

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

FINANCIAL STATEMENTS

December 31, 2017

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

December 31, 2017

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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, 2017, 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, 2017 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.

Other Matter

The financial statements of the United Counties of Stormont, Dundas and Glengarry for the year ended December 31, 2016 were audited by CKDM LLP of Cornwall, Ontario, prior to its merger with MNP LLP. CKDM LLP expressed an unmodified opinion on those statements dated May 10, 2017.

Cornwall, Ontario
July 16, 2018

Chartered Professional Accountants
Licensed Public Accountants



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

As at December 31, 2017

	2017	2016
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 17,623,276	\$ 16,704,611
Accounts receivable	2,619,743	1,556,241
	20,243,019	18,260,852
 Liabilities		
Accounts payable	4,335,105	4,816,989
Future employment benefits payable (Note 3)	85,586	75,470
Municipal debt (Note 4)	1,986	6,297
	4,422,677	4,898,756
Net Financial Assets	15,820,342	13,362,096
 Non-Financial Assets		
Tangible capital assets	102,458,720	97,894,416
Inventory	1,873,505	1,354,732
Prepaid expenses	98,222	108,147
	104,430,447	99,357,295
Accumulated Surplus	\$ 120,250,789	\$ 112,719,391

See Accompanying Notes

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

For the year ended December 31, 2017

	(Unaudited) BUDGET 2017	ACTUAL 2017	ACTUAL 2016
REVENUE			
Taxation (Note 1(a)(iii))	\$ 44,734,049	\$ 44,983,911	\$ 42,388,366
Fees and service charges	3,337,634	4,125,826	4,337,522
Grants	3,303,413	3,144,262	2,337,484
Investment income	175,000	231,637	184,439
Rents and other	36,055	28,088	88,527
	51,586,151	52,513,724	49,336,338
EXPENSES			
General government	2,862,594	2,708,013	2,612,074
Protection to persons and property	12,390,236	12,368,725	12,240,247
Transportation services	20,131,080	19,646,430	19,423,977
Health services	5,008,341	5,450,988	5,062,818
Social and family services	2,005,090	1,740,066	1,976,730
Social housing	1,673,484	1,675,647	1,614,199
Recreation and cultural services	2,319,055	2,238,494	2,263,321
Planning and development	1,168,485	1,007,056	931,973
	47,558,365	46,835,419	46,125,339
OTHER REVENUE FOR CAPITAL PURPOSES			
Deferred revenue earned (Note 2)	1,970,856	2,005,746	1,970,856
(Loss) gain on disposal of tangible capital assets	30,000	(152,653)	(27,725)
	2,000,856	1,853,093	1,943,131
SURPLUS FOR THE YEAR	6,028,642	7,531,398	5,154,130
ACCUMULATED SURPLUS, beginning of year	112,719,391	112,719,391	107,565,261
ACCUMULATED SURPLUS, end of year	\$ 118,748,033	\$ 120,250,789	\$ 112,719,391

See Accompanying Notes

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

For the year ended December 31, 2017

	(Unaudited) BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 6,028,642	\$ 7,531,398	\$ 5,154,130
Amortization of tangible assets	9,130,000	9,173,730	9,016,185
Acquisition of tangible capital assets	(16,714,374)	(14,425,090)	(15,234,344)
Proceeds on disposal of tangible capital assets	-	74,919	320,704
Loss on disposals of tangible capital assets	-	152,653	27,725
Transfer of WIP to tangible capital assets	-	459,482	-
Change in inventory	-	(518,778)	591,697
Change in prepaid expenses	-	9,932	35,819
Increase (decrease) in net financial assets	(1,555,732)	2,458,246	(88,084)
Net financial assets, beginning of year	13,362,096	13,362,096	13,450,180
Net financial assets, end of year	\$ 11,806,364	\$ 15,820,342	\$ 13,362,096

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	2016
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 7,531,398	\$ 5,154,130
Items not affecting cash		
Amortization expense	9,173,730	9,016,185
Loss on disposal of tangible capital assets	152,653	27,725
Changes in non-cash working capital balances		
Accounts receivable	(1,063,502)	(13,673)
Accounts payable	(481,877)	1,377,308
Future employment benefits payable	10,116	1,152
Inventory	(518,778)	591,697
Prepaid expenses	9,925	35,819
	14,813,665	16,190,343
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(4,311)	(5,619)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	74,919	320,709
Acquisition of tangible capital assets	(14,425,090)	(15,234,344)
Transfer of WIP to tangible capital assets	459,482	-
	(13,890,689)	(14,913,635)
INCREASE IN CASH AND EQUIVALENT	918,665	1,271,089
CASH AND EQUIVALENT, beginning of year	16,704,611	15,433,522
CASH AND EQUIVALENT, end of year	\$ 17,623,276	\$ 16,704,611
REPRESENTED BY :		
Cash	\$ 17,623,276	\$ 16,704,611

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	Land and Land Improvements	Buildings	Vehicles	Equipment	Street Lights	Roads	Storm Drains	Bridges	Construction in Process	2017	2016
Cost											
Balance, beginning of year	\$ 1,597,888	\$ 9,195,207	\$ 6,962,255	\$ 3,944,160	\$ 677,471	\$ 193,384,137	\$ 4,597,820	\$ 29,102,344	\$ 622,960	\$ 250,084,242	\$ 239,394,278
Additions during the year	89,195	797,501	475,430	287,994	236,839	9,574,513	287,066	-	2,676,552	14,425,090	15,234,344
Disposals during the year	145,484	-	36,390	16,190	7,174	2,736,625	17,494	-	459,482	3,418,839	4,544,380
Balance, end of year	1,541,599	9,992,708	7,401,295	4,215,964	907,136	200,222,025	4,867,392	29,102,344	2,840,030	261,090,493	250,084,242
Accumulated Amortization											
Balance, beginning of year	234,623	4,068,686	4,765,702	2,783,483	381,147	124,801,582	2,150,403	13,004,200	-	152,189,826	147,369,586
Amortization during the year	6,028	254,002	464,994	209,451	27,100	7,593,692	96,578	521,885	-	9,173,730	9,016,185
Amortization on disposals	-	-	9,098	16,190	6,695	2,682,306	17,494	-	-	2,731,783	4,195,945
Balance, end of year	240,651	4,322,688	5,221,598	2,976,744	401,552	129,712,968	2,229,487	13,526,085	-	158,631,773	152,189,826
Net book value	\$ 1,300,948	\$ 5,670,020	\$ 2,179,697	\$ 1,239,220	\$ 505,584	\$ 70,509,057	\$ 2,637,905	\$ 15,576,259	\$ 2,840,030	\$ 102,458,720	\$ 97,894,416

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	Buildings	Development	Library	Planning	POA	Roads	Treasury & IT	2017	2016
Cost									
Balance, beginning of year	\$ 2,793,062	\$ 25,369	\$ 2,741,849	\$ 990,785	\$ 5,101	\$ 243,185,297	\$ 342,779	\$ 250,084,242	\$ 239,394,278
Additions during the year	816,909	-	203,654	31,195	-	13,373,332	-	14,425,090	15,234,344
Disposals during the year	533,965	-	16,190	-	-	2,868,684	-	3,418,839	4,544,380
Balance, end of year	3,076,006	25,369	2,929,313	1,021,980	5,101	253,689,945	342,779	261,090,493	250,084,242
Accumulated Amortization									
Balance, beginning of year	1,740,667	19,023	2,128,076	50,380	5,101	147,903,804	342,775	152,189,826	147,369,586
Amortization during the year	79,026	1,268	175,043	780	-	8,917,613	-	9,173,730	9,016,185
Amortization on disposals	-	-	16,190	-	-	2,715,593	-	2,731,783	4,195,945
Balance, end of year	1,819,693	20,291	2,286,929	51,160	5,101	154,105,824	342,775	158,631,773	152,189,826
Net book value	\$ 1,256,313	\$ 5,078	\$ 642,384	\$ 970,820	\$ -	\$ 99,584,121	\$ 4	\$ 102,458,720	\$ 97,894,416

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2017

	2017	2016
Surpluses		
Operating surplus	\$ 81,299	\$ 133,184
Stormont, Dundas and Glengarry County Library Board	39,832	24,173
Stormont, Dundas and Glengarry Police Services Board	383,854	520,080
Unapplied capital financing	514,384	-
Unfunded liabilities to be recovered from future revenues		
Future employment benefits payable	(85,586)	(75,470)
Total surpluses	933,783	601,967
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	5,118,758	5,118,758
Sick leave	59,684	75,470
Capital expenditure	1,316,101	1,316,101
Roads	7,465,428	6,160,814
Library	109,787	127,703
Tax rate stabilization	1,699,057	400,000
Buildings	873,662	893,664
Other	217,795	136,795
Total reserves	16,860,272	14,229,305
Invested in tangible capital assets		
Tangible capital assets	102,458,720	97,894,416
Less: related debt	(1,986)	(6,297)
Total invested in tangible capital assets	102,456,734	97,888,119
ACCUMULATED SURPLUS	\$ 120,250,789	\$ 112,719,391

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2017

	Surpluses	Reserves	Invested in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ 601,967	\$ 14,229,305	\$ 97,888,119	\$ 112,719,391	\$ 107,565,261
Surplus for the year	16,705,128	-	(9,173,730)	7,531,398	5,154,130
Reserves used for operations	1,830,204	(1,830,204)	-	-	-
Transfer to reserves	(4,461,171)	4,461,171	-	-	-
Current year funds used for tangible capital assets	(14,425,090)	-	14,425,090	-	-
Disposal of tangible capital assets	687,056	-	(687,056)	-	-
Repayment of municipal debt	(4,311)	-	4,311	-	-
Change in accumulated surplus	331,816	2,630,967	4,568,615	7,531,398	5,154,130
Balance, end of year	\$ 933,783	\$ 16,860,272	\$ 102,456,734	\$ 120,250,789	\$ 112,719,391

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2017	2016
REVENUE										
Taxation	\$ 8,867,192	\$ 9,438,297	\$ 15,099,080	\$ 5,009,541	\$ 2,044,860	\$ 1,633,714	\$ 2,056,472	\$ 834,755	\$ 44,983,911	\$ 42,388,366
Fees and service charges	48,402	2,820,536	969,140	-	-	-	134,010	153,738	4,125,826	4,337,522
Grants	1,576,280	16,632	1,356,297	-	-	-	173,712	21,341	3,144,262	2,337,484
Investment income	231,637	-	-	-	-	-	-	-	231,637	184,439
Rents and other	11,325	-	-	-	-	-	16,341	422	28,088	88,527
	10,734,836	12,275,465	17,424,517	5,009,541	2,044,860	1,633,714	2,380,535	1,010,256	52,513,724	49,336,338
EXPENSES										
Wages and benefits	1,375,126	568,520	2,916,540	-	-	-	1,481,429	664,910	7,006,525	6,777,573
Materials and services	(144,651)	297,380	7,712,615	-	-	-	573,883	312,923	8,752,150	8,938,838
Contracted services	1,153,071	10,805,232	-	25,789	-	-	1,710	-	11,985,802	11,809,365
Insurance and financial costs	224,972	55,951	99,662	-	-	-	6,429	1,443	388,457	210,472
Third party transfers	19,200	641,642	-	5,425,199	1,740,066	1,675,647	-	27,000	9,528,754	9,372,908
Amortization	80,295	-	8,917,613	-	-	-	175,043	780	9,173,731	9,016,183
	2,708,013	12,368,725	19,646,430	5,450,988	1,740,066	1,675,647	2,238,494	1,007,056	46,835,419	46,125,339
OTHER REVENUE										
Deferred revenue earned	-	-	2,005,746	-	-	-	-	-	2,005,746	1,970,856
Loss on disposal of tangible capital assets	-	-	(152,653)	-	-	-	-	-	(152,653)	(27,725)
	-	-	1,853,093	-	-	-	-	-	1,853,093	1,943,131
SURPLUS FOR THE YEAR	\$ 8,026,823	\$ (93,260)	\$ (368,820)	\$ (441,447)	\$ 304,794	\$ (41,933)	\$ 142,041	\$ 3,200	\$ 7,531,398	\$ 5,154,130

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

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, 2017

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, 2017

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, 2017

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:

	2017	2016
Balance, beginning of year	\$ -	\$ -
Grants received	2,005,746	1,970,856
Deferred revenue earned	(2,005,746)	(1,970,856)
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 \$59,684 (2016 - \$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, 2017

4. MUNICIPAL DEBT

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

	2017	2016
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	\$ 1,986	\$ 6,297
Principal payment due in the next three years are as follows:		
2018	\$ 1,986	

(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 2017 was \$462,027 (2016 - \$436,662) for current service and is included as an expenditure on the Statement of Financial Activities.

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.

	2017	2016
Revenue	\$ 2,732,907	\$ 2,713,343
Expenditures	1,194,196	1,178,183
	\$ 1,538,711	\$ 1,535,160
Net revenue is shared as follows:		
United Counties of Stormont, Dundas and Glengarry	\$ 897,068	\$ 894,620
City of Cornwall	641,643	640,540
	\$ 1,538,711	\$ 1,535,160

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

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 2017. 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 2017	ACTUAL 2017	ACTUAL 2016
Wages and benefits	\$ 5,842,330	\$ 7,006,525	\$ 6,777,573
Materials and services	10,466,243	8,752,150	8,938,838
Contracted services	11,963,341	11,985,802	11,809,365
Insurance and financial costs	213,150	388,457	210,472
Third party transfers	9,054,508	9,528,754	9,372,908
Amortization	9,130,000	9,173,731	9,016,183
	\$ 46,669,572	\$ 46,835,419	\$ 46,125,339

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

10. OPERATING SURPLUS

The total operating deficit for the fiscal year ending December 31, 2017 was \$172,451. The general deficit of \$51,885 was allocated from the operating surplus. The Library Board surplus of \$15,659 was allocated to the Library board surplus and the Police Services Board deficit of \$136,225 was allocated from the Police services board's surplus.

	(Unaudited) BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 6,028,642	\$ 7,531,398	\$ 5,154,130
Funds transferred to reserves	(40,000)	(4,461,175)	(829,820)
Reserves used for operations	300,083	1,830,204	469,367
Change in future employment benefits payable	-	10,123	1,159
Acquisition of tangible capital assets	(16,714,374)	(14,425,090)	(15,234,344)
Transfer of work in progress to tangible capital assets	-	459,482	-
Amortization expense	9,130,000	9,173,730	9,016,185
Loss on sale of tangible capital assets	-	152,653	27,725
Proceeds on sale of tangible capital assets	-	74,919	320,704
Change in unexpended capital financing	-	(514,384)	120,000
Principal payments on municipal debt	-	(4,311)	(5,618)
Operating deficit for the year	(1,295,649)	(172,451)	(960,512)
Transfer to Library board surplus	53,500	(15,659)	25,682
Transfer from Police services board surplus	135,000	136,225	131,255
General deficit for the year	(1,107,149)	(51,885)	(803,575)
Operating surplus, beginning of year	133,184	133,184	936,759
Operating surplus, end of year	\$ (973,965)	\$ 81,299	\$ 133,184

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, 2017

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, 2017

FINANCIAL ACTIVITIES (000's)

	2017	2016	2015	2014	2013
Revenues					
Taxation	\$ 44,984	\$ 42,388	\$ 41,444	\$ 39,763	\$ 38,892
Fees and service charges	4,126	4,338	6,731	3,227	3,364
Grants	3,144	2,338	2,241	751	3,434
Investment income	232	184	170	182	46
Rents and other	28	89	168	154	165
	52,514	49,337	50,754	44,077	45,901
Expenses					
General government	2,708	2,612	2,602	2,891	2,847
Protection to persons and property	12,369	12,240	13,265	14,222	13,341
Transportation services	19,646	19,424	19,095	16,835	16,997
Health services	5,451	5,063	4,879	4,674	4,593
Social and family services	1,740	1,977	1,986	2,169	2,345
Social housing	1,676	1,614	1,528	1,474	1,416
Recreation and cultural services	2,238	2,263	2,194	2,104	2,094
Planning and development	1,007	932	1,351	1,046	901
	46,835	46,125	46,900	45,415	44,534
Other Revenue					
Deferred revenue earned	2,006	1,971	2,976	2,800	1,401
Grants	-	-	-	2,902	1,162
(Loss) gain on disposal of tangible capital assets	(153)	(28)	1	(104)	(453)
	1,853	1,943	2,977	5,598	2,110
Surplus for the year	\$ 7,532	\$ 5,155	\$ 6,831	\$ 4,260	\$ 3,477

TAXABLE ASSESSMENT (000's)

	2017	2016	2015	2014	2013
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, 2017

FINANCIAL INDICATORS

	2017	2016	2015	2014	2013
Net long-term debt	\$ 1,986	\$ 6,297	\$ 11,916	\$ 21,355	\$ 31,277
Sustainability					
Financial assets to liabilities	4.58	3.73	4.92	4.20	4.04
Financial assets to liabilities excluding long-term debt	4.58	3.73	4.94	4.23	4.07
Long-term debt to tangible capital assets	- %	0.01 %	0.01 %	0.02 %	0.04 %
Flexibility					
Debt charges to total operating revenue	0.14 %	0.17 %	0.16 %	0.20 %	0.14 %
Total operating revenue to taxable assessment	0.63 %	0.63 %	0.74 %	0.73 %	0.77 %
Vulnerability					
Operating grants to operating revenue	5.99 %	4.74 %	9.74 %	12.98 %	12.42 %
Total grants to total revenues	9.81 %	8.73 %	10.28 %	14.61 %	13.06 %
Reserve Coverage					
Reserves to operating revenue	32.11 %	28.84 %	25.89 %	21.32 %	21.40 %
Reserves to working capital	0.95 %	0.96 %	0.92 %	1.14 %	1.10 %
Reserves	\$ 16,860,272	\$ 14,229,305	\$ 13,868,856	\$ 10,575,668	\$ 10,336,530