	227,083		(2,266)	224,817
Recreation services	<u>1,927,943</u>	<u>38,064</u>		<u>1,966,007</u>
Total	\$ <u>26,782,597</u>	\$ <u>2,043,335</u>	\$ <u>(272,652)</u>	\$ <u>28,553,280</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2017</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2018</u>
General government	\$ 156,675	\$ 10,199		\$ 166,874
Protection services	531,084	19,706		550,790
Transportation services	15,953,739	738,245	\$ (271,659)	16,420,325
Environmental services	22,093	3,521	(363)	25,251
Recreation services	<u>632,538</u>	<u>49,370</u>		<u>681,908</u>
Total	\$ <u>17,296,129</u>	\$ <u>821,041</u>	\$ <u>(272,022)</u>	\$ <u>17,845,148</u>

<u>Net book value</u>	Balance at 31 December <u>2017</u>	Balance at 31 December <u>2018</u>
General government	\$ 225,190	\$ 285,341
Protection services	349,622	329,916
Transportation services	7,411,261	8,609,210
Environmental services	204,990	199,566
Recreation services	<u>1,295,405</u>	<u>1,284,099</u>
Total	\$ <u>9,486,468</u>	\$ <u>10,708,132</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.

### **Opinion**

We have audited the financial statements of the Township of Horton McLaren Cemetery Trust Fund (the Trust), which comprise the statement of financial position as at 31 December 2018, and the statement of operations and change in fund balance for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAB).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at MacKilligan's website at: [http://mackillicans.com/PDF/Auditors\\_Responsibilities.pdf](http://mackillicans.com/PDF/Auditors_Responsibilities.pdf). This description forms part of our auditor's report.

*MacKilligan & Associates*

RENFREW, Ontario.

19 March 2019.

**Chartered Professional Accountants,**

Licensed Public Accountants.

620 Barnet Blvd.  
Renfrew ON. K7V 0A8  
T: 613.432.3664 | F: 613.432.8424

Email: [info@mackillicans.com](mailto:info@mackillicans.com) | Website: [www.mackillicans.com](http://www.mackillicans.com)

14 Madawaska Street – P.O. Box 94  
Amprior ON. K7S 3H2  
T: 613.623.7926 | F: 613.623.7927

Township of Horton  
McLaren Cemetery Trust Fund  
Statement of Financial Position  
As at 31 December 2018  
 (with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
	<u>ASSETS</u>	
Investments	\$ <u>3,827</u>	\$ <u>3,776</u>
	<u>FUND BALANCE</u>	
Fund balance	\$ <u>3,827</u>	\$ <u>3,776</u>

Township of Horton  
McLaren Cemetery Trust Fund  
Statement of Operations and Change in Fund Balance  
For the year ended 31 December 2018  
 (with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ <u>3,776</u>	\$ <u>3,726</u>
Revenue:		
Interest earned - bank	\$ <u>51</u>	\$ <u>50</u>
Expenses	\$ <u>-</u>	\$ <u>-</u>
Balance at the end of the year	\$ <u>3,827</u>	\$ <u>3,776</u>

(See accompanying notes)

Township of Horton

McLaren Cemetery Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2018

## 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 Chartered Professional Accountants of Canada. 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.

**Revenue Recognition:**

Revenue is recognized when the activity is performed or when the services are rendered.

## 2. CEMETERY TRUST

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