

THE CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

FINANCIAL STATEMENTS

December 31, 2017

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Village of Merrickville-Wolford

We have audited the financial statements of the Corporation of the Village of Merrickville-Wolford, which comprise the statement of financial position as at December 31, 2017, and the statements of financial activities, change in net financial liabilities and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administration's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Village of Merrickville-Wolford as at December 31, 2017 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the Corporation of the Village of Merrickville-Wolford for the year ended December 31, 2016 were audited by CKDM LLP of Cornwall, Ontario, prior to its merger with MNP LLP. CKDM LLP Expressed an unmodified opinion on those statements dated May 8, 2017.

July 23, 2018
Cornwall, Ontario

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants



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CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
NET FINANCIAL LIABILITIES		
Assets		
Cash	\$ 1,265,394	\$ 1,479,237
Taxes receivable	984,635	1,020,254
Accounts receivable	559,666	561,103
	2,809,695	3,060,594
Liabilities		
Accounts payable	869,696	1,111,637
Deferred revenue - obligatory reserve funds (Note 2)	163,125	212,505
Municipal debt (Note 3)	4,766,965	5,004,813
Capital leases (Note 4)	197,945	276,181
Accrued landfill closure and post closure costs (Note 5)	904,905	863,509
	6,902,636	7,468,645
Net Financial Liabilities	(4,092,941)	(4,408,051)
NON-FINANCIAL ASSETS		
Tangible capital assets	15,665,441	15,750,613
Inventory	46,549	47,670
Prepaid expenses	7,880	6,608
	15,719,870	15,804,891
Accumulated Surplus	\$ 11,626,929	\$ 11,396,840

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2017

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
REVENUES			
Taxation (Note 1(a)(iii))	\$ 3,010,303	\$ 3,054,611	\$ 2,906,526
Fees and service charges	1,415,709	1,434,208	1,269,136
Grants	354,316	352,507	32,825
Investment income	149,900	182,786	172,507
Other	6,950	12,076	20,752
	4,937,178	5,036,188	4,401,746
EXPENSES			
General government	865,444	888,710	914,513
Protection to persons and property	869,978	853,448	1,037,925
Transportation services	1,219,958	1,257,080	1,236,916
Environmental services	1,554,886	1,437,267	1,845,081
Recreation and cultural services	335,370	308,266	355,496
Planning and development	169,076	216,531	161,151
	5,014,712	4,961,302	5,551,082
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	259,000	139,000	292,125
Grants	-	-	399,271
Gain on disposal of tangible capital assets	-	16,203	-
	259,000	155,203	691,396
SURPLUS (DEFICIT) FOR THE YEAR	181,466	230,089	(457,940)
ACCUMULATED SURPLUS, beginning of year	11,396,840	11,396,840	11,854,780
ACCUMULATED SURPLUS, end of year	\$ 11,578,306	\$ 11,626,929	\$ 11,396,840

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the year ended December 31, 2017

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
Surplus (deficit) for the year	\$ 181,466	\$ 230,089	\$ (457,940)
Amortization of tangible assets	741,470	803,325	750,973
Acquisition of tangible capital assets	(780,500)	(720,950)	(896,803)
Proceeds on sale of tangible capital assets	-	19,000	-
Gain on sale of tangible capital assets	-	(16,203)	-
Change in inventory	-	1,121	(227)
Change in prepaid expenses	-	(1,272)	(262)
Decrease (increase) in net financial liabilities	142,436	315,110	(604,259)
Net financial liabilities, beginning of year	(4,408,051)	(4,408,051)	(3,803,792)
Net financial liabilities, end of year	\$ (4,265,615)	\$ (4,092,941)	\$ (4,408,051)

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	2016
CASH FROM OPERATING ACTIVITIES		
Surplus (deficit) for the year	\$ 230,089	\$ (457,940)
Items not affecting cash		
Amortization expense	803,325	750,973
Gain on disposal of tangible capital assets	(16,203)	-
Changes in non-cash working capital balances		
Taxes receivable	35,619	(39,097)
Accounts receivable	1,437	212,355
Prepaid expenses	(1,272)	(263)
Accounts payable	(241,941)	353,083
Inventory	1,121	(227)
Deferred revenue - obligatory reserve funds	(49,380)	(189,903)
Landfill closure and post closure costs	41,396	40,552
	804,191	669,533
CASH (USED IN) FROM FINANCING ACTIVITIES		
Repayment of municipal debt	(237,848)	(254,012)
Proceeds from the issue of municipal debt	-	658,091
	(237,848)	404,079
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of capital assets	19,000	-
Acquisition of tangible capital assets	(720,950)	(896,803)
Decrease in capital leases	(78,236)	(75,361)
	(780,186)	(972,164)
(DECREASE) INCREASE IN CASH AND EQUIVALENT	(213,843)	101,448
CASH AND EQUIVALENT, beginning of year	1,479,237	1,377,789
CASH AND EQUIVALENT, end of year	\$ 1,265,394	\$ 1,479,237
REPRESENTED BY :		
Cash	\$ 1,265,394	\$ 1,479,237

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	Land and Improvements	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Bridges	2017	2016
Cost									
Balance, beginning of year	\$ 459,759	\$ 2,584,064	\$ 1,966,965	\$ 1,637,565	\$ 12,058,061	\$ 2,709,257	\$ 975,206	\$ 22,390,877	\$ 21,591,258
Additions during the year	-	80,519	279,034	161,902	-	199,495	-	720,950	896,803
Disposals during the year	-	-	126,876	27,972	-	-	-	154,848	97,184
Balance, end of year	459,759	2,664,583	2,119,123	1,771,495	12,058,061	2,908,752	975,206	22,956,979	22,390,877
Accumulated Amortization									
Balance, beginning of year	17,551	571,605	1,169,680	1,151,532	2,480,842	554,766	694,288	6,640,264	5,986,475
Amortization during the year	4,388	72,654	149,128	155,048	301,452	97,875	22,780	803,325	750,973
Amortization on disposals	-	-	126,876	25,175	-	-	-	152,051	97,184
Balance, end of year	21,939	644,259	1,191,932	1,281,405	2,782,294	652,641	717,068	7,291,538	6,640,264
Net book value	\$ 437,820	\$ 2,020,324	\$ 927,191	\$ 490,090	\$ 9,275,767	\$ 2,256,111	\$ 258,138	\$ 15,665,441	\$ 15,750,613

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2017

	2017	2016
Surpluses (deficits)		
Operating surplus (Note 9)	\$ -	\$ -
Water and sewer deficit	(45,078)	-
Library surplus	17,326	8,147
Capital surplus - fire	-	140,687
Unfinanced capital outlay	(103,646)	-
Capital surplus - water and sewer	63,455	63,455
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post closure	(904,905)	(863,509)
Total (deficits) surpluses	(972,848)	(651,220)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	908,078	638,722
Self insurance	110,000	85,000
Capital	119,492	132,642
Capital contingency	85,179	85,179
Museum	2,884	2,884
Landfill	185,000	170,000
Vehicle replacement	274,944	275,489
Environment	8,690	8,690
Hospital	45,000	45,000
Election	18,000	15,000
Recreation	26,875	800
Library	79,051	79,051
Total reserves	1,863,193	1,538,457
Equity in tangible capital assets		
Invested in tangible capital assets	15,665,441	15,750,613
Less: related debt	4,928,857	5,241,010
Total equity in tangible capital assets	10,736,584	10,509,603
ACCUMULATED SURPLUS	\$ 11,626,929	\$ 11,396,840

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2017

	Surpluses (Deficits)	Reserves	Equity in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ (651,220)	\$ 1,538,457	\$ 10,509,603	\$ 11,396,840	\$ 11,854,780
Surplus (deficit) for the year	1,033,414	-	(803,325)	230,089	(457,940)
Reserve funds used for operations	143,814	(143,814)	-	-	-
Funds transferred to reserves	(468,550)	468,550	-	-	-
Current year funds used for tangible capital assets	(720,950)	-	720,950	-	-
Disposal of tangible capital assets	2,797	-	(2,797)	-	-
Municipal debt repaid	(312,153)	-	312,153	-	-
Change in accumulated surplus	(321,628)	324,736	226,981	230,089	(457,940)
Balance, end of year	\$ (972,848)	\$ 1,863,193	\$ 10,736,584	\$ 11,626,929	\$ 11,396,840

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Recreation and Cultural Services	Planning and Development	2017	2016
REVENUE									
Taxation	\$ 228,835	\$ 903,669	\$ 1,375,580	\$ 225,686	\$ -	\$ 222,964	\$ 97,877	\$ 3,054,611	\$ 2,906,526
Fees and service charges	88,343	18,561	11,960	159,843	923,479	64,679	167,343	1,434,208	1,269,136
Grants	335,300	3,057	1,376	-	-	12,774	-	352,507	32,825
Investment income	182,200	51	-	-	-	535	-	182,786	172,507
Other	-	-	-	-	-	12,076	-	12,076	20,752
	834,678	925,338	1,388,916	385,529	923,479	313,028	265,220	5,036,188	4,401,746
EXPENSES									
Wages and benefits	609,553	111,042	344,490	44,633	-	119,766	69,279	1,298,763	1,345,013
Interest on municipal debt	-	14,152	24,195	-	147,975	-	2,399	188,721	195,830
Materials and services	155,208	131,776	566,778	102,911	408,135	101,654	144,853	1,611,315	2,066,754
Contracted services	-	451,462	-	100,248	302,447	-	-	854,157	895,222
Insurance and financial costs	56,935	12,578	53,316	-	16,635	29,769	-	169,233	226,638
Third party transfers	15,747	20,041	-	-	-	-	-	35,788	70,654
Amortization	51,267	112,397	268,301	-	314,283	57,077	-	803,325	750,973
	888,710	853,448	1,257,080	247,792	1,189,475	308,266	216,531	4,961,302	5,551,084
OTHER REVENUE RELATED TO CAPITAL									
Deferred revenue earned	-	-	139,000	-	-	-	-	139,000	292,125
Grants	-	-	-	-	-	-	-	-	399,271
Gain on disposal of tangible capital assets	-	-	16,203	-	-	-	-	16,203	-
	-	-	155,203	-	-	-	-	155,203	691,396
SURPLUS (DEFICIT) FOR THE YEAR	\$ (54,032)	\$ 71,890	\$ 287,039	\$ 137,737	\$ (265,996)	\$ 4,762	\$ 48,689	\$ 230,089	\$ (457,942)

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Consolidated entities

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

The Corporation of the Village of Merrickville - Wolford Library Board

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

These financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Village and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and school board transactions

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

(b) Fund accounting

Funds within the financial statements consists of the operating fund, capital fund and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(c) Taxation and related revenue

Property tax billings are issued by the Village based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Leeds and Grenville, provincial education taxes on behalf of the Province of Ontario, payment in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legalisation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The Village is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Government grants

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(e) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(f) Fees and service charges

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

(g) Investment income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

(h) Cash

Cash is defined as cash on hand and cash on deposit.

(i) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective fund when approved.

(j) Deferred revenue

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

(k) Landfill closure costs

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits

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

(m) Amounts to be recovered from future revenues

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

(n) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(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 are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	3 to 10 years
Water and waste plants and networks	
underground networks	50 to 100 years
sewage treatment plants	50 to 75 years
water pumping stations and reservoirs	50 to 75 years
flood stations and other infrastructure	50 to 75 years
Transportation	
roads	7 to 50 years
bridges and structures	25 to 75 years

One half of the annual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Non-financial assets (Continued)

Active landfills are amortized annually based on the remaining estimated useful life. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

The Village has a capitalization threshold of \$25,000 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. Examples of pooled assets are desktop computer systems, vehicles, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventory

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

(o) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Village is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Village expects that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Liability for contaminated sites (Continued)

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability are:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

(p) Use of estimates

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

2. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

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

	Federal Gas			
	Tax	Parkland	2017	2016
Balance, beginning of year	\$ 153,910	\$ 58,595	\$ 212,505	\$ 402,408
Grants received	88,183	-	88,183	86,649
Interest and other	1,229	208	1,437	15,573
Deferred revenue earned	(139,000)	-	(139,000)	(292,125)
Balance, end of year	\$ 104,322	\$ 58,803	\$ 163,125	\$ 212,505

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. MUNICIPAL DEBT

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

	2017	2016
Bank term loan, 3.85%, repayable in blended monthly payments of \$2,458, due August 2021	\$ 392,485	\$ 406,494
Bank term loan, 3.98%, repayable in blended semi-annual payments of \$100,627, due June 2044	3,277,096	3,345,862
Bank term loan, 2.25%, repayable in blended monthly payments of \$10,115, due November 2021	454,681	564,571
Term loan, 2.88%, repayable in blended semi-annual payments of \$6,542, due October 2024	82,418	92,902
Term loan, 3.33%, repayable in blended semi-annual payments of \$12,055, due December 2036	337,442	350,000
Term loan, 2.59%, repayable in blended semi-annual payments of \$11,700, due December 2026	186,791	205,000
Tile drain loans, 6%, repayable over a ten year period in blended payments ranging between \$1,127 and \$5,204, maturity dates ranging from 2025 to 2026	36,052	39,984
	\$ 4,766,965	\$ 5,004,813

Principal payments assuming the loans are renewed under the same terms and conditions are as follows:

2018	\$	244,018
2019		254,237
2020		264,896
2021		253,093
2022		148,442
2023 - 2027		781,099
Thereafter		2,821,180
		\$ 4,766,965

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. MUNICIPAL DEBT (Continued)

(b) Of the municipal debt reported in (a) of this note, all principal payments are payable from the following sources as follows:

	2018 - 2022	2023 - 2027
General municipal revenues	\$ 758,865	\$ 694,952
Benefiting landowners - tile drains	18,235	17,817
Benefiting landowners	387,586	2,889,510
	\$ 1,164,686	\$ 3,602,279

4. CAPITAL LEASES

	2017	2016
Capital lease obligation, equipment, 3.75%, secured by asset, monthly payments of \$3,657, matures September 2020	\$ 114,501	\$ 153,301
Capital lease obligation, equipment, 3.75%, secured by asset, monthly payments of \$3,614, matures December 2019	83,444	122,880
	\$ 197,945	\$ 276,181
Lease payments due in the next four years are as follows:		
2018	\$ 81,221	
2019	84,319	
2020	32,405	
	\$ 197,945	

5. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE

The Village operates a solid waste landfill site. The site has an estimated remaining life of 48 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated March 2016. The estimate associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post closure monitoring estimated for 10 years. Total closure and post-closure costs are estimated to be \$2,810,000 with \$904,905 (2016 - \$863,509) being accrued at the end of the current fiscal year. These costs are to be recovered from future taxation revenue and reserves.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

6. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

Amounts to be recovered from future taxation, benefiting landowners and reserves are as follows:

	2017	2016
Municipal debt	\$ 4,766,965	\$ 5,004,813
Accrued landfill closure and post-closure	904,905	863,509
	\$ 5,671,870	\$ 5,868,322

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 5,635,818	\$ 5,828,338
Benefiting landowners	36,052	39,984
	\$ 5,671,870	\$ 5,868,322

7. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Wages and benefits	\$ 1,337,578	\$ 1,298,763	\$ 1,345,013
Interest on municipal debt	194,287	188,721	195,830
Materials and services	1,597,445	1,611,315	2,066,752
Contracted services	891,036	854,157	895,222
Insurance and other financial costs	190,281	169,233	226,638
Third party transfers	62,615	35,788	70,654
Amortization	741,470	803,325	750,973
	\$ 5,014,712	\$ 4,961,302	\$ 5,551,082

8. PENSION AGREEMENTS

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

The employer amount contributed to OMERS for 2017 was \$71,226 (2016 - \$59,371) for current service and is included as an expenditure on the statement of financial activities.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

9. OPERATING SURPLUS

The operating surplus for the year ending December 31, 2017 was \$305,547 which was transferred to the working capital reserve. The water and sewer deficit of \$45,078 was allocated from the water and sewer deficit and the library board surplus of \$9,181 was allocated to the library surplus.

	BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Surplus (deficit) for the year	\$ 181,466	\$ 230,089	\$ (457,940)
Funds transferred to reserves	(163,000)	(163,003)	(269,128)
Reserve funds used for operations	163,549	143,814	-
Principal payment on long-term debt and capital leases	(176,536)	(312,153)	(319,255)
Proceeds from the issue of long-term debt	-	-	658,091
Change in accrued landfill costs	40,551	41,396	40,552
Acquisition of tangible capital assets	(780,500)	(720,950)	(896,803)
Annual amortization expense	741,470	803,325	750,973
Gain on disposal of tangible capital assets	-	(16,203)	-
Proceeds on disposal of tangible capital assets	-	19,000	-
Change in unfunded capital projects	-	244,335	1,051,732
Operating surplus for the year	7,000	269,650	558,222
Transfer (to) from library surplus	(7,000)	(9,181)	99,398
Transfer from (to) water and sewer deficit	-	45,078	(578,020)
Transfer to working capital reserves	-	(305,547)	(194,840)
	\$ -	\$ -	\$ (115,240)

10. SEGMENTED INFORMATION

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

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

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

A brief description of each segment follows:

(a) General government

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

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

10. SEGMENTED INFORMATION (Continued)

(b) Protection services

Protection services includes fire protection, conservation authority, protective inspection and control and emergency measures. 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

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

(d) Environmental services

Environmental services includes waste collection, disposal and recycling services.

(e) Water and sewer services

Water and sewer services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Village.

(f) Recreation and cultural services

Recreation and cultural services 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, and arenas.

(g) Planning and development

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

11. BUDGET FIGURES

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

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

FINANCIAL ACTIVITIES (000's)

	2017	2016	2015	2014	2013
Revenues					
Taxation	\$ 3,055	\$ 2,907	\$ 2,800	\$ 2,733	\$ 2,658
Fees and service charges	1,434	1,269	1,169	1,032	1,014
Grants	353	33	363	500	979
Investment income	183	173	162	150	119
Other	12	21	81	-	-
	5,037	4,403	4,575	4,415	4,770
Expenses					
General government	889	915	724	723	789
Protection to persons and property	853	1,038	798	794	783
Transportation services	1,257	1,237	1,134	1,205	1,161
Environmental	1,437	1,845	1,372	1,239	1,127
Recreation and cultural services	308	355	402	376	400
Planning and development	217	161	116	74	121
	4,961	5,551	4,546	4,411	4,381
Other revenue related to capital					
Deferred revenue earned	139	292	-	-	-
Grants	-	399	-	-	-
Gain on disposal of tangible capital assets	16	-	-	-	-
	155	691	-	-	-
Surplus (deficit) for the year	\$ 231	\$ (457)	\$ 29	\$ 4	\$ 389

TAXABLE ASSESSMENT (000's)

	2017	2016	2015	2014	2013
Residential and farm	\$ 327,594	\$ 323,099	\$ 311,949	\$ 298,980	\$ 283,216
Commercial and industrial	23,425	24,837	24,255	24,179	23,072
	351,019	347,936	336,204	323,159	306,288
Commercial and industrial	6.67%	7.14%	7.21%	7.48%	7.53%

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

FINANCIAL INDICATORS

	2017	2016	2015	2014	2013
Tax arrears					
Percentage of own levy	32 %	37 %	37 %	33 %	25 %
Percentage of total levy	19 %	20 %	35 %	31 %	23 %
Municipal debt					
	\$ 4,730,912	\$ 4,964,829	\$ 4,550,631	\$ 4,801,220	\$ 1,506,002
Municipal debt charges					
	\$ 500,874	\$ 515,085	\$ 406,991	\$ 406,991	\$ 367,606
Sustainability					
Financial assets to liabilities	0.41	0.41	0.47	0.43	0.21
Financial assets to liabilities excluding municipal debt	1.42	1.37	1.55	1.64	0.30
Municipal debt to tangible capital assets	30.20 %	31.52 %	29.16 %	30.30 %	9.56 %
Flexibility					
Debt charges to total operating revenue	9.95 %	11.70 %	9.06 %	9.24 %	7.71 %
Total operating revenue to taxable assessment	13.78 %	12.13 %	12.82 %	13.62 %	15.57 %
Vulnerability					
Operating grants to operating revenue	7.00 %	0.75 %	7.93 %	11.33 %	20.52 %
Total grants to total revenues	6.80 %	8.48 %	7.93 %	11.33 %	20.52 %
Reserve coverage					
Reserves	\$ 1,863,193	\$ 1,538,457	\$ 1,074,489	\$ 987,427	\$ 855,197
Reserves to operating expenses	38 %	28 %	24 %	22 %	20 %
Reserves to working capital	1.08	0.89	0.55	0.51	(0.51)