

TOWN OF NORTH RUSTICO
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
CONSOLIDATED STATEMENT OF OPERATIONS	2
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT	3
CONSOLIDATED STATEMENT OF CASH FLOW	4
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	5 - 14
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	15 - 21

INDEPENDENT AUDITOR'S REPORT

TO THE MAYOR AND MEMBERS OF COUNCIL

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of North Rustico, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principals for local governments, as recommended by the Public Sector Accounting Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Town derives revenue from lotteries and fundraising events for the Fire Department and the Canada Day Committee, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts reported in the records and we were not able to determine whether any adjustments might be necessary to lottery and fundraising revenues, annual surplus, and assets as at January 1st and December 31st for both the 2016 and 2015 years. Our audit opinion on the consolidated financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of North Rustico as at December 31, 2016, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board.

MRSB Chartered Professional Accountants

CHARLOTTETOWN, P.E.I.

MARCH 22, 2017

**TOWN OF NORTH RUSTICO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 44,741	\$ 80,022
Accounts receivable	56,420	28,702
Promissory notes receivable - Note 3	1,103	11,570
Land held for resale	<u>183,725</u>	<u>209,161</u>
	<u>285,989</u>	<u>329,455</u>
 Liabilities		
Credit Union indebtedness - Note 4	-	95,319
Accounts payable and accrued liabilities	92,431	84,246
Long term debt - Note 5	<u>2,360,902</u>	<u>2,510,254</u>
	<u>2,453,333</u>	<u>2,689,819</u>
 Net Debt - Statement 3	 <u>(2,167,344)</u>	 <u>(2,360,364)</u>
 Non-Financial Assets		
Prepaid expenses	2,448	12,660
Tangible capital assets - Schedule 1	<u>7,245,630</u>	<u>7,367,076</u>
	<u>7,248,078</u>	<u>7,379,736</u>
 Accumulated Surplus	 <u>\$ 5,080,734</u>	 <u>\$ 5,019,372</u>
 Commitments - Note 6		
 Municipal Position		
Accumulated surplus - Statement 2	<u>\$ 5,080,734</u>	<u>\$ 5,019,372</u>

(Notes 1 to 14 are an integral part of these consolidated financial statements)

ON BEHALF OF TOWN COUNCIL:

Anne Kirk Mayor

Shelley McKenna Councilor

**TOWN OF NORTH RUSTICO
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016**

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Town - Schedule 2	\$ 437,100	\$ 525,094	\$ 379,468
Sewer Utility - Schedule 5	160,000	155,454	157,373
Water Utility - Schedule 6	127,000	129,194	122,812
Fire Department - Schedule 7	58,000	73,684	80,448
	<u>782,100</u>	<u>883,426</u>	<u>740,101</u>
Expenditures			
Town - Schedule 2	451,100	493,479	530,997
Sewer Utility - Schedule 5	174,650	211,326	196,324
Water Utility - Schedule 6	115,950	118,466	109,325
Fire Department - Schedule 7	105,000	129,558	114,905
	<u>846,700</u>	<u>952,829</u>	<u>951,551</u>
Net Expenditures From Operations	<u>(64,600)</u>	<u>(69,403)</u>	<u>(211,450)</u>
Other and Transfers			
Government transfers for capital - Note 7	50,000	130,765	549,868
Change in Fund Balances	<u>\$ (14,600)</u>	61,362	338,418
Accumulated Surplus - Beginning of Year		<u>5,019,372</u>	4,680,954
Accumulated Surplus - End of Year - Note 8		<u>\$ 5,080,734</u>	<u>\$ 5,019,372</u>
Change in Fund Balance			
Town - Schedule 2		\$ 138,107	\$ 380,346
Sewer Utility - Schedule 5		(31,599)	(23,951)
Water Utility - Schedule 6		10,728	16,480
Fire Department - Schedule 7		(55,874)	(34,457)
		<u>\$ 61,362</u>	<u>\$ 338,418</u>

**TOWN OF NORTH RUSTICO
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Change in fund balances	\$ 61,362	\$ 338,418
Amortization of tangible capital assets	195,144	197,053
(Increase) decrease in prepaid expenses	10,212	(2,292)
Purchase of tangible capital assets	(111,404)	(812,087)
Proceeds from disposal of tangible capital assets	37,706	-
(Increase) Decrease in Net Debt	193,020	(278,908)
Net Debt - Beginning of Year	(2,360,364)	(2,081,456)
Net Debt - End of Year	\$ (2,167,344)	\$ (2,360,364)

**TOWN OF NORTH RUSTICO
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Cash Flows from Operating Activities		
Change in fund balances	\$ 61,362	\$ 338,418
Amortization of tangible capital assets	195,144	197,054
(Increase) decrease in accounts receivable	(27,718)	5,249
(Increase) decrease in prepaid expenses	10,212	(2,292)
Decrease in land held for resale	25,436	3,814
Increase (decrease) in accounts payable and accrued liabilities	8,186	(91,229)
	272,622	451,014
Cash Flows from Capital Activities		
Purchase of tangible capital assets	(111,404)	(812,087)
(Increase) decrease in promissory notes receivable	10,467	(7,601)
Proceeds from disposal of tangible capital assets	37,706	-
	(63,231)	(819,688)
Cash Flows from Financing Activities		
Repayment of long term debt	(149,353)	(130,485)
Proceeds from long term debt	-	337,457
	(149,353)	206,972
Increase (Decrease) in Cash and Cash Equivalents	60,038	(161,702)
Cash and Cash Equivalents - Beginning of Year	(15,297)	146,405
Cash and Cash Equivalents - End of Year	\$ 44,741	\$ (15,297)
Cash and Cash Equivalents Consists of:		
Cash and cash equivalents	\$ 44,741	\$ 80,022
Credit Union indebtedness	-	(95,319)
	\$ 44,741	\$ (15,297)

**TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Description of Business

The Town of North Rustico ("the Town") is incorporated under the Prince Edward Island Municipalities Act. The Town is a non-profit organization under the Income Tax Act. Its principal activities include the provision of local government services to residents of the incorporated area. These include fire protection, town development, infrastructure maintenance, maintenance of sewer and water systems, and parks and recreation.

2. Accounting Policies

Basis of Preparation

These consolidated financial statements of the Town of North Rustico have been prepared by management in accordance with Generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

These consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services are performed or the tangible capital assets are acquired.

Funds within the consolidated financial statements consist of the operating funds for general operations, the fire department and the water and sewerage utilities. Transfers between funds are recorded as adjustments to the appropriate fund balance.

Basis of Consolidation

These consolidated financial statements for the Town of North Rustico reflect the assets, liabilities, revenue, expenditures, change in net debt and change in financial position of the Town. The Town is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

North Rustico Fire Department
North Rustico Sewer and Water Utility Corporation

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, restricted and unrestricted balances on deposit with financial institutions and Credit Union indebtedness.

**TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

2. Accounting Policies (cont'd)

Accounts Receivable

Accounts receivable arise from sewer dues, property tax, grants receivable and Harmonized Sales Tax receivable. An allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed non-collectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Costs include costs for land acquisition and improvements required to prepare land for servicing. Related development costs incurred to provide infrastructure are recorded as physical assets under the respective function.

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 the estimated useful life as follows:

Town

Buildings	25 years
Windmill	20 years
Park equipment	15 years
Furniture and equipment	10 years
Fire hall	25 years
Fire equipment	10 years
Fire trucks	15 years
Jaws of life	20 years
Downtown economic project	15 years
Computer equipment	3 years
Vehicles	10 years
Seawalk Park	25 years
Celebration of Life Park	15 years

Utility

Treatment plant	20 years
Sewer system	83 1/3 years
Water system	83 1/3 years
Wellsite upgrades	83 1/3 years
Treatment and disposal equipment	83 1/3 years
Vehicles	5 years
Equipment	5 years
Computer	5 years

TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. Accounting Policies (cont'd)

Full amount of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

The Utility tangible capital assets are amortized using the straight-line method over the estimated useful life as directed by the Island Regulatory and Appeals Commission.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue 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 on the amounts can be determined.

Non-Financial Assets

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

Revenue Recognition

Property tax billings are assessed based on the market value of real property in the Town and are payable in each calendar year. Municipal tax rates are reviewed, established, and approved annually by the Town Council. These revenues are recognized monthly when billings come due.

Sewer dues are charged based on rates approved by the Island Regulatory and Appeals Commission (IRAC). These charges are assessed annually and are recognized when billings come due.

Land sale revenue is recorded at the time the sale is finalized and ownership of the land has been transferred to the purchaser.

The Town follows the deferral method of accounting for grants and contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred, with recognition of excess amounts being deferred until the related expense is incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

**TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. Accounting Policies (cont'd)

Use of Estimates

The presentation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. The following are areas in which management makes significant accounting estimates:

- The amounts recorded for amortization of tangible capital assets on the consolidated statement of operations is subject to management's assessment of the estimated useful life of the Town's tangible capital assets.
- The recognized amounts of potential claims and liabilities depend on management's assessment of future costs and the probability these events will occur.

3. Promissory Notes Receivable

	2016	2015
Promissory note receivable - face value of \$1,103; non-interest bearing; no set terms of repayment	\$ 1,103	\$ 1,103
Promissory note receivable - face value of \$3,225; non-interest bearing; repayable in monthly installments of \$50; due December, 2016	-	552
Promissory note receivable - face value of \$2,706; non-interest bearing; repayable in monthly installments of \$100; due December 2016	-	476
Promissory note receivable - face value of \$9,439; repaid during the year	-	9,439
	1,103	11,570
Current portion	-	1,028
	\$ 1,103	\$ 10,542

TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. Credit Union Indebtedness

	2016	2015
Provincial Credit Union Ltd. - prime plus 1%; interest due monthly; maximum limit of \$100,000; due for renewal on June 1, 2018	\$ -	\$ 94,383
Provincial Credit Union Ltd. - prime plus 1%; interest due monthly; maximum limit of \$1,000; due for renewal on February 6, 2017	-	936
	\$ -	\$ 95,319

Credit Union indebtedness and long term debt are secured by a demand note, registered mortgage, general security agreement and assets with a carrying value of \$3,859,533.

The Sewer and Water Utility Corporation has an unused line of credit of \$100,000 available at year end, with interest rate of prime plus 1% and expires on February 6, 2017.

5. Long Term Debt

Town

Provincial Credit Union Ltd. - prime plus 1.25%; repayable in blended monthly installments of \$1,151; due for renewal on September 29, 2019	\$ 211,932	\$ 217,246
Provincial Credit Union Ltd. - prime plus 1.25%; repayable in blended monthly installments of \$788; due for renewal on August 27, 2020	145,219	148,857
Provincial Credit Union Ltd. - 2.99%; repayable in blended monthly installments of \$657; due for renewal on October 25, 2020	134,266	138,101
Provincial Credit Union Ltd. - 3.29%; repayable in blended monthly installments of \$750; due for renewal on March 1, 2019	66,632	141,948
Provincial Credit Union Ltd. - prime plus 1.25%; repayable in blended monthly installments of \$231; renewal on December 16, 2019	41,843	42,941
Provincial Credit Union Ltd. - 4.50%; repayable in blended monthly installments of \$1,125; due for renewal on October 1, 2018	39,368	56,741
Island Investment Development Inc. - 4.00%; repayable in blended monthly installments of \$351; due for renewal on March 1, 2019; secured by a general security agreement and specific equipment with a carrying value of \$127,653	25,723	25,723
Provincial Credit Union Ltd. - 3.75%; repayable in blended monthly installments of \$311; matures February 3, 2019; secured by a 2010 Mazda with carrying value of \$11,907	7,757	11,129
	672,740	782,686

TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

5. Long Term Debt (cont'd)

	2016	2015
Utility		
Provincial Credit Union Ltd. - 2.94%; repayable in blended semi-monthly installments of \$2,760; due for renewal on October 1, 2018	\$ 1,300,643	\$ 1,330,953
Provincial Credit Union Ltd. - 3.75%; repayable in blended semi-monthly installments of \$992; due for renewal on February 25, 2020	<u>387,519</u>	<u>396,615</u>
	<u>1,688,162</u>	<u>1,727,568</u>
	<u>\$ 2,360,902</u>	<u>\$ 2,510,254</u>

Principal portion of long term debt is expected to be repaid over the next five years as follows:

	Town	Utility	Total
2017	\$ 36,793	\$ 34,961	\$ 71,754
2018	38,248	36,111	74,359
2019	36,604	37,300	73,904
2020	28,796	38,528	67,324
2021	24,318	39,796	64,114

Credit Union indebtedness and long term debt are secured by a demand note, registered mortgage, general security agreement and assets with a carrying value of \$3,859,533.

6. Commitments

The Town has entered into a lease agreement with Sharp for the lease of a photocopier. The minimum lease payments due over the next four years are as follows:

2017	\$ 2,124
2018	2,124
2019	2,124
2020	1,416

TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

7. Government Transfers

Government Transfers for Operations

Town

	2016	2015
Federal Canada Day funding	\$ 15,000	\$ 15,000
Provincial Government - Tour grants, website and events	9,600	2,000
Province of PEI wage grants	8,862	9,044
Canada Summer Jobs	1,552	1,470
New Deals Gas Tax - Municipal sustainability study	-	13,625
	<u>\$ 35,014</u>	<u>\$ 41,139</u>

Government Transfers for Capital

Town

New Deals Gas Tax funding	\$ 94,292	\$ 86,375
Provincial Infrastructure Fund	11,020	-
Department of Transportation - paving grant	1,180	-
Atlantic Canada Opportunities Agency	-	270,500
Rural development fund	-	150,000
Skills PEI	-	25,000
	<u>106,492</u>	<u>531,875</u>

Sewer Utility

Clear Water Wastewater Fund	14,585	-
New Deals Gas Tax funding	5,708	-
Provincial Infrastructure Fund	3,980	15,000
	<u>24,273</u>	<u>15,000</u>

Water Utility

Build Canada Fund	-	2,993
	<u>\$ 130,765</u>	<u>\$ 549,868</u>

**TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

7. Government Transfers (cont'd)

Under the New Deal Gas Tax Funding for Incorporated Communities and the New Deal for Cities & Communities, the Town is allocated \$100,000 per year for fiscal years ending March 31, 2015 to 2020. These funds, along with interest earned, must be used for eligible infrastructure and capacity building projects. Any funds received under this program, including interest earned, but not yet spent are recognized as deferred revenue at the end of the year.

During the year, the Town received Gas Tax funding of \$100,000, earned interest of \$Nil, and incurred \$100,000 of eligible expenditures.

8. Accumulated Surplus

	2016	2015
Unrestricted surplus	\$ 196,006	\$ 162,550
Investment in tangible capital assets - Note 9	<u>4,884,728</u>	<u>4,856,822</u>
	<u>\$ 5,080,734</u>	<u>\$ 5,019,372</u>

The prior year opening surplus has been reduced by \$66,083 to reflect revised costs for land held for resale.

9. Investment in Tangible Capital Assets

Tangible capital assets - Schedule 1	\$ 9,191,224	\$ 9,117,526
Accumulated amortization - Schedule 1	(1,945,594)	(1,750,450)
Long term debt - Note 5	<u>(2,360,902)</u>	<u>(2,510,254)</u>
	<u>\$ 4,884,728</u>	<u>\$ 4,856,822</u>

10. Rate Regulation

The Town is subject to rate regulation on the water and sewerage utilities provided to residents in Prince Edward Island under the Island Regulatory and Appeals Commission Act. The purpose of this Act, which is administered by the Island Regulatory and Appeals Commission (IRAC), is to regulate the rate municipalities may charge for water and sewerage utilities provided to residents within Prince Edward Island and to ensure at all times a just and reasonable price for water and sewerage services. Changes in water and sewerage rates can only be implemented with approval from IRAC.

11. Administration Fee

During the year, the Town received a management fee totaling \$15,000 (2015 - \$15,000) from the Town of North Rustico Water and Sewer Utility Corporation for payment of the administration costs incurred by the Town on behalf of the Sewer and Water Utility. The transaction was in the ordinary course of business and is reflected at the exchange amount.

**TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

12. Budget Figures

A reconciliation of the 2016 fiscal operating budget prepared by Council to the budget figures disclosed in the consolidated financial statements is as follows:

Town of North Rustico budgeted annual surplus	\$ -
Town of North Rustico Sewer Utility budgeted annual deficit	(14,650)
Town of North Rustico Water Utility budgeted annual surplus	11,050
Less: Repayment of promissory note receivable - Town	<u>(11,000)</u>
	<u>\$ (14,600)</u>

The budget figures provided on Statement 2 and Schedules 2 to 7 have not been audited or reviewed by the external auditor.

Amortization was not included in the budgeted expenditures figures in the statements of operations and schedules since it was not part of the scope of the Town's original operating budget.

13. Financial Instruments

The Town's financial instruments consist of cash and cash equivalents, accounts receivable, promissory notes receivable, Credit Union indebtedness, accounts payable and accrued liabilities and long term debt.

The Town is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Town's risk exposure and concentration as of December 31, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Town is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Town has a significant number of customers which minimizes concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town is exposed to interest rate risk primarily through its credit facilities.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to this risk mainly in respect of its receipt of government funding, long term debt and accounts payable and accrued liabilities.

**TOWN OF NORTH RUSTICO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

14. Prior Year's Figures

Certain of the prior year's figures have been reclassified to conform to the current year consolidated financial statement presentation.

**TOWN OF NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
TANGIBLE CAPITAL ASSETS
DECEMBER 31, 2016**

	Schedule 1							
	Cost Beginning of Year	Additions	Disposals and Write- Downs	Cost End of Year	Amort in Year	Accum Amort	NBV 2016	NBV 2015
Town Assets								
Land	\$ 212,471	\$ 2,360	\$ (15,081)	\$ 199,750	\$ -	\$ -	\$ 199,750	\$ 212,471
Buildings	164,027	10,591	-	174,618	6,985	46,655	127,963	124,357
Windmill	231,940	-	-	231,940	11,597	104,286	127,654	139,251
Park equipment	86,727	-	-	86,727	5,782	31,882	54,845	60,627
Furniture and equipment	26,105	-	-	26,105	2,610	15,087	11,018	13,628
Fire hall	273,544	-	-	273,544	8,377	175,244	98,300	106,677
Fire equipment	85,326	4,068	-	89,394	8,939	39,043	50,351	55,222
Fire trucks	570,205	-	-	570,205	14,448	411,143	159,062	173,510
Jaws of life	41,375	-	-	41,375	2,069	16,551	24,824	26,893
Downtown economic project	263,262	-	-	263,262	17,551	84,028	179,234	196,785
Computer equipment	12,630	-	-	12,630	2,119	12,140	490	2,609
Vehicles	20,579	-	-	20,579	2,058	6,174	14,405	16,463
Seawalk Park	599,441	28,672	(22,625)	605,488	24,219	48,197	557,291	575,463
Celebration of Life Park	-	13,145	-	13,145	876	876	12,269	-
	2,587,632	58,836	(37,706)	2,608,762	107,630	991,306	1,617,456	1,703,956
Sewer and Water Utility Assets								
Land	62,184	-	-	62,184	-	-	62,184	62,184
Treatment plant	3,248,072	22,351	-	3,270,423	39,245	206,722	3,063,701	3,080,595
Sewer system	580,689	19,447	-	600,136	7,202	127,393	472,743	460,498
Water system	866,424	-	-	866,424	10,397	105,042	761,382	771,779
Wellsite upgrades	1,309,997	3,980	-	1,313,977	15,767	95,400	1,218,577	1,230,364
Treatment and disposal equipment	398,885	-	-	398,885	816	385,820	13,065	13,881
Vehicles	59,934	-	-	59,934	11,987	30,327	29,607	41,594
Equipment	3,709	5,482	-	9,191	1,838	3,322	5,869	2,225
Computer	-	1,308	-	1,308	262	262	1,046	-
	6,529,894	52,568	-	6,582,462	87,514	954,288	5,628,174	5,663,120
Total Tangible Capital Assets	\$ 9,117,526	\$ 111,404	\$ (37,706)	\$ 9,191,224	\$ 195,144	\$ 1,945,594	\$ 7,245,630	\$ 7,367,076

TOWN OF NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS - TOWN
YEAR ENDED DECEMBER 31, 2016

	Budget 2016	Actual 2016	Schedule 2 Actual 2015
Revenue			
Municipal property tax	\$ 277,000	\$ 273,485	\$ 270,023
Land sales - net	45,000	147,104	19,623
Government transfers for operations - Note 7	15,000	35,014	41,139
Canada Day and special events	37,000	25,459	22,263
Retail space	19,100	19,255	6,350
Administration transfer from Utility	37,500	15,000	15,000
Boardwalk donations	3,000	6,000	2,000
Building permits and subdivision fees	2,500	2,338	1,763
Miscellaneous	1,000	1,145	1,288
Interest	-	294	19
	437,100	525,094	379,468
Expenditures			
Administration - Schedule 3	192,100	192,230	180,939
Advertising and Promotion - Schedule 3	12,700	14,004	11,525
Infrastructure - Schedule 3	141,600	183,177	196,870
Office and Building - Schedule 3	25,200	32,181	46,860
Professional Services - Schedule 4	32,000	22,877	46,539
Special Events - Schedule 4	47,500	49,010	48,264
	451,100	493,479	530,997
Net Revenue (Expenditures) From Operations	(14,000)	31,615	(151,529)
Other and Transfers			
Government transfers for capital - Note 7	50,000	106,492	531,875
Change in Fund Balance	\$ 36,000	\$ 138,107	\$ 380,346

TOWN OF NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF EXPENDITURES - TOWN
YEAR ENDED DECEMBER 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Schedule 3			
Administration			
Amortization of tangible capital assets	\$ -	\$ 23,421	\$ 24,911
Animal control	-	16	1,200
Dues and fees	1,700	1,882	1,706
Honorariums	24,600	24,600	13,360
Insurance	6,800	4,308	8,068
Interest and bank charges	13,000	5,019	6,758
Interest on long term debt	22,500	23,853	19,198
Miscellaneous	1,500	1,640	1,189
Salaries and benefits	100,000	97,458	93,735
Sewer and water	-	650	650
Special projects	-	-	1,592
Travel and meetings	22,000	5,427	5,144
Waste watch	-	3,956	3,428
	<u>\$ 192,100</u>	<u>\$ 192,230</u>	<u>\$ 180,939</u>
Advertising and Promotion			
Advertising, business development and web development	\$ 7,500	\$ 11,021	\$ 5,261
Donations and community support	2,500	2,205	6,004
Newsletters and newspaper	2,700	778	260
	<u>\$ 12,700</u>	<u>\$ 14,004</u>	<u>\$ 11,525</u>
Infrastructure			
Amortization of tangible capital assets	\$ -	\$ 50,376	\$ 49,258
Hydrants	14,100	12,056	12,056
Park and boardwalk	23,200	19,220	18,664
Public property	4,500	7,310	9,000
Snow removal	5,500	1,087	2,444
Street lights	28,000	27,395	27,212
Wages and wage levies	65,800	65,733	78,236
Welcome Center and EMO	500	-	-
	<u>\$ 141,600</u>	<u>\$ 183,177</u>	<u>\$ 196,870</u>
Office and Building			
Electricity and heat	\$ 4,000	\$ 3,902	\$ 3,935
Property tax	5,000	4,003	3,643
Repairs and maintenance	3,500	1,803	13,521
Supplies	-	9,804	14,231
Telephone	12,700	12,669	11,530
	<u>\$ 25,200</u>	<u>\$ 32,181</u>	<u>\$ 46,860</u>

TOWN OF NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF EXPENDITURES - TOWN
YEAR ENDED DECEMBER 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Schedule 4			
Professional Services			
Accounting fees	\$ 11,000	\$ 11,418	\$ 11,318
Development officer	6,000	5,539	7,352
Legal and consulting	12,000	5,156	10,608
Municipal viability study	-	-	13,625
Planning and surveying	3,000	764	3,636
	\$ 32,000	\$ 22,877	\$ 46,539
 Special Events			
Canada Day	\$ 38,000	\$ 34,770	\$ 37,846
Special events	9,500	14,240	10,418
	\$ 47,500	\$ 49,010	\$ 48,264

TOWN OF NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS - SEWER UTILITY
YEAR ENDED DECEMBER 31, 2016

	Budget 2016	Actual 2016	Schedule 5 Actual 2015
Revenue			
Sewer rates	\$ 155,000	\$ 152,889	\$ 150,645
Miscellaneous	-	1,395	5,993
Camera rental	5,000	1,050	600
Interest	-	120	135
	160,000	155,454	157,373
Expenditures			
Administration	7,500	7,500	7,500
Amortization of tangible capital assets	35,000	60,180	64,513
Contract labour	40,000	39,099	39,784
Dues and fees	1,700	1,699	1,668
Electricity	19,500	17,739	17,716
Honorariums	1,250	1,250	1,250
Insurance	6,000	3,008	3,868
Interest and bank charges	-	910	276
Interest on long term debt	41,000	44,364	45,358
Office	600	593	-
Professional fees	4,100	3,848	3,485
Property tax	1,000	169	169
Repairs and maintenance	11,000	26,477	6,518
Telephone	6,000	4,490	4,219
	174,650	211,326	196,324
Net Expenditures From Operations	(14,650)	(55,872)	(38,951)
Other and Transfers			
Government transfers for capital - Note 7	-	24,273	15,000
Change in Fund Balance	\$ (14,650)	\$ (31,599)	\$ (23,951)

TOWN OF NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS - WATER UTILITY
YEAR ENDED DECEMBER 31, 2016

Schedule 6

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Water rates	\$ 127,000	\$ 129,194	\$ 122,812
Expenditures			
Administration	7,500	7,500	7,500
Amortization of tangible capital assets	9,000	27,335	26,859
Contract labour	30,000	27,453	28,165
Dues and fees	1,700	1,699	1,668
Electricity	9,000	8,408	7,761
Honorariums	1,250	1,250	1,250
Insurance	3,700	2,725	3,687
Interest and bank charges	-	411	282
Interest on long term debt	16,000	10,846	11,089
Office	1,600	542	-
Professional fees	3,600	8,099	3,485
Property tax	2,400	2,336	2,340
Repairs and maintenance	18,000	7,785	7,287
Telephone	4,200	4,630	3,881
Water testing	8,000	7,447	4,071
	<u>115,950</u>	<u>118,466</u>	<u>109,325</u>
Net Expenditures From Operations	11,050	10,728	13,487
Other and Transfers			
Government transfers for capital - Note 7	-	-	2,993
Change in Fund Balance	<u>\$ 11,050</u>	<u>\$ 10,728</u>	<u>\$ 16,480</u>

TOWN OF NORTH RUSTICO
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS - FIRE DEPARTMENT
YEAR ENDED DECEMBER 31, 2016

Schedule 7

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Fundraising	\$ 25,000	\$ 39,665	\$ 46,978
Fire dues	33,000	33,653	32,752
Miscellaneous	-	366	718
	<u>58,000</u>	<u>73,684</u>	<u>80,448</u>
Expenditures			
Amortization of tangible capital assets	-	33,833	31,513
Dues and fees	-	990	1,025
Equipment repairs and maintenance	10,000	8,129	5,647
Fundraising	-	18,049	13,978
Honorariums	22,000	14,846	15,035
Insurance	12,100	10,192	10,670
Interest and bank charges	-	247	239
Interest on long term debt	15,000	2,133	3,021
Operating and office	-	2,642	876
Property tax	1,000	897	897
Social functions	-	2,792	1,485
Snow removal	3,000	688	2,752
Supplies	6,000	9,407	8,107
Telephone	10,000	10,451	7,727
Training	8,900	5,403	3,161
Utilities	7,000	6,529	6,894
Vehicle gas and oil	10,000	2,330	1,878
	<u>105,000</u>	<u>129,558</u>	<u>114,905</u>
Change in Fund Balance	<u>\$ (47,000)</u>	<u>\$ (55,874)</u>	<u>\$ (34,457)</u>