

**THE CORPORATION OF LOYALIST TOWNSHIP**  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016



The Corporation of Loyalist Township  
P.O. Box 70, 263 Main Street Odessa, ON K0H 2H0

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### **Management's Responsibility for the Consolidated Financial Statements**

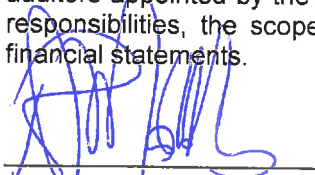
The consolidated financial statements of the Corporation of Loyalist Township are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Corporation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.


The Township Council is responsible for ensuring that management fulfills its responsibilities for financial reporting. Council meets with management and the external auditors to review the Corporation's consolidated financial statements and discusses any significant financial reporting or internal control matters prior to Council approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Blay LLP, independent external auditors appointed by the Corporation. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation's consolidated financial statements.



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Robert Maddocks, MPA, RPP  
Chief Administrative Officer



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Kate Tindal, CPA, CGA  
Director of Finance



# Collins Blay LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To: The Members of Council, Inhabitants and Ratepayers of:  
The Corporation of Loyalist Township

We have audited the accompanying financial statements of The Corporation of Loyalist Township, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and accumulated surplus, change in net financial liability and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management 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 management determines is necessary to enable the preparation of 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 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 financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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 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 Corporation of Loyalist Township as at December 31, 2016, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The prior year's financial statements were audited by other accountants.

Kingston, Ontario  
June 26, 2017

*Collins Blay LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

	<u>2016</u>	Restated Note 19 <u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash - <i>note 5</i>	\$ 9,699,325	\$ 6,335,477
Taxes receivable	1,892,962	1,712,113
Accounts receivable	3,373,586	1,754,168
Water and sewer billings receivable	964,156	897,343
Land held for resale	1,472,939	1,477,401
Other assets	<u>35,038</u>	<u>35,038</u>
	<u>17,438,006</u>	<u>12,211,540</u>
<b>FINANCIAL LIABILITIES</b>		
Bank line of credit - <i>note 7</i>	\$ -	\$ 1,153,161
Construction loan - <i>note 12</i>	1,836,001	-
Accounts payable and accrued liabilities	5,287,707	5,836,306
Deferred revenue - <i>note 10</i>	61,997	133,047
Deferred revenue - obligatory reserve funds - <i>note 10</i>	2,536,065	1,904,114
Employee benefits payable and other liabilities - <i>note 8</i>	1,773,974	539,520
Landfill closure and post closure liability - <i>note 11</i>	1,220,363	1,136,183
Contaminated site liability	200,000	200,000
Long-term liabilities - <i>note 12</i>	<u>13,403,440</u>	<u>11,188,550</u>
	<u>26,319,547</u>	<u>22,090,881</u>
<b>NET FINANCIAL LIABILITY</b>	<u>(8,881,541)</u>	<u>(9,879,341)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - <i>note 16</i>	127,517,898	124,435,384
Inventory	138,850	283,903
Prepaid expenses	<u>277,232</u>	<u>251,403</u>
	<u>127,933,980</u>	<u>124,970,690</u>
<b>ACCUMULATED SURPLUS - <i>note 13</i></b>	<u>\$ 119,052,439</u>	<u>\$ 115,091,349</u>
<b>COMMITMENTS - <i>note 9</i></b>		
<b>CONTINGENT LIABILITY - <i>note 18</i></b>		

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

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>	<b>2016</b>	Restated
	<u>Budget</u>	<u>Actual</u>	Note 19
	<i>(unaudited)</i>		<b>2015</b>
			<u>Actual</u>
<b>REVENUE</b>			
Municipal taxation	\$ 13,079,500	\$ 13,217,490	\$ 11,882,889
Taxation from other governments	545,000	935,272	1,020,468
User charges	10,799,200	11,405,401	10,527,819
Government transfers			
Government of Canada	11,000	6,000	8,684
Province of Ontario	2,936,600	2,674,353	3,031,218
Investment income	20,800	102,637	69,739
Deferred revenue earned	299,600	288,287	153,764
Interest and penalties on taxes	250,000	283,202	287,470
Donations	39,600	42,089	57,730
Other	49,000	108,914	92,205
	<u>28,030,300</u>	<u>29,063,645</u>	<u>27,131,986</u>
<b>EXPENDITURES (note 14)</b>			
General government	1,644,610	1,404,916	1,727,880
Protection to persons and property	4,683,603	6,104,519	4,707,238
Transportation services	8,772,952	8,736,001	8,474,651
Environmental services	7,912,377	8,070,542	7,759,278
Recreation and cultural services	3,451,308	3,610,157	3,210,481
Planning and development	982,642	886,570	759,398
Cemeteries	67,600	31,176	46,248
	<u>27,515,092</u>	<u>28,843,881</u>	<u>26,685,174</u>
<b>NET EXPENDITURES</b>	<u>515,208</u>	<u>219,764</u>	<u>446,812</u>
<b>OTHER INCOME AND EXPENSES RELATED TO CAPITAL</b>			
Contributed tangible capital assets	-	1,092,468	2,551,642
Government transfers			
Government of Canada	800,500	924,655	174,850
Government of Ontario	800,500	1,000,747	329,085
User charges	188,750	387,416	87,333
Deferred revenue earned	513,000	901,945	786,846
Donations and miscellaneous	-	42,130	(3,663)
Loss on disposal tangible capital assets	-	(608,035)	(355,830)
	<u>2,302,750</u>	<u>3,741,326</u>	<u>3,570,263</u>
<b>ANNUAL SURPLUS</b>	2,817,958	3,961,090	4,017,075
<b>ACCUMULATED SURPLUS</b> , beginning of year	115,091,349	115,091,349	110,120,027
Prior period adjustment - <i>note 19</i>	-	-	954,247
<b>ACCUMULATED SURPLUS</b> , end of year	<u>\$ 117,909,307</u>	<u>\$ 119,052,439</u>	<u>\$ 115,091,349</u>

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

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITY**  
**YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b> <u>Budget</u> <i>(unaudited)</i>	<b>2016</b> <u>Actual</u>	Restated Note 19 <b>2015</b> <u>Actual</u>
<b>ANNUAL SURPLUS</b>	\$ 2,817,958	\$ 3,961,090	\$ 4,017,075
Amortization of tangible capital assets	4,498,092	4,498,092	4,149,634
Prior period adjustment	-	-	41,000
Acquisition of tangible capital assets	(5,987,000)	(7,097,373)	(3,263,163)
Developer contributions of tangible capital assets	-	(1,092,468)	(2,551,642)
Loss on disposal of tangible capital assets	-	608,035	355,830
Proceeds on disposal of tangible capital assets	-	1,200	-
Change in inventories and prepaids	<u>-</u>	<u>119,224</u>	<u>21,718</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL LIABILITY</b>	<u>515,208</u>	<u>997,800</u>	<u>2,770,452</u>
Net financial liability, beginning of year	<u>(9,879,341)</u>	<u>(9,879,341)</u>	<u>(12,649,793)</u>
<b>NET FINANCIAL LIABILITY</b> , end of year	<u>\$ (9,364,133)</u>	<u>\$ (8,881,541)</u>	<u>\$ (9,879,341)</u>

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

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	Restated Note 19 <u>2015</u>
<b>OPERATING</b>		
Annual surplus	\$ 3,961,090	\$ 4,017,075
Non-cash items:		
Amortization	4,498,092	4,149,634
Loss on disposal of tangible capital assets	608,035	355,830
Developer contributions of tangible capital assets	(1,092,468)	(2,551,642)
Change in employee benefits payable	1,234,454	22,887
Change in solid waste landfill closure and post-closure costs	<u>84,180</u>	<u>32,409</u>
	9,293,383	6,026,193
Changes in non-financial assets:		
Prepaid expenses	(25,829)	25,102
Inventory	<u>145,053</u>	<u>(3,384)</u>
	119,224	21,718
Changes in non-cash assets and liabilities:		
Taxes receivable	(180,849)	69,164
Accounts receivable	(1,619,418)	(48,100)
Water and sewer billings receivable	(66,813)	(209,498)
Land held for sale	4,462	-
Bank Line of Credit	(1,153,161)	(1,948,171)
Other current assets	-	(1,140)
Accounts payable and accrued liabilities	(548,599)	820,447
Deferred revenue	(71,050)	-
Deferred revenue obligatory	<u>631,951</u>	<u>115,148</u>
	<u>(3,003,477)</u>	<u>(1,202,150)</u>
Net change in cash from operations	<u>6,409,130</u>	<u>(1,202,150)</u>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire capital assets	(6,955,391)	(2,963,605)
Proceeds on disposal of tangible capital assets	1,200	-
Cash used to acquire assets under construction	<u>(141,982)</u>	<u>(299,558)</u>
	<u>(7,096,173)</u>	<u>(3,263,163)</u>
<b>FINANCING TRANSACTIONS</b>		
Construction loan	1,836,001	-
Proceeds from long-term debt	3,217,673	3,813,366
Long-term debt repaid	<u>(1,002,783)</u>	<u>(3,033,472)</u>
	<u>4,050,891</u>	<u>779,894</u>
<b>NET CHANGE IN CASH</b>	3,363,848	2,362,492
<b>CASH</b> , beginning of year	<u>6,335,477</u>	<u>3,972,985</u>
<b>CASH</b> , end of year	<u>\$ 9,699,325</u>	<u>\$ 6,335,477</u>

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

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Corporation of Loyalist Township (the "Township") are the representation of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Township are as follows:

**(a) Basis of consolidation:**

*(i) Consolidated entities:*

These consolidated statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are owned or controlled by the Township.

*(ii) Accounting for County and school board transactions:*

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the School Boards and the County of Lennox and Addington are not reflected in the municipal fund balances of these consolidated financial statements.

*(iii) Trust Funds:*

Trust funds and their related operations administered by the Township are not consolidated but are reported separately on the "Trust Funds Statement of Continuity and Statement of Financial Position".

**(b) Basis of accounting:**

The Township follows the accrual method of accounting for revenue and expenses. Revenue is normally recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

**(c) Employee benefit obligations:**

The Township accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service period of active employees.

Contributions to the multi-employer defined benefit plan are expensed when due.

**(d) Landfill closure and post-closure liabilities:**

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a fifty-five year period using the best information available to management.



**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**(d) Landfill closure and post-closure liabilities:** *(continued)*

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

**(e) Deferred revenue - obligatory reserve funds:**

The Township receives restricted contributions under the authority of provincial and federal legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

**(f) Use of estimates:**

The preparation of consolidated financial statements requires management 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, employee benefit obligations, useful lives of tangible capital assets and landfill closure and post-closure liability.

Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

**(g) Government transfers:**

Government transfers are the transfer of monetary assets or tangible capital assets from other levels of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future.

The Township receives government transfers from the federal and provincial governments to fund operating and capital expenditures. These transfers to the Township are recognized as revenues when the transfers are authorized and all of the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the Township to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The transfers made by the Township are in the form of a grant to the recipient.

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**(h) Property taxation:**

Annually, the Township bills and collects property tax revenues for lower and upper tier municipal purposes and for education purposes. Tax revenues are based on market value assessments as determined by the Municipal Property Assessment Corporation (MPAC) and annually established tax rates. Lower tier municipal tax rates are set each year by Township Council to raise the tax revenue required to meet the Township's budget requirements. Upper tier municipal tax rates are established by the County of Lennox and Addington and tax rates for school purposes are established by the Province of Ontario. Upper tier and education taxes collected are remitted to the County and the Province and are excluded from revenues and expenses in the Consolidated Statement of Operations and Accumulated Surplus (see note 13).

A provision for uncollectible taxes has been recorded for potential losses on assessment appeals or other possible uncollectible taxes receivable outstanding at December 31 in the amount of \$332,192 (2015 - \$285,709). This provision reduces overall taxes receivable and reduces the Township's revenue from property taxation. The impact of the reduction on the County and Education share of taxes is set up as amounts recoverable from those entities.

**i) Land held for resale:**

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvement to prepare the land for sale or servicing.

**j) 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 Consolidated Change in Net Financial Assets for the year.

**i) Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful life as follows:

Land improvements	15 to 30 years
Buildings and building improvements	10 to 80 years
Bridges and culverts	20 to 60 years
Fleet	5 to 20 years
Office equipment, furniture and fixtures	5 to 10 years
Information technology hardware and software	3 to 10 years
Machinery and equipment	5 to 25 years
Water	5 to 80 years
Sanitary	5 to 80 years
Stormwater	30 to 80 years
Roads	8 to 60 years

**THE CORPORATION OF LOYALIST TOWNSHIP  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**j) Non-Financial Assets:** *(continued)*

**i) Tangible Capital Assets** *(continued)*

Amortization is charged from the date the asset is put into use until such time it is disposed of or the end of its estimated useful life. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Corporation has a capitalization threshold 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.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. During the year the estimated useful life of Roads was changed to a range of 8 to 60 years (2015 - 10 to 60 years).

**ii) Contribution of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

**iii) Works of art and cultural and historic assets**

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

**iv) Interest capitalization**

Borrowing costs incurred for the acquisition or construction of an asset may be capitalized as part of the cost of that asset. Capitalization of interest costs will cease when the asset is ready for its intended use.

**v) Inventories of supplies**

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

**2. STATEMENT OF REMEASUREMENT GAINS AND LOSSES**

A statement of remeasurement gains and losses has not been included in these financial statements as it would not provide additional meaningful information.

**3. OPERATION OF SCHOOL BOARD AND THE COUNTY OF LENNOX AND ADDINGTON**

During 2016, requisitions were made by the School Boards and the County of Lennox and Addington requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	<b>School Boards</b>	<b>County</b>
Taxation	\$ 9,586,483	\$ 4,494,157
Requisitions	9,586,483	4,494,157
	\$ -	\$ -

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**4. TRUST FUNDS**

Trust funds administered by the Township, amounting to \$73,190 (2015 - \$70,590), have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus".

**5. CASH**

Cash consists of the following:

	<b>2016</b>	<b>2015</b>
Unappropriated cash	\$ 2,177,474	\$ (612,819)
Other Obligatory Reserve Funds	202,374	453,980
Development charges by-law	1,640,637	1,534,832
Asset Replacement Reserve Funds	317,134	219,048
Special Area Reserve Funds	3,585,576	2,798,238
Restricted Reserve Funds	1,385,908	1,434,993
Other Special Area Reserve Funds	193,338	322,228
Contingency Reserve Funds	196,884	184,977
	<b><u>\$ 9,699,325</u></b>	<b><u>\$ 6,335,477</u></b>

**6. BANK INDEBTEDNESS**

The Township's financial agreement with its bank provides for an operating credit facility of up to \$5,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds is charged at the bank's prime rate.

**7. PENSION AGREEMENTS**

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 130 members of its 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.

The amount contributed to OMERS for current service in 2016 was \$681,483 (2015 - \$636,837). The Township also made contributions to Registered Retirement Savings Plans on behalf of 3 members of its staff. The amount contributed to these plans for 2016 was \$5,895 (2015 - \$8,884).

**8. EMPLOYEE BENEFITS PAYABLE AND OTHER LIABILITIES**

Employee benefit obligations of the Township as at December 31 are as follows:

	<b>2016</b>	<b>2015</b>
Non-pension retirement benefits (note 7(a))	\$ 343,880	\$ 334,934
Workplace Safety and Insurance Board obligations (note 7(b))	1,430,094	204,586
	1,773,974	539,520
Amounts previously funded from operations	(24,778)	(24,567)
Amounts to be recovered from reserve funds	(196,884)	(184,977)
Amounts to be recovered from future revenue	<b><u>\$ 1,552,312</u></b>	<b><u>\$ 329,976</u></b>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**8. EMPLOYEE BENEFITS PAYABLE AND OTHER LIABILITIES** *(continued)*

a) Employee non-pension retirement benefits (Extended health care and dental benefits for early retirees):

The Township provides extended health care, dental and other benefits to its employees. Extended health care and dental benefits continue to be available to early retirees up to the age of 65, with the retiree generally being responsible for paying 50% of the benefit premiums. An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed at December 31, 2016.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2016, based on an actuarial update, the accrued benefit obligation was \$549,262 (2015 - \$406,221).

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligation are as follows:

Discount rate	4.75% per annum
Inflation rate	1.75% per annum
Salary escalation	2.75% per annum
Dental benefits escalation	3.75% per annum
Health benefits escalation	4.75% per annum
	2016 over 2015) reducing
	0.3333% per annum to reach 3.75% in 2020

Information with respect to the Township's non-pension retirement obligations is as follows:

	<u>2016</u>	<u>2015</u>
Accrued benefit liability, beginning of the year	\$ 334,934	\$ 326,724
Expense recognized for the year	13,214	12,369
Interest Cost	18,840	18,873
Benefits paid for the year	(32,389)	(32,312)
Amortization of loss over estimated average remaining life (12 years)	<u>9,281</u>	<u>9,280</u>
Accrued benefit liability, end of year	<u>\$ 343,880</u>	<u>\$ 334,934</u>

The accrued benefit liability at December 31 includes the following components:

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation	\$ 549,262	\$ 406,221
Unamortized actuarial loss	<u>(205,382)</u>	<u>(71,287)</u>
Accrued benefit liability, end of year	<u>\$ 343,880</u>	<u>\$ 334,934</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**8. EMPLOYEE BENEFITS PAYABLE AND OTHER LIABILITIES** *(continued)*

b) Workplace Safety and Insurance Board Act:

In common with other Schedule 2 employers, the Township funds its obligations to the Workplace Safety and Insurance Board on a "pay-as-you-go" basis for employees under Schedule 2. The most recent valuation of this obligation was completed at December 31, 2016.

At December 31, 2016, based on an actuarial update, the Township's accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$1,457,758 (2015 - \$189,719).

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligations are as follows:

Discount rate	4.0% per annum
Loss of earnings	1.5% per annum
Administration costs	38% of benefit costs

Information with respect to the Township's Workplace Safety and Insurance Board future payments, as determined by actuarial valuation, is as follows:

	<u>2016</u>	<u>2015</u>
Accrued benefit liability, beginning of year	\$ 204,586	194,309
Expense recognized for the period	31,102	30,029
Increase due to plan amendment	1,215,012	-
Interest costs	8,559	8,145
Benefits paid for the period	(30,142)	(28,874)
Amortization of loss over estimated average remaining life (12 years)	<u>977</u>	<u>977</u>
Accrued benefit liability, end of year	<u>\$ 1,430,094</u>	<u>\$ 204,586</u>

The accrued benefit liability at December 31 includes the following components:

Accrued benefit obligation	\$ 1,457,758	\$ 189,719
Unamortized actuarial gain (loss)	<u>(27,664)</u>	<u>14,867</u>
Accrued benefit liability, end of year	<u>\$ 1,430,094</u>	<u>\$ 204,586</u>

**9. COMMITMENTS**

(a) In April 2013, the Township awarded a seven-year contract to BFI Canada Inc. (now operating as Progressive Waste Solutions Ltd.) for garbage collection services, effective July 1, 2013. Costs are expected to be approximately \$306,000 in 2017 (\$300,000 in 2016) and are financed out of operating revenue.

(b) In April 2013, the Township awarded a seven-year contract to BFI Canada Inc. (now operating as Progressive Waste Solutions Ltd.) for recycling collection services, effective July 1, 2013. Costs are expected to be approximately \$410,000 in 2017 (\$400,000 in 2016) and are financed out of operating revenue.

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**9. COMMITMENTS** *(continued)*

- (c) In September 2013, the Township entered into a new five-year contract with the City of Kingston for Transit services. In 2016 changes were made to the contract with an implementation date of May 2, 2016. The weekly service hours was reduced to 115 hours per week at \$88.08 per hour (2016 rate). The capital payment was reduced to \$44,390 per year (2016 rate) to reflect the use of a single bus. The gross operating budget for the Amherstview Service Area will be \$670,800 in 2017 (\$641,300 in 2016).
- (d) Police services are provided by the Ontario Provincial Police on a non-contract basis. The contract with Loyalist Township expired on December 31, 2014. In 2015 Council opted to migrate from a section 10 municipality requiring a contract, to a section 5 municipality which does not require a contract. The new billing model for police services includes two components. Base policing costs are invoiced for items such as crime prevention, proactive policing, officer training and administrative duties and will make up approximately 60% of the invoice. The second component is for reactive calls for service making up the remaining 40%. Loyalist has budgeted \$2.3 million in 2017 (\$2.3 million in 2016).

**10. DEFERRED REVENUE**

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as federal, provincial and municipal legislation restricts how these funds may be used. To the extent that receipts of gasoline tax funds are applied in the year, the receipt has been reported as a Provincial or Federal grant, as applicable. Receipts in the year over and above utilization are added to deferred revenue. The balances in the obligatory reserve funds of the Township are summarized below. The balance of deferred revenue consists of the following:

	Balance December 31, <u>2015</u>	<u>Additions</u>	Transferred to <u>Income</u>	Balance December 31, <u>2016</u>
Externally restricted				
Development charges	\$ 1,450,134	\$ 403,032	\$ 212,527	\$ 1,640,639
Federal Gas tax	453,796	497,547	780,009	171,334
Provincial Gas tax	-	162,574	159,696	2,878
Building Rate Stabilization	-	112	-	112
Ontario Community Infrastructure Fund	-	693,053	-	693,053
Parkland	<u>183</u>	<u>65,866</u>	<u>38,000</u>	<u>28,049</u>
	1,904,113	436,078	954,536	2,536,065
Other deferred revenue	<u>133,047</u>	<u>-</u>	<u>71,050</u>	<u>61,997</u>
	<u>\$ 2,037,160</u>	<u>\$ 1,822,184</u>	<u>\$ 1,114,232</u>	<u>\$ 2,598,062</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
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**11. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a fifty-three year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 2% and discounted at the Township's average long-term borrowing rate of 4.5% (2015 - 4.5%). The estimated total landfill closure and post-closure care expenses are calculated to be \$1,664,860. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Included in the Statement of Financial Position at December 31, 2016 is an amount of \$1,220,363 (2015 - \$1,136,183) with respect to landfill closure and post-closure liabilities recognized to date.

The estimated remaining capacity of the Violet Road landfill site is 23% (203,366 cubic meters) of its total estimated capacity and its estimated remaining life is 25 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Amherst Island Phase 1 landfill site is 38% (9,276 cubic meters) of its total estimated capacity and its estimated remaining life is 17 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Amherst Island Phase 2 landfill site is 43% (4,800 cubic meters) of its total estimated capacity and its estimated remaining life is 23 years, after which the period for post-closure care is estimated to be 25 years.

The landfill closure and post-closure liability at December 31 is to be recovered as follows:

	<u>2016</u>	<u>2015</u>
Landfill closure and post closure liability	\$ 1,220,363	\$ 1,136,183
Amounts previously funded from operations	(401,200)	(381,400)
Amounts to be recovered from reserve funds	<u>(307,113)</u>	<u>(304,132)</u>
Amounts to be recovered from future revenue	<u>\$ 512,050</u>	<u>\$ 450,651</u>



**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**12. LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2016</u>	<u>2015</u>
4.15% Canada Mortgage and Housing Corporation \$924,600 debenture, annual payments of \$84,034 for principal and interest, due May 2025;	\$ 620,573	\$ 676,531
4.06% Infrastructure Ontario \$1,164,300 debenture, semi-annual payments of \$38,810 for principal and interest, maturing August 2025;	698,580	776,200
4.35% Infrastructure Ontario \$1,737,400 debenture, semi-annual payments of \$43,435 for principal and interest, due August 2030;	1,216,180	1,303,050
2.95% Infrastructure Ontario \$417,819 debenture, semi-annual payments of \$17,336 for principal and interest due December 2031;	417,819	-
3.24% Infrastructure Ontario \$1,225,555 debenture, semi-annual payments of \$41,870 for principal and interest due December 2036;	1,225,555	-
3.42% Infrastructure Ontario \$1,574,299 debenture, semi-annual payments of \$41,094 for principal and interest due December 2041;	1,574,299	-
2.5% Toronto Dominion \$1,399,047 bank loan, monthly payments of \$10,513 for principal and interest, due March 2025;	1,236,140	1,330,111
1.94% Toronto Dominion \$2,264,462 bank loan, monthly payments of \$16,434 for principal and interest, due March 2020;	1,991,879	2,148,786
2.81% Toronto Dominion \$1,750,000 bank loan, monthly payments of \$11,926 for principal and interest, due January 2025;	1,565,280	1,662,793
5.07% Royal Bank of Canada \$1,775,000 bank loan, monthly payments of \$14,102 for principal and interest, due September 2017;	843,386	966,486
3.14% Royal Bank of Canada \$593,240 bank loan, monthly payments of \$6,592 for principal plus interest, due May 2021;	355,928	435,032
2.35% Royal Bank of Canada \$2,063,366 bank loan, monthly payments of \$19,312 for principal and interest, due March 2025;	<u>1,657,821</u>	<u>1,889,561</u>
	<u>\$ 13,403,440</u>	<u>\$ 11,188,550</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**12. LONG-TERM DEBT** *(continued)*

Principal and interest repayments are estimated to be as follows:

	Principal	Interest
2017	\$ 1,121,900	\$ 417,768
2018	1,142,569	382,355
2019	1,163,979	346,701
2020	1,186,063	309,142
2021	1,169,548	271,351
2022 and subsequent year	7,619,381	1,391,425

Interest paid during the year amounted to \$332,432.

The Township entered into a financing agreement with Infrastructure Ontario on November 17, 2016 to borrow up to \$6,443,685 in debentures to finance current and ongoing capital works. On December 20, 2016 the Township issued \$3,217,673 in debentures. The Township also borrowed \$1,836,001 from Infrastructure Ontario in construction loans. The construction loan is a short-term loan used as bridge financing until the remaining debentures are issued in 2017 and is used to cover ongoing capital works started but not yet completed as at December 31, 2016. The interest rate on the construction is variable. At December 31, 2016 the rate on this loan was 1.45%.

**13. ACCUMULATED SURPLUS**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2016</u>	<u>2015</u>
<u>Operating surplus:</u>		
General purpose (applicable to all ratepayers and properties) \$	2,163,983	\$ 1,033,990
Building services	(343,814)	(194,963)
Sewer areas	497,589	495,623
Water areas	521,120	340,969
Amherstview Transit Area	<u>(10,962)</u>	<u>(10,962)</u>
	<u>2,827,916</u>	<u>1,664,657</u>
<u>Other surplus:</u>		
Land held for resale	1,472,939	1,477,401
Landfill closure costs	(819,163)	(754,783)
Contaminated site liability	(200,000)	(200,000)
Employee benefit obligations	<u>(1,773,974)</u>	<u>(514,953)</u>
	<u>(1,320,198)</u>	<u>7,665</u>
<u>Investment in tangible capital assets:</u>		
Equity in tangible capital assets	127,517,900	124,435,384
Capital costs financed by long-term debt	(15,239,442)	(11,188,550)
Capital costs financed internally	(1,087,400)	(1,289,000)
Capital costs not yet funded	(1,827,254)	(4,425,343)
Unexpended capital financing	<u>1,568,498</u>	<u>-</u>
	<u>110,932,302</u>	<u>107,532,491</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**13. ACCUMULATED SURPLUS** *(continued)*

	<u>2016</u>	<u>2015</u>
<u>Reserves set aside for specific purposes by Council:</u>		
Future expenses	43,553	69,929
Capital	37,600	20,000
Working capital	<u>852,425</u>	<u>752,425</u>
	<u>933,578</u>	<u>842,354</u>
 <u>Reserve funds set aside for specific purposes by Council:</u>		
General rate		
Violet Road landfill	307,113	304,132
Fire training centre	43,916	43,448
Municipal capital	55,000	-
Quarry rehabilitation	27,237	26,947
Ice resurfacers	30,991	24,997
Scholarships	18,199	17,403
Industrial development	55,765	215,736
Prepaid local charges	142,781	146,016
Workplace Safety Insurance Board claims	196,884	184,977
Renewable Energy Community Fund	<u>236,273</u>	<u>131,993</u>
	<u>1,114,159</u>	<u>1,095,649</u>
Special area rate		
Ferry berthage	625,778	619,713
Ferry operations	193,338	322,228
Sewer areas	2,299,993	1,990,861
Water areas	1,285,583	892,075
Utility equipment replacement	<u>159,990</u>	<u>123,656</u>
	<u>4,564,682</u>	<u>3,948,533</u>
 Total reserve funds	<u>5,678,841</u>	<u>5,044,182</u>
 Total accumulated surplus	<u>\$ 119,052,439</u>	<u>\$ 115,091,349</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**14. SEGMENTED INFORMATION**

The Township is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational, environmental and water and sewage. For management reporting purposes the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

Includes corporate services and governance of the Township. General Government as a segment includes Council and statutory services, support to Council for policy development, by-law development in compliance with the Municipal Act, overall corporate administration such as human resource management, tax billing and collection responsibilities, financial administration, budget monitoring and reporting, as well as frontline reception and customer service.

(b) Protection Services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation Services:

Includes winter and summer maintenance, repair and construction of the municipal roads system including bridges and culverts, sidewalks, and streetlights. The Township provides operational services on County Roads within the Township and recovers the majority of allocated operating costs in accordance with a formula used on a County wide basis.

(d) Environmental Services:

Includes solid waste management including administration of waste collection and recycling contracts, operation of two landfill sites within the Township, stormwater management, and the eventual start-up for the operation of the Amherstview Septage facility.

(e) Recreation and Culture:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, the pool and the arena.

(f) Planning and Development:

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

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**14. SEGMENTED INFORMATION** *(continued)*

(g) Water Systems - Fairfield and Bath:

Includes the management and maintenance of water treatment and distribution services for customers in Amherstview, Odessa, Harewood and Brooklands, Parrott's Bay, Bath and Correctional Services Canada. This self-sustaining segment is supported only by water rates billed to users in each of the serviced areas.

(h) Sewage Systems - Loyalist East and Bath:

Includes the management and maintenance of wastewater plant and sanitary sewer services for customers in Amherstview, Odessa, Bath and Correctional Services Canada. This self-sustaining segment is supported only by sewer rates billed to users in the serviced areas.

(i) Amherst Island Ferry Service:

Includes the management and operation of the Ferry Service between Millhaven dock on the mainland and Stella dock on Amherst Island. This operation is administered in accordance with the terms of an agreement with the Ministry of Transportation of which owns the ferry. The Ministry provides a subsidy of nearly 90% of operating costs with the balance of operating revenue coming from fares.

(j) Amherstview Transit Service:

Includes the delivery of Transit Service within Amherstview under a contractual arrangement with the City of Kingston. A portion of the costs of operating the Transit Service is recovered by a special area rate tax levy applicable to taxpayers falling within the Amherstview Transit Service geographic boundaries with the balance of operating revenue coming from fares and provincial grants.

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. Segment revenue and expenses are reported in the department to which they are recorded in the Township accounts.

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

**15. SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>
Expense by object:		
Salaries, wages and employee benefits	\$ 12,331,772	\$ 10,514,584
Materials, services, rents and financial expenses	11,780,811	11,799,515
Transfers to others	233,206	228,485
Amortization	<u>4,498,092</u>	<u>4,149,630</u>
	<u>\$ 28,843,881</u>	<u>\$ 26,692,214</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**16. TANGIBLE CAPITAL ASSETS**

(a) Assets under construction:

Assets under construction having a value of \$2,754,159 (2015 - \$2,896,142) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$1,092,468 (2015 - \$2,551,642) comprised of roads infrastructure in the amount of \$816,663 (2015 - \$1,558,131) and water and wastewater infrastructure in the amount of \$275,805 (2015 - \$993,511).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures:

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

For details on tangible capital assets see Schedule C.

**17. BUDGET FIGURES**

Budgets established by the corporation are based on a project oriented basis, the costs of which may be carried out over one or more years. Although they are not directly comparable with current year actual amounts, budget figures have been reflected on the "Consolidated Statement of Operations". Budget figures have been reclassified for the purpose of these consolidated financial statements to comply with PSAB reporting requirements. See consolidated Schedule D reconciliation of the financial plan to the budget.

**18. CONTINGENT LIABILITIES**

In the course of its business, the Corporation becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. An estimate of the contingency cannot be made since the outcome of these matters cannot be determined at this time. The Corporation carries liability insurance. Any settlement in excess of amounts which have been recorded in the accounts and insurance coverage will be accounted for as a current transaction in the year of settlement. Contingent environmental liabilities may arise out of existing operations. Such liabilities are different from environmental remediation and solid waste landfill closure and post-closure care liabilities because the liabilities are not determinable, the condition which may give rise to the expenditures are uncertain, and the future expectations of the applicable regulatory authorities are not known. Potential costs that may arise in connection with such liabilities are not included in our provisions until the source and nature of the obligation become clear and is reasonably estimable.

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**19. PRIOR PERIOD ADJUSTMENT**

In 2016 as a result of evolving tangible capital asset accounting and asset management planning, certain tangible capital assets were identified that required correction. The correction was accounted for retroactively with restatement of the prior year. The effect of these changes on the 2015 comparative figures are as follows:

Accumulated surplus as at January 1, 2015	\$ 114,342,589
Annual surplus 2015	
Change in 2015 amortization expense	13,017
Change in 2015 loss on disposal	<u>(218,504)</u>
Change in annual surplus	<u>(205,487)</u>
Prior period adjustment tangible capital assets	913,247
Unrecorded land held for resale	<u>41,000</u>
	<u>954,247</u>
Revised accumulated surplus December 31, 2015	\$ <u>115,091,349</u>
Net book value originally reported December 31, 2015	\$ 123,727,624
Add;	
Prior period adjustment January 1, 2015	913,247
Change in 2015 amortization expense	13,017
Change in loss on disposal	<u>(218,504)</u>
Revised net book value; December 31, 2015	\$ <u>124,435,384</u>

**20. COMPARATIVE FIGURES**

Certain figures for 2015 have been reclassified to reflect the financial statement presentation adopted for 2016.

**SCHEDULE A**

**THE CORPORATION OF LOYALIST TOWNSHIP  
SCHEDULE OF RESERVES AND RESERVE FUNDS  
DECEMBER 31, 2016**

	BALANCE January 1, 2016	Interest Income	CONTRIBUTIONS Revenue/ Transfers	Total	To Operations	TRANSFERS To Capital	Total	BALANCE December 31, 2016
General Rate Reserve Funds								
Violet Landfill	\$ 304,132	\$ 1,082	\$ 1,899	\$ 2,981	\$ -	\$ -	\$ -	\$ 307,113
Industrial Park	215,736	2,494	40,000	42,494	-	202,465	202,465	55,765
Ameriks Scholarship	17,403	210	3,101	3,311	2,515	-	2,515	18,199
Amherst Drive Frontage Fees	146,016	1,666	-	1,666	4,901	-	4,901	142,781
Community Vibracy Fund	131,993	-	104,280	104,280	-	-	-	236,273
Fire Training Centre	43,448	468	-	468	-	-	-	43,916
Quarry Rehabilitation	26,947	290	-	290	-	-	-	27,237
Ice Resurfacers	24,997	269	5,725	5,994	-	-	-	30,991
Workplace Safety Insurance Board	184,977	1,907	10,000	11,907	-	-	-	196,884
Municipal Reserve Fund	-	-	55,000	55,000	-	-	-	55,000
	<u>1,095,649</u>	<u>8,386</u>	<u>220,005</u>	<u>228,391</u>	<u>7,416</u>	<u>202,465</u>	<u>209,881</u>	<u>1,114,159</u>
General Rate Reserves								
Working Capital	752,425	-	100,000	100,000	-	-	-	852,425
Future Expenses	69,929	-	1,369	1,369	27,745	-	27,745	43,553
Capital	20,000	-	17,600	17,600	-	-	-	37,600
	<u>842,354</u>	<u>-</u>	<u>118,969</u>	<u>118,969</u>	<u>27,745</u>	<u>-</u>	<u>27,745</u>	<u>933,578</u>
Service Rate								
Ferry Berthage	619,713	2,514	3,551	6,065	-	-	-	625,778
Amhestview Sewer Impost Fees	1,612,712	12,008	259,983	271,991	4,857	57,435	62,292	1,822,411
Fairfield Water Impost Fees	708,545	8,363	275,175	283,538	-	-	-	992,083
Bath Sewer Impost Fees	378,149	3,283	96,150	99,433	-	-	-	477,582
Bath Water Impost Fees	183,530	2,225	107,745	109,970	-	-	-	293,500
Ferry Operations	322,228	2,803	-	2,803	131,693	-	131,693	193,338
Equipment Replacement Loyalist East Sewer	50,104	662	21,000	21,662	-	-	-	71,766
Equipment Replacement Fairfield Water	49,202	585	9,500	10,085	-	-	-	59,287
Equipment Replacement Bath Sewer	10,822	153	4,300	4,453	-	-	-	15,275
Equipment Replacement Bath Water	13,528	134	-	134	-	-	-	13,662
	<u>3,948,533</u>	<u>32,730</u>	<u>777,404</u>	<u>810,134</u>	<u>136,550</u>	<u>57,435</u>	<u>193,985</u>	<u>4,564,682</u>
<b>Total</b>	<b>\$ <u>5,886,536</u></b>	<b>\$ <u>41,116</u></b>	<b>\$ <u>1,116,378</u></b>	<b>\$ <u>1,157,494</u></b>	<b>\$ <u>171,711</u></b>	<b>\$ <u>259,900</u></b>	<b>\$ <u>431,611</u></b>	<b>\$ <u>6,612,419</u></b>



**SCHEDULE B**

**THE CORPORATION OF LOYALIST TOWNSHIP  
SCHEDULE OF SEGMENTED INFORMATION  
DECEMBER 31, 2016**

	General Government	Emergency Services	Transportation Services	Waste Services	Health Services	Recreation and Culture	Planning and Development	Water	Sewer	Building Services	Amherst Island Ferry	Amherstview Transit	Total
Revenue													
Municipal taxation	\$ 1,155,677	\$ 3,939,664	\$ 4,269,444	\$ 422,903	\$ -	\$ 2,428,280	\$ 573,335	\$ -	\$ -	\$ -	\$ -	\$ 428,186	\$ 13,217,489
Taxation from other governments	84,514	288,105	312,221	30,927	-	177,578	41,928	-	-	-	-	-	935,273
User charges	92,658	283,343	852,655	978,795	6,252	964,857	245,418	3,782,229	3,314,950	395,844	355,579	132,821	11,405,401
Government transfers													
Government of Canada	-	-	-	-	-	6,000	-	-	-	-	-	-	6,000
Province of Ontario	53,571	182,415	197,790	19,589	-	118,784	37,359	-	-	-	2,064,845	-	2,674,353
Investment income	62,896	468	290	1,082	742	269	4,160	11,403	16,010	-	5,317	-	102,637
Deferred revenue earned	12,704	73,549	-	-	-	42,338	-	-	-	-	-	159,696	288,287
Interest and penalties on taxes	25,590	87,239	94,541	9,365	-	53,771	12,696	-	-	-	-	-	283,202
Donations	-	-	-	-	3,160	38,929	-	-	-	-	-	-	42,089
Other	2,074	-	-	-	-	-	44,462	48,285	14,093	-	-	-	108,914
	<u>1,489,684</u>	<u>4,854,783</u>	<u>5,726,941</u>	<u>1,462,661</u>	<u>10,154</u>	<u>3,830,806</u>	<u>959,358</u>	<u>3,841,917</u>	<u>3,345,053</u>	<u>395,844</u>	<u>2,425,741</u>	<u>720,703</u>	<u>29,063,645</u>
Expenses													
Salaries, wages and benefits	1,446,614	2,217,540	2,122,840	309,314	8,531	2,042,325	506,313	868,335	502,779	448,747	1,848,493	9,943	12,331,774
Interest on long-term debt	-	32,965	560	139	-	481	26,620	126,386	145,281	-	-	-	332,432
Materials	473,601	440,950	1,122,833	248,288	10,196	556,862	43,344	496,277	346,884	37,971	420,065	4,803	4,202,074
Contracted Services	582,012	2,444,118	629,640	817,284	12,449	533,749	89,190	517,128	877,699	4,226	38,187	648,770	7,194,452
Rent and Financial Expenses	21,568	-	-	323	-	29,960	-	-	-	-	-	-	51,851
External transfers	5,462	173,396	-	2,750	-	45,924	5,674	-	-	-	-	-	233,206
Inferfunctional adjustments	(1,205,350)	15,004	(331,289)	12,027	-	57,547	201,886	295,571	625,900	57,800	218,200	52,704	-
Amortization	81,010	231,803	1,948,922	54,594	-	343,308	13,542	971,103	852,480	-	-	1,330	4,498,092
	<u>1,404,917</u>	<u>5,555,776</u>	<u>5,493,506</u>	<u>1,444,719</u>	<u>31,176</u>	<u>3,610,156</u>	<u>886,569</u>	<u>3,274,800</u>	<u>3,351,023</u>	<u>548,744</u>	<u>2,524,945</u>	<u>717,550</u>	<u>28,843,881</u>
NET EXPENDITURES	<u>84,767</u>	<u>(700,993)</u>	<u>233,435</u>	<u>17,942</u>	<u>(21,022)</u>	<u>220,650</u>	<u>72,789</u>	<u>567,117</u>	<u>(5,970)</u>	<u>(152,900)</u>	<u>(99,204)</u>	<u>3,153</u>	<u>219,764</u>
Capital Revenue													
Contributed tangible capital assets	-	-	816,662	-	-	-	-	119,948	155,858	-	-	-	1,092,468
Government transfers													
Government of Canada	-	-	264,101	-	-	-	-	249,800	410,754	-	-	-	924,655
Government of Ontario	-	-	445,818	-	-	43,391	-	282,428	229,110	-	-	-	1,000,747
User charges	-	-	188,153	-	-	10,738	825	61,011	126,689	-	-	-	387,416
Deferred revenue earned	-	-	767,305	-	-	134,640	-	-	-	-	-	-	901,945
Donations	-	9,168	-	-	-	32,962	-	-	-	-	-	-	42,130
Gain (loss) on disposal	-	-	(165,657)	-	-	(27,787)	-	(172,667)	(241,924)	-	-	-	(608,035)
	<u>-</u>	<u>9,168</u>	<u>2,316,382</u>	<u>-</u>	<u>-</u>	<u>193,944</u>	<u>825</u>	<u>540,520</u>	<u>680,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,741,326)</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 84,767</u>	<u>\$ (710,161)</u>	<u>\$ 2,549,817</u>	<u>\$ 17,942</u>	<u>\$ (21,022)</u>	<u>\$ 26,706</u>	<u>\$ 71,964</u>	<u>\$ 1,107,637</u>	<u>\$ 674,517</u>	<u>\$ (152,900)</u>	<u>\$ (99,204)</u>	<u>\$ 3,153</u>	<u>\$ 3,961,090</u>

SCHEDULE C

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION**  
**DECEMBER 31, 2016**

	GENERAL							INFRASTRUCTURE					TOTALS	
	Land	Land Improvements	Building and Building Improvements	Vehicles	Furniture, Fixtures and Equipment	Machinery and Equipment	Information Technology Hardware and Software	Water Infrastructure	Wastewater Infrastructure	Stormwater Infrastructure	Bridges and Other Structures	Roads Infrastructure	Assets Under Construction	2016
<b>COST</b>														
Balance, beginning of year	\$ 4,430,039	\$ 2,506,308	\$ 13,044,731	\$ 6,178,150	\$ 369,602	\$ 4,129,346	\$ 236,960	\$ 49,341,046	\$ 43,479,703	\$ 20,983,299	\$ 5,354,613	\$ 37,023,964	\$ 2,896,141	\$ 189,973,902
Additions during the year	-	325,596	78,026	326,319	17,619	61,795	150,810	1,063,603	2,001,484	1,202,107	235,974	2,798,019	617,177	8,878,529
Disposals during the year	-	<u>70,026</u>	<u>17,754</u>	<u>126,770</u>	<u>12,895</u>	-	<u>17,579</u>	<u>593,274</u>	<u>398,973</u>	<u>9,482</u>	<u>47,336</u>	<u>564,514</u>	<u>759,159</u>	<u>2,617,762</u>
Balance, end of year	<u>4,430,039</u>	<u>2,761,878</u>	<u>13,105,003</u>	<u>6,377,699</u>	<u>374,326</u>	<u>4,191,141</u>	<u>370,191</u>	<u>49,811,375</u>	<u>45,082,214</u>	<u>22,175,924</u>	<u>5,543,251</u>	<u>39,257,469</u>	<u>2,754,159</u>	<u>196,234,669</u>
<b>ACCUMULATED AMORTIZATION</b>														
Balance, beginning of year	-	1,259,357	4,338,710	4,031,644	76,347	1,711,744	48,805	14,847,661	9,910,919	4,960,189	2,399,720	21,953,422	-	65,538,518
Amortization during the year	-	143,785	319,944	475,347	31,582	348,533	51,815	970,951	855,269	339,339	137,776	823,755	-	4,498,096
Accumulated amortization on disposals	-	<u>45,828</u>	<u>14,165</u>	<u>108,808</u>	<u>12,895</u>	-	<u>17,579</u>	<u>435,957</u>	<u>157,049</u>	<u>6,376</u>	<u>33,474</u>	<u>487,712</u>	-	<u>1,319,843</u>
Balance, end of year	-	<u>1,357,314</u>	<u>4,644,489</u>	<u>4,398,183</u>	<u>95,034</u>	<u>2,060,277</u>	<u>83,041</u>	<u>15,382,655</u>	<u>10,609,139</u>	<u>5,293,152</u>	<u>2,504,022</u>	<u>22,289,465</u>	-	<u>68,716,771</u>
Net Book Value of Tangible Capital Assets	\$ <u>4,430,039</u>	\$ <u>1,404,564</u>	\$ <u>8,460,514</u>	\$ <u>1,979,516</u>	\$ <u>279,292</u>	\$ <u>2,130,864</u>	\$ <u>287,150</u>	\$ <u>34,428,720</u>	\$ <u>34,473,075</u>	\$ <u>16,882,772</u>	\$ <u>3,039,229</u>	\$ <u>16,968,004</u>	\$ <u>2,754,159</u>	\$ <u>127,517,898</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**  
**SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION**  
**DECEMBER 31, 2015**

	GENERAL							INFRASTRUCTURE					TOTALS	
	Land	Land Improvements	Building and Building Improvements	Vehicles	Furniture, Fixtures and Equipment	Machinery and Equipment	Information Technology Hardware and Software	Water Infrastructure	Wastewater Infrastructure	Stormwater Infrastructure	Bridges and Other Structures	Roads Infrastructure	Assets Under Construction	2015
<b>COST</b>														
Balance, beginning of year	\$ 4,430,039	\$ 2,232,881	\$ 12,856,461	\$ 5,931,353	\$ 285,483	\$ 3,973,991	\$ 93,789	\$ 47,841,048	\$ 42,901,151	\$ 20,378,766	\$ 5,354,613	\$ 35,964,414	\$ 2,564,563	\$ 184,808,552
Additions during the year	-	273,427	271,459	246,797	84,119	175,254	143,171	1,600,794	663,417	604,533	-	1,269,678	786,602	6,119,251
Disposals during the year	-	-	83,189	-	-	19,899	-	100,796	84,865	-	-	210,128	455,024	953,901
Balance, end of year	<u>4,430,039</u>	<u>2,506,308</u>	<u>13,044,731</u>	<u>6,178,150</u>	<u>369,602</u>	<u>4,129,346</u>	<u>236,960</u>	<u>49,341,046</u>	<u>43,479,703</u>	<u>20,983,299</u>	<u>5,354,613</u>	<u>37,023,964</u>	<u>2,896,141</u>	<u>189,973,902</u>
<b>ACCUMULATED AMORTIZATION</b>														
Balance, beginning of year	-	1,188,261	4,135,396	3,645,274	55,282	1,500,595	31,875	13,925,912	9,124,638	4,633,263	2,262,499	21,055,246	-	61,558,241
Amortization during the year	-	71,096	277,729	386,370	21,065	226,521	16,930	950,789	830,376	326,926	137,221	904,607	-	4,149,630
Accumulated amortization on disposals	-	-	74,415	-	-	15,372	-	29,040	44,095	-	-	6,431	-	169,353
Balance, end of year	<u>-</u>	<u>1,259,357</u>	<u>4,338,710</u>	<u>4,031,644</u>	<u>76,347</u>	<u>1,711,744</u>	<u>48,805</u>	<u>14,847,661</u>	<u>9,910,919</u>	<u>4,960,189</u>	<u>2,399,720</u>	<u>21,953,422</u>	<u>-</u>	<u>65,538,518</u>
Net Book Value of Tangible Capital Assets	<u>\$ 4,430,039</u>	<u>\$ 1,246,951</u>	<u>\$ 8,706,021</u>	<u>\$ 2,146,506</u>	<u>\$ 293,255</u>	<u>\$ 2,417,602</u>	<u>\$ 188,155</u>	<u>\$ 34,493,385</u>	<u>\$ 33,568,784</u>	<u>\$ 16,023,110</u>	<u>\$ 2,954,893</u>	<u>\$ 15,070,542</u>	<u>\$ 2,896,141</u>	<u>\$ 124,435,384</u>

## CORPORATION OF LOYALIST TOWNSHIP

## CONSOLIDATED SCHEDULE OF RECONCILIATION OF FINANCIAL PLAN TO THE BUDGET

DECEMBER 31, 2016

	OPERATING BUDGET	CAPITAL BUDGET	TRANSFERS TO CAPITAL	TRANSFER TO RESERVES AND RESERVE FUNDS	TANGIBLE CAPITAL ASSET ADJUSTMENTS	LONG-TERM DEBT PRINCIPAL	PSAB BUDGET
<b>REVENUES</b>							
Municipal taxation	\$ (13,079,500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,079,500)
Taxation from other governments	(545,000)	-	-	-	-	-	(545,000)
User fees and sale of goods and services	(10,799,200)	-	-	-	-	-	(10,799,200)
Government transfers							
Canada	(11,000)	-	-	-	-	-	(11,000)
Ontario	(2,936,600)	-	-	-	-	-	(2,936,600)
Deferred revenue earned	(299,600)	-	-	-	-	-	(299,600)
Investment income	(20,800)	-	-	-	-	-	(20,800)
Interest and penalties on Taxes	(250,000)	-	-	-	-	-	(250,000)
Donations	(39,600)	-	-	-	-	-	(39,600)
Other	(49,000)	-	-	-	-	-	(49,000)
Transfers from reserves	(259,400)	-	-	259,400	-	-	-
	<u>(28,289,700)</u>	<u>-</u>	<u>-</u>	<u>259,400</u>	<u>-</u>	<u>-</u>	<u>(28,030,300)</u>
<b>EXPENDITURES</b>							
Current							
Non departmental	645,000	-	(645,000)	-	-	-	-
General government	1,946,400	-	(187,500)	(195,300)	81,010	-	1,644,610
Protection services	4,740,900	-	(143,200)	(5,000)	231,803	(140,900)	4,683,603
Transportation services	7,657,200	-	(777,500)	-	1,950,252	(57,000)	8,772,952
Environmental services	8,754,900	-	(631,800)	(1,155,700)	1,878,177	(933,200)	7,912,377
Recreation and cultural services	3,380,600	-	(233,000)	(6,600)	343,308	(33,000)	3,451,308
Planning and development	1,064,100	-	(25,000)	-	13,542	(70,000)	982,642
Health services	100,600	-	(33,000)	-	-	-	67,600
Capital							
General government	-	555,000	-	-	(555,000)	-	-
Protection services	-	275,500	-	-	(275,500)	-	-
Transportation services	-	2,530,000	-	-	(2,530,000)	-	-
Environmental services	-	2,300,000	-	-	(2,300,000)	-	-
Recreation and cultural services	-	326,500	-	-	(326,500)	-	-
Planning and development	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-
	<u>28,289,700</u>	<u>5,987,000</u>	<u>(2,676,000)</u>	<u>(1,362,600)</u>	<u>(1,488,908)</u>	<u>(1,234,100)</u>	<u>27,515,092</u>
<b>NET REVENUES (EXPENDITURES)</b>	-	5,987,000	(2,676,000)	(1,103,200)	(1,488,908)	(1,234,100)	(515,208)
<b>OTHER INCOME AND EXPENSES RELATED TO CAPITAL</b>							
Deferred revenue earned	-	(513,000)	-	-	-	-	(513,000)
Government transfers							
Canada	-	(800,500)	-	-	-	-	(800,500)
Ontario	-	(800,500)	-	-	-	-	(800,500)
User Charges	-	(188,750)	-	-	-	-	(188,750)
	<u>-</u>	<u>(2,302,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,302,750)</u>
<b>FINANCING AND TRANSFERS</b>							
Debenture and other long-term borrowings	-	(1,008,250)	-	-	-	1,008,250	-
Debt repayment	-	-	-	-	-	1,234,100	1,234,100
Transfers from (to) other funds	-	(2,676,000)	2,676,000	1,008,250	-	(2,242,350)	(1,234,100)
	<u>-</u>	<u>(5,987,000)</u>	<u>2,676,000</u>	<u>1,008,250</u>	<u>-</u>	<u>(1,234,100)</u>	<u>-</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (94,950)</u>	<u>\$ (1,488,908)</u>	<u>\$ (1,234,100)</u>	<u>\$ (2,817,958)</u>

**THE CORPORATION OF LOYALIST TOWNSHIP**

**AUDITED FINANCIAL STATEMENTS**

December 31, 2016



## INDEPENDENT AUDITOR'S REPORT

To: The Members of Council, Inhabitants and Ratepayers of:  
The Corporation of Loyalist Township

We have audited the accompanying financial statements of the trust funds of The Corporation of Loyalist Township, which comprise the statement of financial position as at December 31, 2016 and the statement of continuity of trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management 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 management determines is necessary to enable the preparation of 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 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 financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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 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 trust funds of The Corporation of Loyalist Township as at December 31, 2016, and its statement of continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.

The prior year's financial statements were audited by other accountants.

*Collins Blay LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

Kingston, Ontario  
June 26, 2017

**THE CORPORATION OF LOYALIST TOWNSHIP**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2016**

	<b>Glenwood and Pentland Cemetery</b>	<b>Old Lutheran (Union) Cemetery</b>	<b>Fourth Line United Church Cemetery</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>ASSETS</b>					
Cash	\$ <u>52,636</u>	\$ <u>11,626</u>	\$ <u>8,928</u>	\$ <u>73,190</u>	\$ <u>71,590</u>
<b>CAPITAL</b>					
Fund Balances					
Maintenance and Perpetual Care Fund	47,611	10,526	8,928	67,065	65,465
Monument and Marker Fund	<u>5,025</u>	<u>1,100</u>	<u>-</u>	<u>6,125</u>	<u>6,125</u>
	\$ <u>52,636</u>	\$ <u>11,626</u>	\$ <u>8,928</u>	\$ <u>73,190</u>	\$ <u>71,590</u>

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

**THE CORPORATION OF LOYALIST TOWNSHIP**

**STATEMENT OF CONTINUITY**

**YEAR ENDED DECEMBER 31, 2016**

	<b>Glenwood and Pentland Cemetery</b>	<b>Old Lutheran (Union) Cemetery</b>	<b>Fourth Line United Church Cemetery</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Balance at beginning of year	\$ 52,636	\$ 10,026	\$ 8,928	\$ 71,590	\$ 70,150
Interest earned	528	102	89	719	742
Sale of perpetual care Monument and Marker Fund	-	1,600	-	1,600	1,140
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>
	53,164	11,728	9,017	73,909	72,332
Interest transferred to operating fund	<u>528</u>	<u>102</u>	<u>89</u>	<u>719</u>	<u>742</u>
Balance of end of year	\$ <u>52,636</u>	\$ <u>11,626</u>	\$ <u>8,928</u>	\$ <u>73,190</u>	\$ <u>71,590</u>

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



**THE CORPORATION OF LOYALIST TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the trust funds of The Corporation of the Loyalist Township Trust Funds are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of accounting:

These statements reflect the assets, liabilities, revenue and expenses of the Trust.

(b) Revenue recognition:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(c) Use of estimates:

The preparation of financial statements requires management 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 revenue and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

**2. STATEMENT OF CASH FLOWS:**

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.