

**The Corporation of
the Township of O'Connor**
Consolidated Financial Statements
For the year ended December 31, 2017

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The Corporation of the Township of O'Connor Management's Statement of Responsibility for Financial Reporting

December 31, 2017

The accompanying consolidated financial statements of the Corporation of the Township of O'Connor are the responsibility of management and have been approved by the Mayor and Council.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and include certain amounts based on estimates and judgments. 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.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that the Corporation's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the consolidated financial statements.

The Mayor and Council are 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 reported on by the Corporation of the Township of O'Connor's external auditor, BDO Canada LLP in accordance with Canadian generally accepted auditing standards. The auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements. BDO Canada LLP have access to financial management and the Mayor and Council of the Corporation of the Township of O'Connor and meet when required.



Mayor



Clerk Treasurer

Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers
The The Corporation of the Township of O'Connor**

We have audited the accompanying consolidated financial statements of the The Corporation of the Township of O'Connor, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the The Corporation of the Township of O'Connor as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

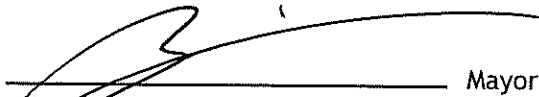
BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
March 26, 2018

**The Corporation of the Township of O'Connor
Consolidated Statement of Financial Position**

December 31	2017	2016
Financial assets		
Cash and cash equivalents	\$ 106,689	\$ 193,090
Taxes receivable	63,939	81,160
Accounts and grants receivable	118,192	88,128
Inventory for resale	4,960	5,149
	<u>293,780</u>	<u>367,527</u>
Liabilities		
Accounts payable and accrued liabilities	65,605	75,258
Deferred taxation revenue	9,829	6,053
Deferred revenue (Note 3)	36,636	32,887
Long-term debt (Note 4)	113,233	110,522
Landfill closure and post-closure liability (Note 5)	25,064	23,647
	<u>250,367</u>	<u>248,367</u>
Net financial assets	<u>43,413</u>	<u>119,160</u>
Non-financial assets		
Tangible capital assets (Note 6)	2,763,275	2,593,924
Prepaid expenses	12,913	14,797
	<u>2,776,188</u>	<u>2,608,721</u>
Accumulated surplus (Note 7)	<u>\$ 2,819,601</u>	<u>\$ 2,727,881</u>



Mayor



Clerk Treasurer

The accompanying notes are an integral part of these consolidated financial statements.

**The Corporation of the Township of O'Connor
Consolidated Statement of Operations and Accumulated Surplus**

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
	(Note 11)		
Revenue			
Taxation			
Residential and farm	\$ 710,200	\$ 702,577	\$ 700,702
Commercial and industrial	10,189	9,928	11,328
Taxation from other governments	1,876	1,634	2,120
User charges			
Other fees and service charges	11,645	16,397	11,817
Government transfers (Note 8)			
Government of Canada	42,390	40,923	49,845
Province of Ontario	397,981	379,907	307,623
Other municipalities	3,452	6,837	3,651
Other			
Investment income	1,000	1,314	1,380
Other revenues	76,726	49,006	60,478
	<u>1,255,459</u>	<u>1,208,523</u>	<u>1,148,944</u>
Expenses (Note 9)			
General government	332,483	309,819	337,975
Protection to persons and property	164,187	152,357	142,502
Transportation services	491,015	494,517	465,546
Environmental services	33,263	34,308	33,921
Health services	60,165	58,307	51,805
Social and family services	75,796	75,796	70,283
Recreation and cultural services	1,220	1,220	1,220
Planning and development	250	250	250
	<u>1,158,379</u>	<u>1,126,574</u>	<u>1,103,502</u>
Annual surplus before undernoted item	97,080	81,949	45,442
Gain (loss) on disposal of tangible capital assets	-	9,771	(6,439)
Annual surplus	97,080	91,720	39,003
Accumulated surplus, beginning of year	2,727,881	2,727,881	2,688,878
Accumulated surplus, end of year	\$ 2,824,961	\$ 2,819,601	\$ 2,727,881

The accompanying notes are an integral part of these consolidated financial statements.

**The Corporation of the Township of O'Connor
Consolidated Statement of Change in Net Financial Assets**

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
	(Note 11)		
Annual surplus	\$ 97,080	\$ 91,720	\$ 39,003
Acquisition of tangible capital assets	(366,297)	(373,349)	(123,228)
Amortization of tangible capital assets	182,269	182,269	178,235
Loss (gain) on disposal of tangible capital assets	-	(9,771)	6,439
Proceeds on sale of tangible capital assets	-	31,500	-
Change in prepaid expenses	-	1,884	(10,733)
Net change in net financial assets	(86,948)	(75,747)	89,716
Net financial assets, beginning of year	119,160	119,160	29,444
Net financial assets, end of year	\$ 32,212	\$ 43,413	\$ 119,160

The accompanying notes are an integral part of these consolidated financial statements.

**The The Corporation of the Township of O'Connor
Consolidated Statement of Cash Flows**

For the year ended December 31	2017	2016
Operating transactions		
Annual surplus	\$ 91,720	\$ 39,003
Items not involving cash		
Amortization	182,269	178,235
Loss (gain) on disposal of tangible capital assets	(9,771)	6,439
Landfill closure and post-closure liability	1,417	1,211
	<u>265,635</u>	<u>224,888</u>
Changes in non-cash operating balances		
Taxes receivable	17,221	23,105
Accounts and grants receivable	(30,064)	(63,770)
Inventory for resale	189	189
Accounts payable and accrued liabilities	(9,653)	(25,066)
Deferred taxation revenue	3,776	871
Deferred revenue	3,749	(6,105)
Prepaid expenses	1,884	(10,733)
	<u>252,737</u>	<u>143,379</u>
Capital transactions		
Acquisition of tangible capital assets	(373,349)	(123,228)
Proceeds on sale of tangible capital assets	31,500	-
	<u>(341,849)</u>	<u>(123,228)</u>
Financing transactions		
Advances of long-term debt	40,000	-
Repayment of long-term debt	(37,289)	(35,651)
	<u>2,711</u>	<u>(35,651)</u>
Decrease in cash and cash equivalents for the year	(86,401)	(15,500)
Cash and cash equivalents, beginning of year	193,090	208,590
Cash and cash equivalents, end of year	\$ 106,689	\$ 193,090

The accompanying notes are an integral part of these consolidated financial statements.

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements	The consolidated financial statements of the Township are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada. The Corporation of the Township of O'Connor (the "Township") is a municipality in the Province of Ontario and operates under the provisions of Provincial statutes, such as the Municipal Act and related legislation. The Township provides municipal services such as protection to persons and property, public works, planning, recreation and other general government services.
Reporting Entity	<p>The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Township.</p> <p>A government partnership exists where the Township has shared control over the board or entity. The Township's pro-rata share of the assets, liabilities, revenues and expenses is reflected in the consolidated financial statements using the proportionate consolidation method. The following entity has been proportionately consolidated:</p> <p style="text-align: center;">Lakehead Rural Planning Board</p> <p>The Township contributes to the following joint local boards, which are not proportionately consolidated in these statements:</p> <p style="text-align: center;">Thunder Bay District Health Unit The District of Thunder Bay Social Services Administration Board</p>
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, balances in banks and short-term highly liquid investments readily convertible to cash.

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (cont'd)

Inventory for Resale	Inventories held for resale are recorded at the lower of cost and net realizable value.																					
Accounting for School Board Transactions	<p>The Township collects taxation revenue on behalf of the school boards.</p> <p>The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the current fund balances of these consolidated financial statements. Education taxes collected by the Township and over-remitted or not remitted to the respective school boards as at December 31 are reported as a financial asset or liability on the consolidated statement of financial position.</p>																					
Tangible Capital Assets	<p>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 assets are available for productive use as follows:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Land improvements</td> <td style="text-align: right;">-</td> <td style="text-align: right;">25 to 75 years</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">-</td> <td style="text-align: right;">40 to 80 years</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">-</td> <td style="text-align: right;">15 to 20 years</td> </tr> <tr> <td>Computer software</td> <td style="text-align: right;">-</td> <td style="text-align: right;">5 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">-</td> <td style="text-align: right;">10 to 20 years</td> </tr> <tr> <td>Roads</td> <td style="text-align: right;">-</td> <td style="text-align: right;">15 to 45 years</td> </tr> <tr> <td>Bridges and culverts</td> <td style="text-align: right;">-</td> <td style="text-align: right;">50 to 100 years</td> </tr> </table> <p>Assets under construction are not amortized until the asset is available for use.</p> <p>Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation. The most significant of such assets are the Township's road allowances.</p>	Land improvements	-	25 to 75 years	Buildings	-	40 to 80 years	Vehicles	-	15 to 20 years	Computer software	-	5 years	Machinery and equipment	-	10 to 20 years	Roads	-	15 to 45 years	Bridges and culverts	-	50 to 100 years
Land improvements	-	25 to 75 years																				
Buildings	-	40 to 80 years																				
Vehicles	-	15 to 20 years																				
Computer software	-	5 years																				
Machinery and equipment	-	10 to 20 years																				
Roads	-	15 to 45 years																				
Bridges and culverts	-	50 to 100 years																				
Trust Funds	Any funds held in trust by the Township, and their related operations, are not included in these consolidated financial statements. The financial activity and position of the trust funds are reported separately.																					

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (cont'd)

Pension and Employee Benefits	The Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investments of the assets and administration of the benefits. The Township records pension expense when contributions are due.
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.
Landfill Closure and Post-Closure Liability	The obligation to close and maintain solid waste landfill sites is based on the estimated future expenses in current dollars, adjusted for estimated inflation and is charged to expense as the landfill sites' capacity is used.
Revenue Recognition	<p>User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed. Interest is recognized as it is earned.</p> <p>Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.</p>

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (cont'd)

Government Transfers	Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.
Taxation Revenue	<p>The amount of the total property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenues required to meeting operating budget requirements. Education tax rates are established by the Province each year in order to fund the costs of education on a Province wide basis.</p> <p>Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed value for all properties within the municipality are provided to the Township in the form of the returned assessment roll in December of each year.</p> <p>The amount of property tax levied on an individual property is the product of the CVA of the property and the tax rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.</p>
Use of Estimates	The preparation of consolidated 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 consolidated 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. Significant estimates in these consolidated financial statements include assumptions used in estimating provisions for doubtful taxes and accounts receivable, useful lives of tangible capital assets, and landfill closure and post closure liabilities.

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (cont'd)

Liability for Contaminated Sites	A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if unexpected events result in contamination. A liability for remediation of contaminated sites is recognized when the Township is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.
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2. Temporary Borrowings

The Township's credit facilities include an operating loan with authorized credit of \$100,000 which carries interest at prime plus 1.25%. As at December 31, 2017, the Township utilized \$nil (2016 - \$nil) of this facility. The prime rate was 3.2% at December 31, 2017.

3. Deferred Revenue

	<u>2017</u>	<u>2016</u>
Federal Gas Tax	\$ 13,113	\$ 11,646
Ontario Air Ambulance - Helipad maintenance	23,523	21,241
	<u>\$ 36,636</u>	<u>\$ 32,887</u>

The net change during the year in the deferred revenue is made up as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 32,887	\$ 38,992
Transfers from revenue	45,890	45,152
Transfers to revenue	(42,141)	(51,257)
Balance, end of year	<u>\$ 36,636</u>	<u>\$ 32,887</u>

Federal Gas Tax

The Ministry requires the Municipality to put unspent gas tax funding into a reserve fund. The funding and interest earned in the reserve must be spent on approved projects.

The The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

4. Long-term Debt

	2017	2016
Canadian Imperial Bank of Commerce		
Demand loan payable in monthly instalments of \$1,313 plus interest at prime plus 1.25% (4.45% at year-end), maturing September 2020 and secured by a general security agreement	\$ 43,338	\$ 59,103
Demand loan payable in monthly instalments of \$1,061 plus interest at prime plus 1.25% (4.45% at year-end), maturing September 2020 and secured by a general security agreement	34,997	47,723
Demand loan payable in monthly instalments of \$1,813 including interest at prime plus 1.25% (4.45% at year-end), maturing September 2019 and secured by a general security agreement as well as a specific security interest on certain heavy equipment with a net book value of \$92,022	34,898	-
Ontario Infrastructure Projects Corporation	-	3,696
	\$ 113,233	\$ 110,522

Principal repayments due in the next three years, assuming the loans are not demanded and terms remain consistent, are approximately as follows:

Year	Amount
2018	\$ 49,000
2019	43,000
2020	21,233
	\$ 113,233

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

5. Landfill Closure and Post-Closure Liability

The statement of financial position reflects liabilities for anticipated future costs related to the closing and monitoring of the existing landfill site. This liability is recognized over the operating life of the waste disposal site, in proportion to the site's utilized capacity.

The Township has provided an amount of \$40,268 in the infrastructure and disposal site reserve to fund this liability and future landfill expansion (Note 7).

Total estimated expenditures for closure and post-closure costs	\$60,300
Landfill closure and post-closure liabilities as at December 31, 2017	\$25,064
Total expenditures remaining to be recognized	\$35,236
Remaining capacity of the site (cubic metres)	23,374
Remaining landfill site life (years)	37
Number of years required for post-closure care	20

The The Corporation of the Township of O'Connor
Notes to Consolidated Financial Statements

December 31, 2017

6. Tangible Capital Assets

	General					Infrastructure							2017 Total	2016 Total
	Land and Land Improvements	Buildings	Vehicles	Computer Software	Machinery and Equipment	Land and Land Improvements	Buildings	Vehicles	Roads	Machinery and Equipment	Bridges and Culverts	Computer Software		
Cost, beginning of year	\$ 117,826	\$ 622,037	\$ 150,766	\$ 21,710	\$ 141,414	\$ 4,245	\$ 34,995	\$ 368,839	\$ 981,092	\$ 320,858	\$ 2,610,039	\$ 2,511	\$ 5,376,332	\$ 5,331,339
Additions	-	44,270	-	-	14,653	-	-	8,582	43,223	98,638	163,983	-	373,349	123,228
Disposals	-	(7,260)	-	-	-	-	-	-	(33,166)	(66,279)	(92,372)	-	(199,077)	(78,235)
Cost, end of year	117,826	659,047	150,766	21,710	156,067	4,245	34,995	377,421	991,149	353,217	2,681,650	2,511	5,550,604	5,376,332
Accumulated amortization, beginning of year	76,700	166,149	69,126	12,197	106,594	2,302	20,497	254,869	662,106	170,614	1,238,743	2,511	2,782,408	2,675,969
Amortization	3,069	13,351	10,122	3,140	5,107	12	858	14,559	48,480	22,225	61,346	-	182,269	178,235
Disposals	-	(6,286)	-	-	-	-	-	-	(31,407)	(54,128)	(85,527)	-	(177,348)	(71,796)
Accumulated amortization, end of year	79,769	173,214	79,248	15,337	111,701	2,314	21,355	269,428	679,179	138,711	1,214,562	2,511	2,787,329	2,782,408
Net carrying amount, end of year	\$ 38,057	\$ 485,833	\$ 71,518	\$ 6,373	\$ 44,366	\$ 1,931	\$ 13,640	\$ 107,993	\$ 311,970	\$ 214,506	\$ 1,467,088	\$ -	\$ 2,763,275	\$ 2,593,924

**The Corporation of the Township of O'Connor
Notes to Consolidated Financial Statements**

December 31, 2017

7. Accumulated Surplus

The Township segregates its accumulated surplus into the following categories:

	<u>2017</u>	<u>2016</u>
Surpluses		
General fund	\$ (26,989)	\$ (12,784)
Investment in tangible capital assets	2,763,275	2,593,924
Unfunded		
Debt	<u>(113,233)</u>	<u>(110,522)</u>
Total surpluses	<u>2,623,053</u>	<u>2,470,618</u>
Reserves set aside for specific purposes by Council		
For working capital	37,543	58,578
For roads equipment	13,950	45,603
For office equipment	12,748	12,748
For municipal building	27,023	32,823
For fire training and equipment	26,016	29,743
For infrastructure and disposal site	<u>79,268</u>	<u>77,768</u>
Total reserves	<u>196,548</u>	<u>257,263</u>
Accumulated surplus	<u>\$ 2,819,601</u>	<u>\$ 2,727,881</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserves represent funds set aside by By-law or Council resolution for specific purposes.

**The Corporation of the Township of O'Connor
Notes to Consolidated Financial Statements**

December 31, 2017

8. Government Transfers

	Budget 2017	2017	2016
Federal			
AMO - Federal Gas Tax	\$ 42,390	\$ 40,923	\$ 49,845
Provincial			
Ministry of Agriculture, Food and Rural Affairs	50,000	50,000	25,000
Ministry of Municipal Affairs and Housing	(127)	(127)	56,312
Ministry of Infrastructure	75,000	75,000	-
Ontario Municipal Partnership Fund	217,800	217,800	221,700
Ontario Trillium Foundation	28,700	28,700	-
Other	26,608	8,534	4,611
	<u>397,981</u>	<u>379,907</u>	<u>307,623</u>
Other Municipalities			
Provincial offences	3,452	6,837	3,651
	<u>\$ 443,823</u>	<u>\$ 427,667</u>	<u>\$ 361,119</u>

9. Expenses By Object

	Budget 2017	2017	2016
Salaries, wages and employee benefits	\$ 407,711	\$ 400,788	\$ 379,942
Interest on long-term debt	4,468	4,257	5,263
Materials and supplies	331,319	305,858	332,130
Contracted services	28,001	26,849	24,642
Rents and financial expenses	-	187	56
External transfers	204,611	206,366	183,234
Amortization	182,269	182,269	178,235
	<u>\$ 1,158,379</u>	<u>\$ 1,126,574</u>	<u>\$ 1,103,502</u>

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

10. Pension and Employee Benefits

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its full time staff. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

OMERS provides pension services to approximately 470,000 active, inactive and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94.4 billion (\$87.6 billion in 2016) in respect of benefits accrued for service with actuarial assets at that date of \$89.0 billion (\$81.8 billion in 2016) indicating an actuarial deficit of \$5.4 billion (\$5.8 billion in 2016). 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 Township does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Township to OMERS for 2017 were \$21,014 (\$20,336 in 2016), which is included as an expense on the consolidated statement of operations and accumulated surplus.

11. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 29, 2017 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 require a full accrual basis. The budget figures anticipated using surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense and included debt repayments as well. As a result, the budget figures presented in the statements of operations and accumulated surplus and changes in net financial assets represent the Financial Plan adopted by Council on May 29, 2017, with adjustments as follows:

Financial Plan (Budget) Bylaw surplus for the year	\$	-
Add:		
Capital expenditures		366,297
Budgeted transfers to reserves		500
Debt repayment		39,164
Less:		
Budgeted transfers from reserves		(86,612)
Amortization		(182,269)
Debt proceeds		(40,000)
		<u> </u>
Budget deficit per statement of operations	\$	<u>97,080</u>

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

12. Trust Funds

The trust fund administered by the Township amounting to \$30,375 (2016 - \$28,462) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus. At December 31, 2017, the trust fund balances are as follows:

	2017	2016
Township of O'Connor Cemetery Perpetual Care Trust Fund	\$ 22,729	\$ 21,379
O'Connor Free Methodist Church Perpetual Care Trust Fund	7,646	7,083
	\$ 30,375	\$ 28,462

13. Intangibles

Any items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in the financial statements as intangibles.

14. Contaminated Sites

The Township has evaluated all of its properties and has determined that of the properties not in productive use, none met the applicable criteria of Public Sector Accounting Handbook Standard, PS 3260 Liability for Contaminated Sites. Therefore, no liability has been accrued.

15. Segmented Information

The Corporation of the Township of O'Connor provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

a) General Government

General government is comprised of various administrative services including general administration and finance, the services of the Mayor and Council, the health and safety program, and the operation and maintenance of the Township Office. Township office staff provide a variety of services for citizens plus provide support for other departments and programs. Assessment services, provided by Municipal Property Assessment Corporation, are responsible for providing services to both citizens and the Township.

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

15. Segmented Information (cont'd)

b) Protection to Persons and Property

Protection services include fire services, police services, protective inspection and control, and services provided by the Lakehead Region Conservation Authority and the Thunder Bay Area Emergency Measures Organization. The volunteer fire department is responsible for being the first response to emergencies in the Township and is responsible for staffing, training, and the maintenance of the fire halls, fleet, and personal protective and fire fighting equipment. Police services are contracted through the Ontario Provincial Police and building inspections are currently contracted out to ensure compliance with building code and zoning requirements.

c) Transportation Services

Transportation services include roadway maintenance of the Municipal roadway systems, culverts, brushing and dust suppressant, flood control and winter control that includes plowing and salt/sand application. Included in this segment is maintenance of all public works equipment and the garage.

d) Environmental Services

The Township provides waste disposal at a landfill site and includes recycling and landfill site operations and waste minimization programs.

e) Health Services

Health services include public health services and ambulance services. Public health services cover the Township's contribution to the activities to the Thunder Bay District Health Unit. The Thunder Bay District Health Unit provides health information and prevention-related clinical services; advocates for healthy public policy; investigates reportable diseases; and upholds regulations that apply to public health. This reporting segment also covers the operation and maintenance of the O'Connor Cemetery and the O'Connor Free Methodist Church Cemetery.

f) Social and Family Services

Social and family services represent the Township's contribution to the activities of the District of Thunder Bay Social Services Administration Board ("TBDSSAB"). TBDSSAB is responsible for Ontario Works program delivery, child care services and social housing.

The Corporation of the Township of O'Connor Notes to Consolidated Financial Statements

December 31, 2017

15. Segmented Information (cont'd)

g) Recreational and Cultural Services

Recreation and cultural services include recreation facilities and public library services. The Township provides for the development and maintenance of various recreational facilities. The public library services are contracted with the Oliver-Paipoonge Public Library Board and provides community access to local and global information resources that support lifelong learning, research and leisure activities.

h) Planning and Development

Planning and development manages rural development for business interest, environmental concerns, local community, and overall planning and community development including approval of all land development plans. The Township's contributions to the activities of the Lakehead Rural Planning Board are included in planning activities. The Township also has a Committee of Adjustment which deals with minor variances within the Township.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

**The Corporation of the Township of O'Connor
Notes to Consolidated Financial Statements**

15. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue									
Taxation	\$ 714,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	714,139
Government transfers - operating	218,771	12,142	-	-	1,038	-	1,220	-	233,171
Government transfers - capital	(127)	-	165,923	-	-	-	28,700	-	194,496
User fees and service charges	3,901	-	-	11,196	1,300	-	-	-	16,397
Investment income	1,314	-	-	-	-	-	-	-	1,314
Other revenues	20,177	3,732	24,572	-	-	-	-	525	49,006
	<u>958,175</u>	<u>15,874</u>	<u>190,495</u>	<u>11,196</u>	<u>2,338</u>	<u>-</u>	<u>29,920</u>	<u>525</u>	<u>1,208,523</u>
Expenses									
Salaries, wages and employee benefits	182,693	22,468	178,377	13,926	3,324	-	-	-	400,788
Interest on long-term debt	-	1,713	2,544	-	-	-	-	-	4,257
Materials and supplies	96,902	33,882	163,782	11,292	-	-	-	-	305,858
Contracted services	12,176	6,715	2,335	4,403	-	-	1,220	-	26,849
Rents and financial	187	-	-	-	-	-	-	-	187
External transfers	-	71,724	-	3,613	54,983	75,796	-	250	206,366
Amortization	17,861	15,855	147,479	1,074	-	-	-	-	182,269
	<u>309,819</u>	<u>152,357</u>	<u>494,517</u>	<u>34,308</u>	<u>58,307</u>	<u>75,796</u>	<u>1,220</u>	<u>250</u>	<u>1,126,574</u>
Net revenues (expenses) before undernoted item	<u>648,356</u>	<u>(136,483)</u>	<u>(304,022)</u>	<u>(23,112)</u>	<u>(55,969)</u>	<u>(75,796)</u>	<u>28,700</u>	<u>275</u>	<u>81,949</u>
Loss on disposal of tangible capital assets	9,771	-	-	-	-	-	-	-	9,771
Annual surplus (deficit)	<u>\$ 658,127</u>	<u>\$ (136,483)</u>	<u>\$ (304,022)</u>	<u>\$ (23,112)</u>	<u>\$ (55,969)</u>	<u>\$ (75,796)</u>	<u>\$ 28,700</u>	<u>\$ 275</u>	<u>\$ 91,720</u>

**The Corporation of the Township of O'Connor
Notes to Consolidated Financial Statements**

15. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenue									
Taxation	\$ 714,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	714,150
Government transfers - operating	223,525	3,651	-	-	1,566	-	1,220	-	229,962
Government transfers - capital	56,312	-	74,845	-	-	-	-	-	131,157
User fees and service charges	4,969	-	-	5,223	1,625	-	-	-	11,817
Investment income	1,380	-	-	-	-	-	-	-	1,380
Other revenues	25,479	6,332	28,207	-	-	-	-	460	60,478
	<u>1,025,815</u>	<u>9,983</u>	<u>103,052</u>	<u>5,223</u>	<u>3,191</u>	<u>-</u>	<u>1,220</u>	<u>460</u>	<u>1,148,944</u>
Expenses									
Salaries, wages and employee benefits	167,607	25,114	170,100	15,111	2,010	-	-	-	379,942
Interest on long-term debt	-	2,163	3,100	-	-	-	-	-	5,263
Materials and supplies	141,659	30,595	150,479	9,397	-	-	-	-	332,130
Contracted services	11,291	5,043	2,219	4,869	-	-	1,220	-	24,642
Rents and financial	56	-	-	-	-	-	-	-	56
External transfers	-	59,436	-	3,470	49,795	70,283	-	250	183,234
Amortization	17,362	20,151	139,648	1,074	-	-	-	-	178,235
	<u>337,975</u>	<u>142,502</u>	<u>465,546</u>	<u>33,921</u>	<u>51,805</u>	<u>70,283</u>	<u>1,220</u>	<u>250</u>	<u>1,103,502</u>
Net revenues (expenses) before undernoted item	687,840	(132,519)	(362,494)	(28,698)	(48,614)	(70,283)	-	210	45,442
Loss on disposal of tangible capital assets	(6,439)	-	-	-	-	-	-	-	(6,439)
Annual surplus (deficit)	<u>\$ 681,401</u>	<u>\$ (132,519)</u>	<u>\$ (362,494)</u>	<u>\$ (28,698)</u>	<u>\$ (48,614)</u>	<u>\$ (70,283)</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 39,003</u>