

**Corporation of the Township of Hornepayne
Consolidated Financial Statements
For the year ended December 31, 2019**

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

December 31, 2019

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



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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Hornepayne and its subsidiaries (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, the consolidated change of net financial assets (debt) and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2019, and its consolidated results from its operations, change in net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

Independent Auditor's Report (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
May 6, 2020

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

December 31	2019	2018
Financial assets		
Cash and cash equivalents	\$ 2,160,936	\$ 1,544,941
Taxes receivable	370,389	337,099
Accounts receivable	446,745	380,658
Inventories for resale	25,831	15,293
	<u>3,003,901</u>	<u>2,277,991</u>
Liabilities		
Accounts payable and accrued liabilities	189,764	201,047
Employee benefits plan liability (Note 4)	10,550	41,600
Deferred revenue (Note 5)	528,994	327,192
Net long term debt (Note 6)	1,486,877	1,577,537
Solid waste closure and post-closure liabilities (Note 7)	432,238	368,539
	<u>2,648,423</u>	<u>2,515,915</u>
Net financial assets (debt)	<u>355,478</u>	<u>(237,924)</u>
Non-financial assets		
Inventories for resale	202,494	207,125
Tangible capital assets (Note 10)	15,311,456	15,825,217
Prepaid expenses and inventories of supplies	51,546	62,245
	<u>15,565,496</u>	<u>16,094,587</u>
Accumulated surplus (Note 11)	<u>\$ 15,920,974</u>	<u>\$ 15,856,663</u>

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 2019	2019	2018
Revenue			
Taxation (Note 2)	\$ 1,802,082	\$ 1,814,748	\$ 1,662,581
Government grants - Federal	129,240	34,082	6,892
Government grants - Provincial	2,358,120	1,464,916	2,050,283
User fees and service charges	1,288,290	1,221,456	1,183,263
Licenses, permits and rents	235,275	254,216	215,597
Penalties and interest on taxes	52,500	74,219	75,639
Fines and interest penalties	17,700	7,455	10,454
Investment income	45,650	21,075	12,161
Donation and other	250,058	309,337	381,818
Gain (loss) on disposal of tangible capital assets and land	-	30,089	(2,614)
	6,178,915	5,231,593	5,596,074
Expenses			
General government	842,004	828,910	676,413
Protection services	473,580	333,395	293,154
Transportation services	1,021,176	892,189	856,414
Environmental services	1,590,177	1,744,182	1,805,079
Health services	40,495	51,898	47,683
Social and family services	139,020	141,238	139,020
Recreation and cultural services	895,601	782,664	599,126
Planning and development	988,585	392,806	6,258
	5,990,638	5,167,282	4,423,147
Annual surplus	188,277	64,311	1,172,927
Accumulated surplus, beginning of year	15,856,663	15,856,663	14,683,736
Accumulated surplus, end of year	\$ 16,044,940	\$ 15,920,974	\$ 15,856,663

The accompanying notes are an integral part of these financial statements

**Corporation of the Township of Hornepayne
Consolidated Statement of Change in Net Financial Assets (Debt)**

For the year ended December 31	Budget 2019	2019	2018
Annual surplus	\$ 188,277	\$ 64,311	\$ 1,172,927
Acquisition of tangible capital assets	(558,295)	(280,093)	(1,253,096)
Amortization of tangible capital assets	793,854	793,854	775,606
Loss on sale of tangible capital assets	-	-	2,614
	423,836	578,072	698,051
Prepaid expenses and inventory of supplies	-	10,699	(35,524)
Inventories for resale	-	4,631	(7,195)
Net change in net financial assets (debt)	423,836	593,402	655,332
Net debt, beginning of year	(237,924)	(237,924)	(893,256)
Net financial assets (debt), end of year	\$ 185,912	\$ 355,478	\$ (237,924)

The accompanying notes are an integral part of these financial statements

Corporation of the Township of Hornepayne
Consolidated Statement of Cash Flows

For the year ended December 31	2019	2018
Operating transactions		
Annual surplus	\$ 64,311	\$ 1,172,927
Items not involving cash		
Amortization	793,854	775,606
Disposal of tangible capital assets	-	2,614
Changes in non-cash operating balances		
Taxes receivable	(33,290)	(65,402)
Accounts receivable	(66,087)	140,063
Inventories for resale	(5,907)	(3,513)
Prepaid expenses and inventories of supplies	10,699	(35,524)
Accounts payable and accrued liabilities	(11,283)	(160,898)
Employee benefits plan liability	(31,050)	6,800
Deferred revenue	201,802	267,966
Solid waste closure and post closure liabilities	63,699	43,626
	<u>986,748</u>	<u>2,144,265</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(280,093)</u>	<u>(1,253,096)</u>
Financing transactions		
Proceeds from issuance of long-term debt	-	244,391
Repayment of long term debt	<u>(90,660)</u>	<u>(76,570)</u>
	<u>(90,660)</u>	<u>167,821</u>
Net change in cash and cash equivalents	615,995	1,058,990
Cash and cash equivalents, beginning of year	<u>1,544,941</u>	<u>485,951</u>
Cash and cash equivalents, end of year	<u>\$ 2,160,936</u>	<u>\$ 1,544,941</u>

The accompanying notes are an integral part of these financial statements

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

December 31, 2019

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 Professional 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, 2019

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, 2019

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

	2019	2018
Residential and farm taxation	\$ 1,565,000	\$ 1,441,864
Commercial and industrial taxation	211,257	159,576
Supplementary taxation	6,170	27,186
Amounts added to tax bill for collection	24,324	24,324
Taxation from other governments	108,284	106,189
	1,915,035	1,759,139
Deduct: amounts received or receivable for school boards	100,287	96,558
	\$ 1,814,748	\$ 1,662,581

3. Trust funds

Trust funds administered by the Municipality amounting to \$58,792 (2018 - \$57,973) 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, 2019

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 2019 were \$52,842 (2018 - \$61,509).

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, 2019 is \$10,550 (2018 - \$41,600).

5. Deferred revenue

	Opening balance	Contributions received	Spent funds	Ending balance
Federal gas tax	\$ 65,041	\$ 123,821	\$ 32,379	\$ 156,483
Modernization funding	-	259,200	1,417	257,783
FEDNOR Funding	-	56,380	34,082	22,298
Nuclear Waste Management Organization	100,677	166,462	267,139	-
Association of Municipalities Main Street Plan	19,913	18,599	31,779	6,733
OCIF FC Funding	88,728	237,178	240,209	85,697
Ontario Community Infrastructure Fund	52,833	-	52,833	-
	\$ 327,192	\$ 861,640	\$ 659,838	\$ 528,994

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.

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2019

6. Net long term debt

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

	2019	2018
Ontario Infrastructure and Lands Corporation debenture, repayable \$32,457 semi-annually including interest at 3.64%, due August 2042.	\$ 1,005,021	\$ 1,032,582
Ontario Infrastructure and Lands Corporation debenture, repayable \$22,897 semi-annually including interest at 2.35%, due August 2026.	274,124	312,784
Ontario Infrastructure and Lands Corporation debenture repayable \$12,220 semi-annually including interest at 3.14% due February 2028.	207,732	232,171
	\$ 1,486,877	\$ 1,577,537

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

2020	\$	135,148
2021		135,148
2022		135,148
2023		135,148
2024		135,148
Thereafter		811,137
	\$	1,486,877

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 \$51,589 (2018 - \$52,889).

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 \$432,238 (2018 - \$368,539) and reflects a discount rate of 3.64% (2018 - 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 5 years and the estimated remaining capacity is 9,132 cubic metres which is 18% (2018 - 23%) of the site's total capacity. The total undiscounted estimated future expenses for closure and post-closure care are \$939,663 (2018 - \$863,209) leaving an amount to be recognized of \$507,425 (2018 - \$494,670). The estimated length of time needed for post-closure care is 30 years.

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

December 31, 2019

8. Public sector salary disclosure act

For 2019, one employee was paid a salary of \$100,000 or more, as defined in the Public Sector Salary Disclosure Act, 1996.

9. Subsequent events

The COVID-19 pandemic has disrupted economic activities and supply chains. Although the disruption is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The township is vulnerable with regards to the collection of taxes and water receivables. Also, the potential marketability and sale of properties held in inventory by the Township could be impacted by a prolonged economic decline.

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2019

	2019								
	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	\$ 6,334,893	\$ 5,531,177	\$ 1,364,465	\$ 469,562	\$ 24,051,666	\$ 731,922	\$ 38,690,355
Additions	-	-	-	50,870	-	41,889	919,256	22,134	1,034,149
Disposals	-	-	-	-	-	-	-	(754,056)	(754,056)
Cost, end of year	32,366	174,304	6,334,893	5,582,047	1,364,465	511,451	24,970,922	-	38,970,448
Accumulated amortization, beginning of year	-	174,304	2,405,092	3,062,426	1,045,238	386,641	15,791,437	-	22,865,138
Amortization	-	-	130,837	234,670	38,120	26,985	363,242	-	793,854
Disposals	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	-	174,304	2,535,929	3,297,096	1,083,358	413,626	16,154,679	-	23,658,992
Net carrying amount, end of year	\$ 32,366	\$ -	\$ 3,798,964	\$ 2,284,951	\$ 281,107	\$ 97,825	\$ 8,816,243	\$ -	\$ 15,311,456

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, 2018

10. Tangible capital assets (continued for comparative figures)

	2018									
	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	\$ 6,126,888	\$ 5,361,447	\$ 1,364,465	\$ 440,294	\$ 23,943,896	\$ -	\$ 37,443,660	
Additions	-	-	208,005	176,131	-	29,268	107,770	731,922	1,253,096	
Disposals	-	-	-	(6,401)	-	-	-	-	(6,401)	
Cost, end of year	32,366	174,304	6,334,893	5,531,177	1,364,465	469,562	24,051,666	731,922	38,690,355	
Accumulated amortization, beginning of year	-	174,304	2,300,739	2,820,900	1,002,644	359,926	15,434,806	-	22,093,319	
Amortization	-	-	104,353	245,313	42,594	26,715	356,631	-	775,606	
Disposals	-	-	-	(3,787)	-	-	-	-	(3,787)	
Accumulated amortization, end of year	-	174,304	2,405,092	3,062,426	1,045,238	386,641	15,791,437	-	22,865,138	
Net carrying amount, end of year	\$ 32,366	\$ -	\$ 3,929,801	\$ 2,468,751	\$ 319,227	\$ 82,921	\$ 8,260,229	\$ 731,922	\$ 15,825,217	

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, 2019

11. Accumulated surplus

Allocation of annual surplus

	2019	2018
Equity in tangible capital assets	\$ (423,102)	\$ 307,057
Reserve and reserve funds	437,756	261,351
General surplus (deficit)	-	358,096
Library surplus	-	2,033
Financed capital assets	-	244,390
Opening reserve adjustment	49,657	-
	\$ 64,311	\$ 1,172,927

The Municipality segregates its accumulated surplus in the following categories:

	2019	2018
Reserves set aside for specific purposes by Council		
Capital	\$ 184,035	\$ 53,935
Community grant fund	-	14,242
Library board	75,842	58,160
Arena	27,224	27,224
Sick leave	59,702	59,702
Student bursary	18,000	28,000
Public works department	6,027	6,027
Recreation - fitness/weight training	8,435	8,435
Recreation	9,850	-
Cemetery	740	740
Airport	21,100	21,100
Community well-being	116,861	56,790
100th Anniversary	14,117	14,117
Planning and development	230,000	230,000
Water and sewer	289,496	45,200
Total reserves	1,061,429	623,672
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	1,083,996	646,239
Equity in tangible capital assets	13,824,580	14,247,682
General surplus/deficit	1,022,948	1,004,342
Unfunded liabilities	(10,550)	(41,600)
	\$ 15,920,974	\$ 15,856,663

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

December 31, 2019

12. Budget

The Financial Plan (Budget) By-Law adopted by Council on June 24, 2019 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 financial assets (Debt) represent the Financial Plan adopted by Council on June 24, 2019 with adjustments as follows:

	<u>2019</u>
Financial Plan (Budget) Bylaw deficit for the year	\$ (8,050)
Add:	
Capital expenditures	558,295
Net inter-fund transfers to reserves	456,225
Principal portion of debt payments	90,659
Less:	
Net inter-fund transfers from reserves	115,000
Amortization	793,852
Proceeds from land sales	-
Budget surplus per statement of operations	<u>\$ 188,277</u>

Corporation of the Township of Hornepayne Notes to Consolidated Financial Statements

December 31, 2019

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, 2019

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, 2019

13. Segmented information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and Family	Recreation and Cultural	Planning	2019 Total
Revenue	\$ 445,841	\$ 195,676	\$ 594,956	\$ 78,571	\$ 31,362	\$ 101,572	\$ 366,770	\$ -	\$ 1,814,748
Taxation	-	-	34,082	-	-	-	-	-	34,082
Government grants - Federal	137,639	101,005	211,332	212,154	11,140	36,079	154,361	601,206	1,464,916
Government grants - Provincial	61,546	-	45,976	1,011,628	-	-	99,530	2,776	1,221,456
User fees and service charges	100,042	67,508	73,600	13,066	-	-	-	-	254,216
Licenses, permits and rents	21,075	-	-	-	-	-	-	-	21,075
Investment income	74,219	-	-	7,455	-	-	-	-	81,674
Interest and penalties on taxes, water and sewer	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of tangible capital assets	30,089	-	-	-	-	-	-	-	30,089
Other	1,500	-	1,055	-	-	-	6,782	300,000	309,337
	871,951	384,189	961,001	1,322,874	42,502	137,651	627,443	603,982	5,231,593
Expenses	437,969	30,147	392,540	32,283	691	-	239,076	85,715	1,218,421
Salaries and benefits	-	-	-	-	-	-	-	-	-
Interest on long term debt	99,692	36,353	316,214	51,589	-	-	-	-	51,589
Materials and supplies	198,748	230,316	68,279	267,423	14,169	-	316,236	38,139	1,088,226
Contracted services	85,467	6,859	13,021	798,808	36,954	-	142,643	268,952	1,744,700
Rents and financial expenses	-	-	-	2,307	84	-	21,518	-	129,256
External transfers	7,034	29,720	102,135	591,772	-	141,238	63,191	-	141,238
Amortization	828,910	333,395	892,189	1,744,182	51,898	141,238	782,664	392,806	793,852
	43,041	30,794	68,812	(421,308)	(9,396)	(3,587)	(155,221)	211,176	64,311
Net surplus (deficit)									
Add:	7,034	29,720	102,135	591,772	-	-	63,191	-	793,852
Less:	(38,489)	(34,970)	(15,900)	(187,334)	-	-	(3,400)	-	(280,093)
Capital assets	-	-	(96,165)	(278,230)	-	-	35,448	(116,125)	(455,072)
Reserve transfers	-	-	-	(90,660)	-	-	-	-	(90,660)
Principal on LTD	11,586	25,544	58,882	(385,760)	(9,396)	(3,587)	(59,982)	95,051	(267,662)
Reconciled total									

Corporation of the Township of Hornepayne
Notes to Consolidated Financial Statements

December 31, 2018

13. Segmented information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Health	Social and Family	Recreation and Cultural	Planning	2018 Total
Revenue									
Taxation	\$ 298,119	\$ 193,256	\$ 499,299	\$ 183,813	\$ 34,108	\$ 98,930	\$ 340,396	\$ 14,660	\$ 1,662,581
Government grants									
- Federal	-	-	6,892	-	-	-	-	-	6,892
- Provincial	154,010	67,440	177,599	920,499	12,789	34,524	365,890	317,532	2,050,283
User fees and service charges	39,922	-	58,486	1,000,391	-	-	84,464	-	1,183,263
Licenses, Permits and fines	25,354	47,440	81,010	61,411	200	-	182	-	215,597
Investment income	12,161	-	-	-	-	-	-	-	12,161
Interest and penalties on taxes	78,633	-	-	7,460	-	-	-	-	86,093
Gain (loss) on disposal of tangible capital assets	(2,614)	-	-	-	-	-	-	-	(2,614)
Other	5,719	-	1,275	370,491	-	-	4,333	-	381,818
	611,304	308,136	824,561	2,544,065	47,097	133,454	795,265	332,192	5,596,074
Expenses									
Salaries and benefits	417,064	30,015	341,122	141,780	4,831	-	225,325	-	1,160,137
Interest on long term debt	-	-	-	49,623	-	-	-	-	49,623
Materials and supplies	32,882	18,169	304,528	133,132	5,027	-	228,836	-	722,574
Contracted services	199,430	206,541	53,000	924,591	215	-	89,559	6,258	1,479,594
Rents and financial expenses	20,158	6,554	12,251	2,185	73	-	17,835	-	59,056
External transfers	6,879	31,875	145,513	553,768	37,537	139,020	-	-	176,557
Amortization	676,413	293,154	856,414	1,805,079	47,683	139,020	599,126	6,258	4,423,147
Net surplus (deficit)	\$ (65,109)	\$ 14,982	\$ (31,853)	\$ 738,986	\$ (586)	\$ (5,566)	\$ 196,139	\$ 325,934	\$ 1,172,927

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

Statement of Operations

For the year ended December 31	Budget	2019	2018
Sources of financing			
Municipal contributions	\$ 120,095	\$ 120,095	\$ 110,700
Province of Ontario grants	3,765	3,763	3,763
Fines and photocopies	1,250	1,685	1,443
Donations	4,250	6,782	4,333
Other	1,650	1,091	1,574
	<u>131,010</u>	<u>133,416</u>	<u>121,813</u>
Applied to			
Amortization	-	19,949	19,836
Subscriptions and films	13,500	12,915	10,574
Equipment	6,000	3,055	7,570
Insurance	510	510	456
Repairs and maintenance	700	408	419
Supplies	5,800	7,481	5,565
Telecommunications	2,600	1,979	2,410
Travel	1,600	267	1,589
Wages and employee benefits	100,925	89,119	91,197
	<u>131,635</u>	<u>135,683</u>	<u>139,616</u>
Deficit for the year	\$ (625)	\$ (2,267)	\$ (17,803)