
UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

FINANCIAL STATEMENTS

December 31, 2016

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the United Counties of Stormont, Dundas and Glengarry

We have audited the financial statements of the United Counties of Stormont, Dundas and Glengarry, which comprise the statement of financial position as at December 31, 2016, and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administration's Responsibility for the Financial Statements

Administration is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as administration determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 the 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, these financial statements present fairly, in all material respects, the financial position of the United Counties of Stormont, Dundas and Glengarry as at December 31, 2016 and the results of its operations, change in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cornwall, Ontario
June 19, 2017

Chartered Professional Accountants
Licensed Public Accountants

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 16,704,611	\$ 15,433,522
Accounts receivable	1,556,243	1,542,568
	18,260,854	16,976,090
Liabilities		
Accounts payable	4,816,986	3,439,677
Future employment benefits payable (Note 3)	75,470	74,318
Municipal debt (Note 4)	6,297	11,916
	4,898,753	3,525,911
Net Financial Assets	13,362,101	13,450,179
Non-Financial Assets		
Tangible capital assets	97,894,418	92,024,689
Inventory	1,354,727	1,946,429
Prepaid expenses	108,147	143,966
	99,357,292	94,115,084
Accumulated Surplus	\$ 112,719,393	\$ 107,565,263

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2016

	(Unaudited) BUDGET 2016	ACTUAL 2016	ACTUAL 2015
REVENUE			
Taxation (Note 1(a)(iii))	\$ 42,578,044	\$ 42,388,366	\$ 41,443,760
Fees and service charges	3,233,094	4,337,522	6,731,486
Grants	2,317,278	2,337,487	3,340,417
Investment income	174,864	184,439	169,711
Rents and other	90,175	88,527	167,633
	48,393,455	49,336,341	51,853,007
EXPENSES			
General government	2,836,334	2,612,074	2,601,649
Protection to persons and property	12,306,407	12,240,248	13,264,836
Transportation services	18,610,161	19,423,978	19,094,971
Health services	5,025,533	5,062,818	4,878,886
Social and family services	2,186,495	1,976,730	1,985,787
Social housing	1,633,714	1,614,199	1,527,507
Recreation and cultural services	2,289,675	2,263,321	2,193,931
Planning and development	996,525	931,974	1,351,300
	45,884,844	46,125,342	46,898,867
OTHER REVENUE FOR CAPITAL PURPOSES			
Deferred revenue earned (Note 2)	1,970,856	1,970,856	1,877,006
(Loss) gain on disposal of tangible capital assets	30,000	(27,725)	880
	2,000,856	1,943,131	1,877,886
SURPLUS FOR THE YEAR	4,509,467	5,154,130	6,832,026
ACCUMULATED SURPLUS, beginning of year	107,565,263	107,565,263	100,733,237
ACCUMULATED SURPLUS, end of year	\$ 112,074,730	\$ 112,719,393	\$ 107,565,263

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2016

	(Unaudited) BUDGET 2016	ACTUAL 2016	ACTUAL 2015
Surplus for the year	\$ 4,509,467	\$ 5,154,130	\$ 6,832,026
Amortization of tangible assets	8,303,200	9,016,183	8,238,704
Acquisition of tangible capital assets	(13,961,250)	(15,234,347)	(12,770,828)
Proceeds on disposal of tangible capital assets	-	320,709	144,383
Loss (gain) on disposals of tangible capital assets	-	27,725	(880)
Transfer of WIP to tangible capital assets	-	-	836,580
Change in inventory	-	591,697	(236,392)
Change in prepaid expenses	-	35,825	(8,366)
(Decrease) increase in net financial assets	(1,148,583)	(88,078)	3,035,227
Net financial assets, beginning of year	13,450,179	13,450,179	10,414,952
Net financial assets, end of year	\$ 12,301,596	\$ 13,362,101	\$ 13,450,179

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	2016	2015
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 5,154,130	\$ 6,832,026
Items not affecting cash		
Amortization expense	9,016,183	8,238,704
Loss (gain) on disposal of tangible capital assets	27,725	(880)
Changes in non-cash working capital balances		
Accounts receivable	(13,675)	152,586
Accounts payable	1,377,315	97,067
Deferred revenue	-	(260,000)
Future employment benefits payable	1,152	(27,259)
Inventory	591,697	(236,392)
Prepaid expenses	35,819	(8,366)
	16,190,346	14,787,486
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(5,619)	(9,440)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	320,709	144,383
Acquisition of tangible capital assets	(15,234,347)	(12,770,828)
Transfer of WIP to tangible capital assets	-	836,580
	(14,913,638)	(11,789,865)
INCREASE IN CASH AND EQUIVALENT	1,271,089	2,988,181
CASH AND EQUIVALENT, beginning of year	15,433,522	12,445,341
CASH AND EQUIVALENT, end of year	\$ 16,704,611	\$ 15,433,522
REPRESENTED BY :		
Cash	\$ 16,704,611	\$ 15,433,522

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2016

	Land and Land Improvements	Buildings	Vehicles	Equipment	Street Lights	Roads	Storm Drains	Bridges	Construction in Process	2016	2015
Cost											
Balance, beginning of year	\$ 1,630,805	\$ 9,672,133	\$ 6,831,472	\$ 3,622,613	\$ 677,471	\$ 185,316,035	\$ 4,514,800	\$ 27,035,469	\$ 93,478	\$ 239,394,276	\$ 229,438,527
Additions during the year	-	-	420,999	569,705	-	11,279,562	156,244	2,278,355	529,482	15,234,347	12,770,828
Disposals during the year	32,917	476,926	290,216	248,156	-	3,211,462	73,223	211,480	-	4,544,380	2,815,079
Balance, end of year	1,597,888	9,195,207	6,962,255	3,944,162	677,471	193,384,135	4,597,821	29,102,344	622,960	250,084,243	239,394,276
Accumulated Amortization											
Balance, beginning of year	251,756	4,037,849	4,557,242	2,823,934	359,806	120,783,690	2,110,274	12,445,036	-	147,369,587	140,965,875
Amortization during the year	5,250	233,530	468,987	207,705	21,341	7,217,341	91,385	770,644	-	9,016,183	8,238,704
Amortization on disposals	22,384	202,693	260,527	248,156	-	3,199,449	51,256	211,480	-	4,195,945	1,834,992
Balance, end of year	234,622	4,068,686	4,765,702	2,783,483	381,147	124,801,582	2,150,403	13,004,200	-	152,189,825	147,369,587
Net book value	\$ 1,363,266	\$ 5,126,521	\$ 2,196,553	\$ 1,160,679	\$ 296,324	\$ 68,582,553	\$ 2,447,418	\$ 16,098,144	\$ 622,960	\$ 97,894,418	\$ 92,024,689

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2016

	Buildings	Development	Library	Planning	POA	Roads	Treasury & IT	2016	2015
Cost									
Balance, beginning of year	\$ 2,914,422	\$ 25,369	\$ 2,835,098	\$ 990,785	\$ 5,101	\$ 232,280,722	\$ 342,779	\$ 239,394,276	\$ 229,438,527
Additions during the year	388,482	-	154,907	-	-	14,690,958	-	15,234,347	12,770,828
Disposals during the year	509,842	-	248,156	-	-	3,786,382	-	4,544,380	2,815,079
Balance, end of year	2,793,062	25,369	2,741,849	990,785	5,101	243,185,298	342,779	250,084,243	239,394,276
Accumulated Amortization									
Balance, beginning of year	1,916,488	17,755	2,196,263	50,380	4,081	142,842,865	341,755	147,369,587	140,965,875
Amortization during the year	49,256	1,268	179,969	-	1,020	8,783,650	1,020	9,016,183	8,238,704
Amortization on disposals	225,077	-	248,156	-	-	3,722,712	-	4,195,945	1,834,992
Balance, end of year	1,740,667	19,023	2,128,076	50,380	5,101	147,903,803	342,775	152,189,825	147,369,587
Net book value	\$ 1,052,395	\$ 6,346	\$ 613,773	\$ 940,405	\$ -	\$ 95,281,495	\$ 4	\$ 97,894,418	\$ 92,024,689

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2016

	2016	2015
Surpluses		
Operating surplus	\$ 133,186	\$ 936,759
Stormont, Dundas and Glengarry County Library Board	24,173	49,855
Stormont, Dundas and Glengarry Police Services Board	520,080	651,335
Unapplied capital financing	-	120,000
Unfunded liabilities to be recovered from future revenues		
Future employment benefits payable	(75,470)	(74,318)
Total surpluses	601,969	1,683,631
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	5,118,758	5,118,758
Sick leave	75,470	74,318
Capital expenditure	1,316,101	1,316,101
Roads	6,160,814	6,085,598
Library	127,703	127,680
Tax rate stabilization	400,000	400,000
Buildings	893,662	588,535
Other	136,795	157,869
Total reserves	14,229,303	13,868,859
Invested in tangible capital assets		
Tangible capital assets	97,894,418	92,024,689
Less: related debt	(6,297)	(11,916)
Total invested in tangible capital assets	97,888,121	92,012,773
ACCUMULATED SURPLUS	\$ 112,719,393	\$ 107,565,263

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2016

	Surpluses	Reserves	Invested in Tangible Capital Assets	2016	2015
Balance, beginning of year	\$ 1,683,631	\$ 13,868,859	\$ 92,012,773	\$ 107,565,263	\$ 100,733,237
Surplus for the year	14,170,313	-	(9,016,183)	5,154,130	6,832,026
Reserves used for operations	469,367	(469,367)	-	-	-
Transfer to reserves	(829,811)	829,811	-	-	-
Current year funds used for tangible capital assets	(15,234,347)	-	15,234,347	-	-
Disposal of tangible capital assets	348,435	-	(348,435)	-	-
Repayment of municipal debt	(5,619)	-	5,619	-	-
Change in accumulated surplus	(1,081,662)	360,444	5,875,348	5,154,130	6,832,026
Balance, end of year	\$ 601,969	\$ 14,229,303	\$ 97,888,121	\$ 112,719,393	\$ 107,565,263

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2016	2015
REVENUE										
Taxation	\$ 5,432,698	\$ 9,351,865	\$ 15,979,161	\$ 5,025,533	\$ 2,186,495	\$ 1,633,714	\$ 2,021,500	\$ 757,400	\$ 42,388,366	\$ 41,443,760
Fees and service charges	40,774	2,802,279	1,319,834	-	-	-	16,112	158,523	4,337,522	6,731,486
Grants	1,858,676	15,549	251,221	-	-	-	165,321	46,720	2,337,487	3,340,417
Investment income	184,439	-	-	-	-	-	-	-	184,439	169,711
Rents and other	66,963	-	-	-	-	-	9,321	12,243	88,527	167,633
	7,583,550	12,169,693	17,550,216	5,025,533	2,186,495	1,633,714	2,212,254	974,886	49,336,341	51,853,007
EXPENSES										
Wages and benefits	1,285,970	581,954	2,923,957	-	-	-	1,450,022	590,032	6,831,935	6,629,975
Materials and services	26,882	281,264	7,640,246	-	-	-	623,555	312,531	8,884,478	9,869,308
Contracted services	1,104,939	10,680,359	-	22,529	-	-	1,540	-	11,809,367	12,874,178
Insurance and financial costs	69,857	55,111	76,126	-	-	-	8,235	1,143	210,472	177,853
Third party transfers	74,150	640,540	-	5,040,289	1,976,730	1,614,199	-	27,000	9,372,908	9,108,850
Amortization	50,276	1,020	8,783,649	-	-	-	179,969	1,268	9,016,182	8,238,703
	2,612,074	12,240,248	19,423,978	5,062,818	1,976,730	1,614,199	2,263,321	931,974	46,125,342	46,898,867
OTHER REVENUE										
Deferred revenue earned	-	-	1,970,856	-	-	-	-	-	1,970,856	1,877,006
(Loss) gain on disposal of tangible capital assets	-	-	(27,725)	-	-	-	-	-	(27,725)	880
	-	-	1,943,131	-	-	-	-	-	1,943,131	1,877,886
SURPLUS FOR THE YEAR	\$ 4,971,476	\$ (70,555)	\$ 69,369	\$ (37,285)	\$ 209,765	\$ 19,515	\$ (51,067)	\$ 42,912	\$ 5,154,130	\$ 6,832,026

See Accompanying Notes



UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of consolidation

(i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserve funds and reserves and include the activities of all committees of Council and the following local boards:

Stormont, Dundas and Glengarry County Library Board
Stormont, Dundas and Glengarry Police Services Board

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of any funds of the Counties which results in consolidated interest income and expenditures during the year.

These financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Counties and intergovernmental transactions and balances are not eliminated. The following government business enterprise is consolidated based on the Counties's share of ownership.

There are no government business enterprises

(ii) Non-consolidated entities

Eastern Ontario Health Unit

(iii) Accounting for school board transactions

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

(iv) Trust funds

Trust funds and their related operations administered by the Counties are not consolidated, but are reported separately on the Trust Funds Balance Sheet and Statement of Continuity.

(b) Taxation and related revenue

Property tax billings are issued by the Counties based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue billed through the lower tier municipalities. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legalisation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Government grants

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. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(d) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which 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.

(e) Fees and service charges

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, Provincial Offenses Act fines, rental revenue, permits, and other fees from various recreation programs.

(f) Investment income

Investment income earned on surplus funds is reported as revenue in the period earned.

(g) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and short term investments.

(h) Deferred revenue

Deferred revenue represents government transfers that have been received for specific purposes, but the respective expenditures have not been incurred to date. These amounts will be recognized as revenues in the year the expenditures are incurred.

(i) Future employment benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Counties' policy. The Counties account for its participation in the Ontario Municipal Employees Retirement System (OMERS) as a defined contribution plan.

(j) Amounts to be recovered from future revenues

Amounts to be recovered from future revenues represents the outstanding principal portion of unmatured long-term liabilities for expenditures, accrued interest on long-term liabilities and future employment benefits payable that will be financed through future revenues of the Counties and is reported on the Statement of Financial Position.

(k) 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 revenues over expenses, provides the change in net financial assets for the year.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Non-financial assets (Continued)

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. 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	25 to 40 years
Buildings	10 to 50 years
Vehicles	4 to 20 years
Equipment	
general equipment	3 to 30 years
library materials	7 years
leased assets	5 to 40 years
computer hardware and software	3 years
Storm drains	50 years
Street lights	30 years
Transportation	
roads	10 to 50 years
bridges and structures	25 to 75 years

A full year of amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Counties have a capitalization threshold of between \$5,000 to \$25,000, based on the asset class so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Works of art and historical treasures

The Counties own various works of art and historical treasures dating back to 1850. The Counties also own a Harkness historical clock from 1893. Works of art and historical treasures are not recorded in the Counties' financial statements.

(iii) Contributions 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 expense equal to the net book value of the asset as of the date of the transfer.

(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.

(v) Inventory

Inventory held for consumption is recorded at the lower of cost or replacement cost.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets, the valuation of allowances for accounts receivable, and the valuation of inventories. Actual results could differ from these estimates.

2. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

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

	2016	2015
Balance, beginning of year	\$ -	\$ -
Grants received	1,970,856	1,877,006
Deferred revenue earned	(1,970,856)	(1,877,006)
Balance, end of year	\$ -	\$ -

3. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Counties provide employee benefits that will require funding in future periods. Under the former sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Counties' employment. The Reserve for Sick Leave in the amount of \$75,470 (2015 - \$74,318) has been established to provide for this liability.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

4. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the Statement of Financial Position is made up of the following:

	2016	2015
Capital lease obligations, vehicles and equipment at various interest rates ranging from 0% to 5.98%, secured by assets, maturity dates ranging from March 2017 to July 2018	\$ 6,297	\$ 11,916
Principal payment due in the next three years are as follows:		
2017	\$ 4,310	
2018	1,987	
	\$ 6,297	

(b) The municipal debt reported in (a) of this note are payable from general municipal revenues.

5. PENSION AGREEMENTS

The Counties are a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan. The plan is a contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Counties does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The employer amount contributed to OMERS for 2016 was \$436,662 (2015 - \$429,787) for current service and is included as an expenditure on the Statement of Financial Activities.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

6. PROVINCIAL OFFENCES

The Counties are the service provider for Provincial Offences on behalf of the Counties and the City of Cornwall. The provision of service began February 4, 2001. The net revenues are shared based on the share of population pursuant to the agreement between the City of Cornwall and the Counties.

	2016	2015
Revenue	\$ 2,713,343	\$ 2,592,663
Expenditures	1,178,183	1,161,509
	\$ 1,535,160	\$ 1,431,154
Net revenue is shared as follows:		
United Counties of Stormont, Dundas and Glengarry	\$ 894,620	\$ 834,363
City of Cornwall	640,540	596,791
	\$ 1,535,160	\$ 1,431,154

7. BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

8. FINAL SETTLEMENTS

The Counties have services provided by third party service providers such as land ambulance, home for the aged, social housing, social services and policing. As well, the Province of Ontario provides funding for the current year that requires a final settlement. Some of these final settlements may not be known at the date of these financial statements. Administration has recorded an estimate of the settlements not yet finalized for 2016. Any adjustments required as a result of differences between the estimates and the final settlements will be recorded in next year's financial statements.

9. OPERATING EXPENDITURES BY OBJECT

	(Unaudited) BUDGET 2016	ACTUAL 2016	ACTUAL 2015
Wages and benefits	\$ 5,862,693	\$ 6,831,935	\$ 6,629,975
Materials and services	9,908,953	8,884,478	9,869,308
Contracted services	11,848,450	11,809,367	12,874,178
Insurance and financial costs	211,600	210,472	177,853
Third party transfers	9,541,008	9,372,908	9,108,850
Amortization	8,303,200	9,016,182	8,238,703
	\$ 45,675,904	\$ 46,125,342	\$ 46,898,867

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

10. OPERATING SURPLUS

The total operating deficit for the fiscal year ending December 31, 2016 was \$960,510. The general deficit of \$803,573 was allocated from the operating surplus. The Library Board deficit of \$25,682 was covered by the Library board surplus and the Police Services Board deficit of \$131,255 was allocated from the Police services board's surplus.

	(Unaudited) BUDGET 2016	ACTUAL 2016	ACTUAL 2015
Surplus for the year	\$ 4,509,467	\$ 5,154,130	\$ 6,832,026
Funds transferred to reserves	(40,000)	(829,817)	(3,376,776)
Reserves used for operations	300,083	469,367	83,582
Change in future employment benefits payable	-	1,159	(27,252)
Acquisition of tangible capital assets	(13,961,250)	(15,234,347)	(12,770,828)
Transfer of work in progress to tangible capital assets	-	-	836,580
Amortization expense	8,303,200	9,016,183	8,238,704
Loss on sale of tangible capital assets	-	27,725	(880)
Proceeds on sale of tangible capital assets	-	320,709	144,383
Change in unexpended capital financing	-	120,000	(120,000)
Principal payments on municipal debt	-	(5,619)	(9,439)
Operating deficit for the year	(888,500)	(960,510)	(169,900)
Library board deficit	53,500	25,682	58,004
Police services board deficit	135,000	131,255	388,703
General (deficit) surplus for the year	(700,000)	(803,573)	276,807
Operating surplus, beginning of year	936,759	936,759	659,952
Operating surplus, end of year	\$ 236,759	\$ 133,186	\$ 936,759

11. SEGMENTED INFORMATION

The Counties is responsible for providing a range of services to its citizens. For management reporting purposes the Counties's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the United Counties of Stormont, Dundas and Glengarry and expended disclosure by object has been reflected in the schedule of segmented disclosure.

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

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

A brief description of each segment follows:

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

11. SEGMENTED INFORMATION (Continued)

(a) General government

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

(b) Protection services

Protection services includes police protection, and emergency measures and obligations under the Provincial Offenses Act.

(c) Transportation services

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

(d) Health services

Health services provide emergency medical services, land ambulance and funding for local public health organizations.

(e) Social and family services

Social and family services provide long-term care home at the Glen-Stor-Dun Lodge, and provincial programs such as social assistance and subsidized child care.

(f) Social housing

Social housing provide housing services for geared to income individuals in the United Counties of Stormont, Dundas and Glengarry.

(g) Recreation and cultural services

Recreation and cultural services includes libraries.

(h) Planning and development

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

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2016

FINANCIAL ACTIVITIES (000's)

	2016	2015	2014	2013	2012
Revenues					
Taxation	\$ 42,388	\$ 41,444	\$ 39,763	\$ 38,892	\$ 37,641
Fees and service charges	4,338	6,731	3,227	3,364	3,616
Grants	2,337	3,341	3,477	295	3,697
Investment income	184	170	182	46	157
Rents and other	89	168	154	165	163
	49,336	51,854	46,803	42,762	45,274
Expenses					
General government	2,612	2,602	2,891	2,847	2,465
Protection to persons and property	12,240	13,265	14,222	13,341	13,548
Transportation services	19,424	19,095	16,835	16,997	16,462
Health services	5,063	4,879	4,674	4,593	6,691
Social and family services	1,977	1,986	2,169	2,345	2,715
Social housing	1,614	1,528	1,474	1,416	1,378
Recreation and cultural services	2,263	2,194	2,104	2,094	1,991
Planning and development	932	1,351	1,046	901	1,306
	46,125	46,900	45,415	44,534	46,556
Other Revenue					
Deferred revenue earned	1,971	1,877	2,976	2,800	1,401
Grants	-	-	-	2,902	1,162
(Loss) gain on disposal of tangible capital assets	(28)	1	(104)	(453)	(3)
	1,943	1,878	2,872	5,249	2,560
Surplus for the year	\$ 5,154	\$ 6,832	\$ 4,260	\$ 3,477	\$ 1,278

TAXABLE ASSESSMENT (000's)

	2016	2015	2014	2013	2012
Residential and farm	\$ 7,406,697	\$ 6,914,365	\$ 6,394,962	\$ 5,925,388	\$ 5,430,027
Commercial and industrial	706,088	677,950	635,840	615,574	594,521
	8,112,785	7,592,315	7,030,802	6,540,962	6,024,548
Exempt	253,716	246,255	240,235	235,003	220,924
	\$ 8,366,501	\$ 7,838,570	\$ 7,271,037	\$ 6,775,965	\$ 6,245,472
Commercial and industrial	8.70%	8.93%	9.04%	9.41%	9.87%

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2016

FINANCIAL INDICATORS

	2016	2015	2014	2013	2012
Net long-term debt	\$ 6,297	\$ 11,916	\$ 21,355	\$ 31,277	\$ 101,430
Sustainability					
Financial assets to liabilities	3.73	4.81	4.20	4.04	3.17
Financial assets to liabilities excluding long-term debt	3.73	4.83	4.23	4.07	3.25
Long-term debt to tangible capital assets	0.01 %	0.01 %	0.02 %	0.04 %	0.12 %
Flexibility					
Debt charges to total operating revenue	0.15 %	0.16 %	0.18 %	0.21 %	0.14 %
Total operating revenue to taxable assessment	0.59 %	0.66 %	0.68 %	0.71 %	0.76 %
Vulnerability					
Operating grants to operating revenue	4.74 %	6.44 %	12.98 %	12.42 %	13.13 %
Total grants to total revenues	8.73 %	10.06 %	13.76 %	14.02 %	13.82 %
Reserve Coverage					
Reserves to operating revenue	28.84 %	26.75 %	21.32 %	21.40 %	19.96 %
Reserves to working capital	0.96 %	0.90 %	1.11 %	1.08 %	1.29 %
Reserves	\$ 14,229,303	\$ 13,868,859	\$ 10,575,668	\$ 10,336,530	\$ 9,515,185