

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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**Tay Valley Township  
Consolidated  
Financial Statements  
December 31, 2011**

**Tay Valley Township**  
**Five Year Financial Review**  
(not subject to audit)

<b>December 31</b>	<b>2011</b>	2010	2009	2008	2007
<b>Population</b> (Statistics Canada)	<b>5,571</b>	6,000	5,912	5,778	5,634
<b>Number of Households</b> (MPAC)	<b>3,843</b>	3,825	3,814	3,777	3,750
<b>Taxable Assessment</b> (000's)	\$	\$	\$	\$	\$
Residential and farm	<b>902,035</b>	831,170	761,827	697,864	693,933
Commercial and industrial	<b>42,272</b>	40,894	40,618	39,451	39,023
<b>Total</b>	<b>944,307</b>	872,064	802,445	737,315	732,956
Commercial, industrial as % of assessment	<b>4.40%</b>	4.70%	5.10%	5.30%	5.30%
<b>Rates of Taxation</b>					
Residential					
▸ for general municipal purposes	<b>0.404645</b>	0.413418	0.433828	0.441727	0.423801
▸ for county purposes	<b>0.431698</b>	0.443520	0.456070	0.473258	0.446378
▸ for school board purposes	<b>0.231000</b>	0.241000	0.252000	0.264000	0.264000
<b>Total</b>	<b>1.067343</b>	1.097938	1.141898	1.178985	1.134179
Multi-Residential (total)	<b>2.267276</b>	2.293008	2.344241	2.349526	2.247399
Commercial (total)	<b>2.802743</b>	2.895237	3.002690	3.075127	3.007377
Industrial (total)	<b>4.268753</b>	4.856974	5.141215	5.339659	5.299649
<b>Tax Arrears</b> ▸ percentage of current levy	<b>5.30%</b>	3.96%	5.11%	4.44%	4.41%
<b>Taxes Transferred</b> (000's)					
▸ County	<b>4,315</b>	4,110	3,892	3,690	3,495
▸ School Boards	<b>2,813</b>	2,850	2,832	2,759	2,761
<b>Revenues</b> (000's)	\$	\$	\$	\$	\$
▸ Taxation and payments in lieu	<b>4,057</b>	3,837	3,696	3,450	3,310
▸ Government transfers	<b>731</b>	710	692	1,145	752
▸ Fees and service charges	<b>353</b>	281	205	348	375
▸ Other	<b>434</b>	428	295	330	661
▸ Revenues related to capital assets	<b>763</b>	954	598	754	---
<b>Total</b>	<b>6,338</b>	6,210	5,486	6,027	5,098
<b>Expenditures</b> (000's)					
▸ Operations	<b>5,497</b>	5,490	4,751	4,573	3,610
▸ Amortization	<b>630</b>	582	508	490	---

(Note: All dollar amounts are in thousands of dollars.)

**Tay Valley Township**  
**Five Year Financial Review**  
(not subject to audit)

<b>December 31</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	\$	\$	\$	\$	\$
<b>Long Term Debt</b>					
▸ Net long term debt (000's)	<b>955</b>	732	43	53	---
▸ Long term debt charges (000's)	<b>58</b>	12	12	---	---
▸ Annual repayment limit (000's)	<b>1,019</b>	1,013	994	921	845
▸ Long term debt per household	<b>248</b>	191	11	14	---
▸ Debt charges (000's)					
▸ tax supported	<b>58</b>	12	12	---	---
<hr/>					
<b>Municipal Equity</b> (000's)					
▸ Surplus and Reserves	<b>3,116</b>	2,962	2,876	3,401	2,494
▸ Invested in capital assets	<b>9,518</b>	8,862	8,229	6,969	
<hr/>					
<b>Financial Indicators</b>					
▸ Sustainability					
▸ financial assets to liabilities	<b>1.85</b>	1.85	2.85	3.56	
▸ financial assets to liabilities excluding long term debt	<b>3.02</b>	2.60	2.94	3.72	
▸ Flexibility					
▸ Debt charges to total operating revenue	<b>0.88%</b>	0.24%	0.26%	0.00%	
▸ Total operating revenue to taxable assessment	<b>0.59%</b>	0.60%	0.61%	0.72%	
▸ Vulnerability					
▸ Operating government transfers					
▸ to operating revenue	<b>13.12%</b>	13.37%	13.81%	12.53%	
▸ Total government transfers					
▸ to total revenues	<b>22.47%</b>	25.63%	20.24%	31.38%	



Chartered Accountant Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Tay Valley Township:

We have audited the consolidated statement of financial position of the Corporation of the Tay Valley Township as at December 31, 2011 and the consolidated statement of operations, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

The Corporation of the Tay Valley Township's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of 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 assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Tay Valley Township as at December 31, 2011 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script, appearing to read "Allan".

Chartered Accountants  
Licenced Public Accountants  
Perth, Ontario,  
April 12, 2012.

# Tay Valley Township

## Consolidated Statement of Financial Position

December 31	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and short term deposits	3,568,088	3,500,224
Taxes receivable (allowance \$50,000)	462,286	373,967
Accounts receivable	618,894	836,931
Other	1,550	1,550
Long term receivables (note 5)	28,616	33,406
	<b>4,679,434</b>	<b>4,746,078</b>
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	290,910	783,404
Accrued landfill closure and post closure (note 10)	362,500	337,500
Accrued post employment benefits	49,566	53,373
Prepaid property taxes	175,006	133,426
Deferred revenues (note 4)	468,006	315,004
Other current liabilities	204,084	187,331
Long term liabilities (note 5)	984,068	765,146
	<b>2,534,140</b>	<b>2,575,184</b>
<b>NET FINANCIAL ASSETS</b>	<b>2,145,294</b>	<b>2,170,894</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 15)	10,474,298	9,593,248
Inventories	15,000	30,000
	<b>10,489,298</b>	<b>9,623,248</b>
Commitments (note 13) Contingent Liabilities (note 12)		
<b>MUNICIPAL EQUITY (note 6)</b>	<b>12,634,592</b>	<b>11,794,142</b>

Approved On Behalf of Council:

Reeve

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

**Tay Valley Township**  
**Consolidated Statement of Operations**

For the year ended December 31	(Note 17) Budget	2011	2010
	\$	\$	\$
<b>REVENUES</b>			
Taxation ▶ residential	3,512,185	<b>3,559,391</b>	3,359,184
▶ commercial and industrial	435,615	<b>441,470</b>	421,233
▶ other governments	58,200	<b>56,303</b>	56,315
User charges ▶ protection to persons and property	7,100	<b>64,376</b>	22,679
▶ waste disposal	82,600	<b>82,408</b>	67,092
▶ planning and zoning	61,000	<b>51,033</b>	75,094
▶ other	122,868	<b>155,422</b>	115,961
Government transfers	679,015	<b>731,361</b>	710,321
Licences and permits	99,000	<b>125,344</b>	106,984
Investment income	75,000	<b>64,775</b>	46,642
Penalties and interest on taxes	80,000	<b>97,000</b>	95,444
Provincial offences	66,000	<b>135,718</b>	66,000
Other	6,900	<b>10,026</b>	113,185
<b>TOTAL REVENUES</b>	5,285,483	<b>5,574,627</b>	5,256,134
<b>EXPENDITURES</b>			
General government	843,400	<b>849,361</b>	874,003
Protection to persons and property	1,214,804	<b>1,210,121</b>	1,197,765
Transportation services	1,989,216	<b>2,069,734</b>	2,257,032
Environmental services	513,950	<b>633,958</b>	526,398
Social and health services	---	<b>4,783</b>	3,826
Recreation and cultural services	450,797	<b>489,501</b>	457,447
Planning and development	241,300	<b>239,719</b>	203,752
<b>TOTAL EXPENDITURES</b>	5,253,467	<b>5,497,177</b>	5,520,223
<b>NET REVENUES (EXPENDITURES) FROM OPERATIONS</b>	32,016	<b>77,450</b>	(264,089)
<b>OTHER</b>			
Grants and transfers related to capital			
Government transfers	628,000	<b>693,000</b>	888,556
Contributions from developers	70,000	<b>70,000</b>	65,000
	698,000	<b>763,000</b>	953,556
<b>ANNUAL SURPLUS</b>	730,016	<b>840,450</b>	689,467
<b>MUNICIPAL EQUITY, BEGINNING OF YEAR</b>	11,794,142	<b>11,794,142</b>	11,104,675
<b>MUNICIPAL EQUITY, END OF YEAR</b>	12,524,158	<b>12,634,592</b>	11,794,142

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

**Tay Valley Township**

**Consolidated Statement of Changes in Net Financial Assets**

For the year ended December 31	(Note 17) Budget	2011	2010
	\$	\$	\$
<b>ANNUAL SURPLUS</b>	730,016	<b>840,450</b>	689,467
Amortization of tangible capital assets	629,909	<b>629,909</b>	581,299
Acquisition of tangible capital assets	(1,510,959)	<b>(1,510,959)</b>	(1,903,370)
Acquisition of supplies inventories	15,000	<b>15,000</b>	30,000
<b>DECREASE IN NET FINANCIAL ASSETS</b>	(136,034)	<b>(25,600)</b>	(602,604)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	2,170,894	<b>2,170,894</b>	2,773,498
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	2,034,860	<b>2,145,294</b>	2,170,894

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

# Tay Valley Township

## Consolidated Statement of Cash Flows

For the year ended December 31	2011	2010
	\$	\$
<b>OPERATING</b>		
Annual surplus for the year	840,450	689,467
Amortization	629,909	581,299
	<b>1,470,359</b>	1,270,766
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(88,319)	106,177
Prepaid property taxes	41,580	(83,165)
Accounts receivable	218,037	(309,500)
Accounts payable and accrued liabilities	(492,494)	261,813
Accrued landfill closure and post closure	25,000	25,000
Deferred revenues	153,002	130,771
Inventories	15,000	30,000
Post retirement benefits	(3,807)	(8,030)
Other current liabilities	16,753	28,650
	<b>(115,248)</b>	181,716
<b>Working Capital from Operations</b>	<b>1,355,111</b>	1,452,482
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,510,959)	(1,903,370)
<b>Net investment in tangible capital assets</b>	<b>(1,510,959)</b>	(1,903,370)
<b>FINANCING</b>		
Debt issued for Township purposes	250,000	700,000
Debt principal repayments	(26,288)	(10,856)
<b>Net increase in cash from financing activities</b>	<b>223,712</b>	689,144
<b>NET INCREASE IN CASH</b>	<b>67,864</b>	238,256
<b>CASH, BEGINNING OF YEAR</b>	<b>3,500,224</b>	3,261,968
<b>CASH, END OF YEAR</b>	<b>3,568,088</b>	3,500,224

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



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# Tay Valley Township

## Notes to the Consolidated Financial Statements

December 31, 2011

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### 1. Status of Tay Valley Township

Tay Valley Township (the 'Township') was created in 1998 with the amalgamation of the former Township of Bathurst, Township of North Burgess and Township of South Sherbrooke and assumed its responsibilities under the authority of the Provincial Secretary. The Township operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

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### 2. Significant Accounting Policies

#### Basis of Presentation

The consolidated financial statements of the Corporation of Tay Valley Township are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards for local governments as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies by the Township are as follows:

#### Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- ▶ Pinehurst Cemetery

The following joint local boards, which are not controlled by the Township, have been consolidated on a proportionate basis:

- ▶ Perth and District Public Library Board
- ▶ Drummond/North Elmsley Tay Valley Fire Rescue

- (ii) The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements.

#### Basis of Accounting

- (i) The 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 on receipt of goods and services and/or the creation of a legal obligation to pay.

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**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

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**2. Significant Accounting Policies / continued**

**Basis of Accounting / continued**

- (ii) 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.
- (iii) Trust funds and their related operations administered by the Township are not included in these financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

**Tangible Capital Assets**

Tangible capital assets are recorded at cost, which include 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	
Buildings	20 to 60 years
Bridges	50 to 75 years
Equipment	5 to 30 years
Roads	5 to 30 years
Vehicles	5 to 30 years

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

The Township has a capitalization threshold of \$20,000 for vehicles and equipment and \$50,000 for linear assets, bridges and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

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 other asset as of the date of transfer.

**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.

**Inventories and Prepaid Expenses**

Inventories and prepaid expenses held for consumption are recorded at the lower of cost or replacement cost.

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**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

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**2. Significant Accounting Policies / continued**

**Pension and Employee Benefits**

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

**Cash and Cash Equivalents**

The Township considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

**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.

**Deferred Revenues**

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and Parkland funds collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

**Investments**

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

**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 twenty-five year period using the best information available to management.

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**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

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**2. Significant Accounting Policies / continued**

**Landfill Closure and Post-Closure Liabilities / continued**

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

**Financial Instruments**

All financial instruments are initially recognized at fair value on the statement of financial position. The Township has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Township classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

**Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures during the period. Actual results could differ from these estimates.

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**3. Operations of the School Boards and County of Lanark**

During 2011, the Township collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark and School Boards as follows:

	<b>School Boards</b>	<b>County</b>
	<b>\$</b>	<b>\$</b>
Property taxes	<b>2,813,147</b>	<b>4,258,067</b>
Taxation from other governments	<b>---</b>	<b>56,593</b>
Amounts requisitioned and paid	<b>2,813,147</b>	<b>4,314,660</b>

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**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

**4. Deferred Revenues**

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants 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 of the Township are summarized below:

	Gravel Pit Rehabilitation	Development Charges	Parkland	Federal Gas Tax	Total
	\$	\$	\$	\$	\$
January 1, 2011	1,550	134,371	30,481	148,601	<b>315,003</b>
Contributions from developers	---	42,500	2,200	---	<b>44,700</b>
Interest	---	2,332	451	2,697	<b>5,480</b>
Government grants	---	---	---	172,823	<b>172,823</b>
Transfer to capital fund	---	(70,000)	---	---	<b>(70,000)</b>
December 31, 2011	1,550	109,203	33,132	324,121	<b>468,006</b>

**5. Long Term Liabilities**

- (a) The balance of long term liabilities reported on the "Consolidated Statement of Financial Position" is comprised of the following:

	2011	2010
	\$	\$
Ontario Infrastructure Projects Corporation (4.45%), debenture for the Township offices with semi annual blended payments of \$46,686 maturing 2035.	<b>684,292</b>	700,000
Ontario Infrastructure Projects Corporation (4.25%), debenture for the South Sherbrooke Fire Hall with semi annual blended payments of \$16,333 maturing 2036.	<b>250,000</b>	---
Serial debenture debt issued by the Township of Drummond/North Elmsley in respect of the Drummond/North Elmsley Tay Valley Fire Rescue joint board, maturing 2013 with an interest rate of 3.90%	<b>21,160</b>	31,740
Instalment debentures with the Province of Ontario under the Ontario Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	<b>28,616</b>	19,869
Net long term liabilities at the end of the year	<b>984,068</b>	751,609

**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

**5. Long Term Liabilities / continued**

(b) Principal payments fall due as follows:

	<b>General Revenues</b>
	<b>\$</b>
2012	<b>37,909</b>
2013	<b>39,062</b>
2014	<b>29,904</b>
2015	<b>31,322</b>
2016	<b>32,809</b>
2017 and after	<b>813,062</b>
	<b>984,068</b>

(c) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense on long term liabilities in 2011 amounted to \$32,111 (2010 \$1,547).

**6. Municipal Equity**

Municipal equity consists of:

	<b>2011</b>	2010
	<b>\$</b>	<b>\$</b>
Invested in tangible capital assets	<b>10,474,298</b>	9,593,249
Long term liabilities	<b>(955,452)</b>	(731,740)
	<b>9,518,846</b>	8,861,509
Unrestricted surplus	<b>19,514</b>	36,604
Reserves (Schedule 1)	<b>3,069,278</b>	2,909,915
Reserve Funds (Schedule 1)	<b>26,954</b>	16,114
Total Municipal Equity	<b>12,634,592</b>	11,824,142

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## Tay Valley Township

### Notes to the Consolidated Financial Statements

**December 31, 2011**

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#### **7. Pension Contributions**

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent 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 was \$76,711 (2010 \$62,834) for current services and is included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

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#### **8. Trust Funds**

Trust funds administered by the Township amounting to \$34,355 (2010 \$31,643) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

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#### **9. Provincial Offences Administration (POA)**

The Town of Perth has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of Attorney General to the Township was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Township's share of net revenues arising from operation of the POA office have been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Perth court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

Tay Valley Township shares net POA revenues based on weighted assessment.

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## **Tay Valley Township**

### **Notes to the Consolidated Financial Statements**

**December 31, 2011**

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#### **10. Landfill Closure and Post Closure Liability**

The Environment 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 and is in accordance with the Township's accounting policy. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

The Township currently has three active and two inactive landfill sites. The Maberly site is a transfer site and has been rendered inactive, although there is capacity available for emergency use. The site has been capped with a clay cap as per MOE closure guidelines. The Stanleyville site is also a transfer site and has been temporarily capped until such time as the Township determines it is required to be put into service. The Stanleyville site and the Glen Tay site have estimated lives beyond 2020 and no projected closure dates have been determined. The remaining volume is estimated at 154,000 cubic metres for the Stanleyville site and 140,000 cubic metres for the Glen Tay site, with annual usage projected as 4,300 cubic metres for Glen Tay. The anticipated closure plan involves placement of a clay cap and soil cover, landscaping and revegetation and ongoing annual monitoring and maintenance at an estimated cost of \$162,500 for the Stanleyville site and \$372,850 for the Glen Tay site. Annual post closure maintenance and monitoring requirements are estimated to be \$13,750 per annum.

The inactive sites, Christie Lake and Noonan, have been closed using a clay cap cover and soil. Hydrogeological samples are taken annually to test the surface and ground water. Annual site monitoring costs are estimated at \$10,800 per annum.

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#### **11. Contractual Obligations**

The Municipality has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 31, 2013. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2011 was \$474,472 (2010 \$458,507).

The Municipality has negotiated a long term contract with Stanley Sanitation Ltd. for the disposal of recycled materials. The contract ends August 31, 2014. Annual charges are determined based on the volume of recycled goods that are transferred. The contract for 2011 approximated \$82,142 (2010 \$78,276).

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#### **12. Contingent Liabilities**

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2011, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position.

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**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

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**13. Commitments**

The Township has committed to donate \$27,000 annually to the Perth and Smiths Falls District Hospital commencing in 2009, ending in 2013.

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**14. Risk Management**

In the normal course of operations, the Township is exposed to a variety of financial risks which are actively managed by the Township.

The Township's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Township's exposure to and management of risk has not changed materially from December 31, 2010.

**(a) Credit Risk**

Credit risk arises from the possibility that the entities to which the Township provides services to may experience difficulty and be unable to fulfill their obligations. The Township is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Township does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

**(b) Interest Rate Risk**

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Township is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Township's operating results.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Township will not be able to meet its obligations as they fall due. The Township requires working capital to meet day-to-day operating activities. Management expects that the Township's cash flows from operating activities will be sufficient to meet these requirements.

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**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

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**15. Tangible Capital Assets**

	2011	2010
	\$	\$
Land	136,257	136,257
Buildings	3,505,525	2,765,514
Bridges	2,738,062	2,354,345
Equipment	539,815	601,009
Roads	2,537,307	2,852,710
Vehicles	1,017,332	883,413
	<b>10,474,298</b>	<b>9,593,248</b>

For additional information, see Schedule 2 ► Tangible Capital Assets.

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**16. Segmented Information**

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of financial activities.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedule below.

For each reported segment, expenditures 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 consolidated financial statements as disclosed in note 2.

**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

**16. Segmented Information / continued**

<b>2011</b>	<b>Salaries, Wages &amp; Employee Benefits</b>	<b>Debt Interest</b>	<b>Materials &amp; Services</b>	<b>External Transfers</b>	<b>Amortization</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>General Government</b>						
Governance	113,687	---	15,708	---	---	129,395
Corporate Management & Program Support	441,746	30,977	232,243	---	---	704,966
<b>Protection to Persons and Property</b>						
Fire	215,538	1,134	218,354	---	91,392	526,418
Police	---	---	458,802	---	---	458,802
Conservation Authority	---	---	---	56,601	---	56,601
Protective Inspection	70,888	---	97,412	---	---	168,300
<b>Transportation</b>						
Roadways	414,411	---	952,959	---	512,516	1,879,886
Winter Control	39,058	---	159,643	---	---	198,701
Street Lighting	---	---	6,147	---	---	6,147
<b>Environmental</b>						
Waste Services	160,775	---	323,859	---	---	484,634
Recycling	---	---	149,324	---	---	149,324
<b>Health Services</b>						
Cemeteries	---	---	4,783	---	---	4,783
<b>Recreation and Cultural Services</b>						
Recreation Facilities & Programs	---	---	28,856	---	---	28,856
Recreation Facilities Other	20,098	---	209,368	3,612	26,001	259,079
Libraries	103,971	---	59,723	37,872	---	201,566
<b>Planning and Development</b>						
Planning & Zoning	136,899	---	100,320	2,500	---	239,719
<b>2011</b>	<b>1,717,071</b>	<b>32,111</b>	<b>3,017,501</b>	<b>100,585</b>	<b>629,909</b>	<b>5,497,177</b>

**Tay Valley Township**  
**Notes to the Consolidated Financial Statements**

**December 31, 2011**

**16. Segmented Information / continued**

<b>2010</b>	<b>Salaries, Wages &amp; Employee Benefits</b>	<b>Debenture Debt Interest</b>	<b>Materials &amp; Services</b>	<b>External Transfers</b>	<b>Amortization</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>General Government</b>						
Governance	108,933	---	168,603	4,000	2,593	284,129
Corporate Management & Program Support	398,198	---	191,676	---	---	589,874
<b>Protection to Persons and Property</b>						
Fire	193,145	1,547	201,854	---	71,104	467,650
Police	3,219	---	466,344	---	---	469,563
Conservation Authority	---	---	---	54,329	---	54,329
Protective Inspection	99,755	---	106,468	---	---	206,223
<b>Transportation</b>						
Roadways	399,550	---	1,204,471	---	481,532	2,085,553
Winter Control	34,497	---	131,037	---	---	165,534
Street Lighting	---	---	5,945	---	---	5,945
<b>Environmental</b>						
Waste Services	150,548	---	239,772	---	---	390,320
Recycling	---	---	136,078	---	---	136,078
<b>Health Services</b>						
Cemeteries	---	---	3,826	---	---	3,826
<b>Recreation and Cultural Services</b>						
Recreation Facilities & Programs	---	---	32,707	---	---	32,707
Recreation Facilities Other	12,576	---	208,972	35,050	---	256,598
Libraries	100,070	---	42,002	---	26,070	168,142
<b>Planning and Development</b>						
Planning & Zoning	123,852	---	79,900	---	---	203,752
<b>2010</b>	<b>1,624,343</b>	<b>1,547</b>	<b>3,219,655</b>	<b>93,379</b>	<b>581,299</b>	<b>5,520,223</b>

**17. Budget Figures**

The operating budget approved by Township Council for 2011 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within Reserves and Reserve Funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

**Tay Valley Township**

**Schedule 1 ▶ Continuity of Reserves and Reserve Funds**

For the year ended December 31	(Note 17) Budget	2011	2010
	\$	\$	\$
<b>Revenues</b>			
Investment income	---	75	307
<b>Total Net Revenues</b>	---	75	307
<b>Net Transfers From/(To) Other Funds</b>			
Transfers from operations	731,100	668,087	504,291
Transfers to capital acquisitions	(994,000)	(497,959)	(660,881)
<b>Total Net Transfers</b>	(262,900)	170,128	(156,590)
<b>Reserves and Reserve Fund Balances, Change in Year</b>	(262,900)	170,203	(156,283)
<b>Reserves and Reserve Fund Balances, Beginning of Year</b>	2,926,029	2,926,029	3,082,312
<b>Reserves and Reserve Fund Balances, End of Year</b>	2,663,129	3,096,232	2,926,029

**Composition of Reserves and Reserve Funds**

For the year ended December 31	2011	2010
	\$	\$
<b>Reserves set aside for specific purposes by Council:</b>		
▶ for working capital	450,000	450,000
▶ for acquisition of capital assets	1,813,799	1,748,929
▶ for contingencies	505,098	420,098
▶ for waste sites	24,488	26,388
▶ for Pinehurst cemetery	5,753	5,253
▶ for library and fire joint boards	270,140	259,247
<b>Total Reserves</b>	3,069,278	2,909,915
<b>Reserve Funds</b>		
▶ for library	26,954	16,114
<b>Total Reserves and Reserve Funds</b>	3,096,232	2,926,029

The accompany notes are an integral part of these financial statements.

**Tay Valley Township**  
**Schedule 2 ▸ 2011 Tangible Capital Assets**

Asset Class	Cost 01/01/11	Additions	(Disposals)	Cost 31/12/11
	\$	\$	\$	\$
Land	136,257	---	---	<b>136,257</b>
Buildings	3,374,229	811,531	---	<b>4,185,760</b>
Bridges	3,976,604	447,395	---	<b>4,423,999</b>
Equipment	999,103	---	---	<b>999,103</b>
Roads	5,076,190	---	---	<b>5,076,190</b>
Vehicles	1,947,337	252,033	---	<b>2,199,370</b>
	<b>15,509,720</b>	<b>1,510,959</b>	<b>---</b>	<b>17,020,679</b>

Asset Class	Accumulated Amortization 01/01/11	Amortization	(Disposals)	Accumulated Amortization 31/12/11	Net Book Value 31/12/11
	\$	\$	\$	\$	\$
Land	---	---	---	---	<b>136,257</b>
Buildings	608,715	71,520	---	<b>680,235</b>	<b>3,505,525</b>
Bridges	1,622,259	63,678	---	<b>1,685,937</b>	<b>2,738,062</b>
Equipment	398,094	61,194	---	<b>459,288</b>	<b>539,815</b>
Roads	2,223,480	315,403	---	<b>2,538,883</b>	<b>2,537,307</b>
Vehicles	1,063,924	118,114	---	<b>1,182,038</b>	<b>1,017,332</b>
	<b>5,916,472</b>	<b>629,909</b>	<b>---</b>	<b>6,546,381</b>	<b>10,474,298</b>

The accompany notes are an integral part of these financial statements.

**Tay Valley Township**  
**Schedule 2 ► 2010 Tangible Capital Assets**

Asset Class	Cost 01/01/10	Additions	(Disposals)	Cost 31/12/10
	\$	\$	\$	\$
Land	136,257	---	---	<b>136,257</b>
Buildings	2,300,262	1,073,967	---	<b>3,374,229</b>
Bridges	3,841,714	134,890	---	<b>3,976,604</b>
Equipment	961,477	37,626	---	<b>999,103</b>
Roads	4,703,692	372,498	---	<b>5,076,190</b>
Vehicles	1,662,948	284,389	---	<b>1,947,337</b>
	<b>13,606,350</b>	<b>1,903,370</b>	<b>---</b>	<b>15,509,720</b>

Asset Class	Accumulated Amortization 01/01/10	Amortization	(Disposals)	Accumulated Amortization 31/12/10	Net Book Value 31/12/10
	\$	\$	\$	\$	\$
Land	---	---	---	---	<b>136,257</b>
Buildings	557,482	51,233	---	<b>608,715</b>	<b>2,765,514</b>
Bridges	1,569,766	52,493	---	<b>1,622,259</b>	<b>2,354,345</b>
Equipment	336,832	61,262	---	<b>398,094</b>	<b>601,009</b>
Roads	1,908,077	315,403	---	<b>2,223,480</b>	<b>2,852,710</b>
Vehicles	963,016	100,908	---	<b>1,063,924</b>	<b>883,413</b>
	<b>5,335,173</b>	<b>581,299</b>	<b>---</b>	<b>5,916,472</b>	<b>9,593,248</b>

The accompany notes are an integral part of these financial statements.



Chartered Accountant Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

---

### To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Tay Valley Township:

We have audited the statement of financial position of the trust funds of the Corporation of the Tay Valley Township as at December 31, 2011 and the statement of financial activities of the 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

The Corporation of the Tay Valley Township's 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 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 auditor's judgment, including 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 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 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 trust funds of the Corporation of the Tay Valley Township as at December 31, 2011 and the financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Accountants  
Licenced Public Accountants  
Perth, Ontario,  
April 12, 2012.



**Tay Valley Township  
Trust Funds  
Statement of Financial Position**

<b>December 31</b>	Education	Pinehurst Cemetery	OHRP	<b>2011</b>	2010
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
Cash	651	24,668	108	<b>25,427</b>	22,715
Long term receivables	---	---	8,928	<b>8,928</b>	8,928
	651	24,668	9,036	<b>34,355</b>	31,643
<b>LIABILITIES</b>					
Fund balance	651	24,668	9,036	<b>34,355</b>	31,643
	651	24,668	9,036	<b>34,355</b>	31,643

**Statement of Financial Activities**

<b>For the year ended December 31</b>	Education	Pinehurst Cemetery	OHRP	<b>2011</b>	2010
	\$	\$	\$	\$	\$
<b>REVENUES</b>					
Bank interest	9	328	2	<b>339</b>	183
Sale of plots, donations	---	2,550	---	<b>2,550</b>	2,363
	9	2,878	2	<b>2,889</b>	2,546
<b>EXPENDITURES</b>					
Pinehurst Cemetery	---	177	---	<b>177</b>	126
<b>NET REVENUES FOR THE YEAR</b>					
	9	2,701	2	<b>2,712</b>	2,420
<b>BALANCE AT THE BEGINNING OF THE YEAR</b>					
	642	21,967	9,034	<b>31,643</b>	29,223
<b>BALANCE AT THE END OF THE YEAR</b>					
	651	24,668	9,036	<b>34,355</b>	31,643

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

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**Tay Valley Township  
Trust Funds  
Notes to the Financial Statements**

**December 31, 2011**

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**1. Significant Accounting Policies**

**Reporting Entity**

Perpetual care receipts are reported on the cash basis of accounting and interest income is reported on the accrual basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures 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.

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**Tay Valley Township  
Pinehurst Cemetery  
Statement of Financial Position**

<b>December 31</b>	<b>2011</b>	<b>2010</b>
	\$	\$
<b>ASSETS</b>		
Cash	<b>12,069</b>	9,126
<b>FUND BALANCES</b>		
Current fund	<b>11,024</b>	8,081
Reserves	<b>1,045</b>	1,045
	<b>12,069</b>	9,126

**Statement of Operations**

<b>For the year ended December 31</b>	<b>2011</b>	<b>2010</b>
	\$	\$
<b>REVENUES</b>		
Other		
Investment income	<b>177</b>	134
Sale of plots, donations	<b>4,999</b>	3,841
Perpetual Care	<b>2,550</b>	2,363
	<b>7,726</b>	6,338
<b>EXPENDITURES</b>		
Honorariums, salaries and wages	<b>1,375</b>	1,245
Materials and services	<b>858</b>	218
Trustee	<b>2,550</b>	2,363
	<b>4,783</b>	3,826
<b>NET REVENUES FOR THE YEAR</b>	<b>2,943</b>	2,512

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



Chartered Accountant Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

---

**To the Board Members, Inhabitants and Ratepayers of the Perth & District Union Public Library Board:**

We have audited the statement of financial position of the Perth & District Union Public Library Board as at December 31, 2011 and the statements of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

The Perth & District Union Public Library Board's 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 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 auditor's judgment, including 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 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 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 Perth & District Union Public Library Board as at December 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script, appearing to read "Allan".

Chartered Accountants  
Licenced Public Accountants  
Perth, Ontario,  
March 7, 2012.

**Perth & District Union Public Library Board**  
**Statement of Financial Position**

<b>December 31</b>	<b>2011</b>	<b>2010</b>
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash	<b>219,230</b>	187,095
Accounts receivable	<b>12,199</b>	11,733
Due from Tay Valley Township	---	3,295
	<b>231,429</b>	202,123
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>19,474</b>	47,237
<b>NET FINANCIAL ASSETS</b>	<b>211,955</b>	154,886
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 5) (Schedule 2)	<b>528,149</b>	560,933
<b>ACCUMULATED SURPLUS</b> (note 4)	<b>740,104</b>	715,819

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

# Perth & District Union Public Library Board

## Statement of Operations

For the year ended December 31	(Note 6) Budget	2011	2010
	\$	\$	\$
<b>REVENUES</b>			
Government Grants			
Municipal Grants ▶ Perth	183,400	<b>180,065</b>	147,036
▶ Tay Valley	136,500	<b>139,279</b>	113,247
▶ Drummond/North Elmsley	127,800	<b>128,356</b>	166,984
Provincial Grants ▶ Operating	42,800	<b>42,817</b>	42,817
Other Grants	---	<b>22,055</b>	15,564
User Charges ▶ fees and service charges	5,200	<b>7,896</b>	6,579
Other Income			
Fines, other	8,000	<b>9,461</b>	8,594
Interest	2,000	<b>2,814</b>	1,600
Rentals	200	<b>560</b>	120
Book sales	---	<b>1,680</b>	2,286
Donations	2,500	<b>47,110</b>	69,064
<b>TOTAL REVENUES</b>	508,400	<b>582,093</b>	573,891
<b>EXPENDITURES</b>			
Salaries, wages and employee benefits	331,300	<b>334,203</b>	324,904
Amortization of books	58,600	<b>56,514</b>	55,739
Miscellaneous books and equipment	200	<b>360</b>	17,108
Periodicals and newspapers	5,000	<b>4,849</b>	4,526
Utilities, telephone	19,000	<b>17,663</b>	18,745
Special programs, activities	7,200	<b>63,296</b>	36,286
Insurance, professional fees	15,100	<b>16,153</b>	15,638
Internet, videos, miscellaneous	12,300	<b>5,101</b>	4,812
Library, photocopy supplies	11,200	<b>10,220</b>	10,049
Building amortization	---	<b>18,100</b>	18,061
Maintenance and repairs	15,600	<b>17,262</b>	16,451
Equipment and shelving amortization	---	<b>10,816</b>	10,844
Book repairs	300	<b>---</b>	46
Grants to other libraries	3,300	<b>3,271</b>	3,271
<b>TOTAL EXPENDITURES</b>	479,100	<b>557,808</b>	536,480
<b>ANNUAL SURPLUS</b>	29,300	<b>24,285</b>	37,411
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	715,819	<b>715,819</b>	678,408
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	745,119	<b>740,104</b>	715,819

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

**Perth & District Union Public Library Board  
Statement of Changes in Net Financial Assets**

<b>For the year ended December 31</b>	<b>2011</b>	<b>2010</b>
	\$	\$
<b>ANNUAL SURPLUS</b>	<b>24,285</b>	37,411
Amortization of tangible capital assets	<b>85,430</b>	84,644
Acquisition of tangible capital assets	<b>(52,646)</b>	(68,688)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>57,069</b>	53,367
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>154,886</b>	101,519
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>211,955</b>	154,886

**Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2011</b>	<b>2010</b>
	\$	\$
<b>OPERATING</b>		
Annual surplus	<b>24,285</b>	37,411
<b>Net Change in Non-Cash Working Capital Items</b>		
Accounts receivable	<b>2,829</b>	(3,815)
Accounts payable and accrued liabilities	<b>(22,223)</b>	16,302
Due to Town of Perth	<b>(5,540)</b>	(10,586)
	<b>(24,934)</b>	1,901
Non-cash change to operations		
Amortization	<b>85,430</b>	84,644
<b>Working Capital from Operations</b>	<b>84,781</b>	123,956
<b>CAPITAL</b>		
Acquisition of tangible capital assets	<b>(52,646)</b>	(68,688)
<b>NET INCREASE IN CASH</b>	<b>32,135</b>	55,268
<b>CASH, BEGINNING OF YEAR</b>	<b>187,095</b>	131,827
<b>CASH, END OF YEAR</b>	<b>219,230</b>	187,095

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

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## Perth & District Union Public Library Board

### Notes to the Financial Statements

December 31, 2011

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#### 1. Status of the Board

The Perth & District Union Public Library Board (the 'Board') was formed November 14, 1983 pursuant to the Public Libraries Act and an agreement between the Town of Perth and the Township of Bathurst, Drummond, North Burgess, North Elmsley and South Sherbrooke. Subsequently, the Township of Drummond and North Elmsley amalgamated as the Township of Drummond/North Elmsley and the remaining three townships amalgamated as Tay Valley Township.

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#### 2. Significant Accounting Policies

The financial statements of the Perth & District Union Public Library Board are the representations of management and have been prepared in all material respects in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies by the Board are as follows:

##### Reporting Entity

The financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Board.

##### Basis of Accounting

The 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 on receipt of goods and services and/or the creation of a legal obligation to pay.

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.

##### Tangible Capital Assets

Tangible capital assets are recorded at cost, which include 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:

Assets	Estimated Useful Life
Land	
Building	40 years
Books	7 years
Shelving	10 years
Machinery and Equipment	5 years



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## Perth & District Union Public Library Board

### Notes to the Financial Statements

December 31, 2011

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#### 2. Significant Accounting Policies / continued

##### **Tangible Capital Assets / continued**

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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 other assets as of the date of transfer.

##### **Cash and Cash Equivalents**

The Board considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

##### **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.

##### **Deferred Revenues**

The Board defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

##### **Financial Instruments**

All financial instruments are initially recognized at fair value on the statement of financial position. The Board has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Board classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

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## Perth & District Union Public Library Board

### Notes to the Financial Statements

December 31, 2011

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#### 2. Significant Accounting Policies / continued

##### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures during the period. Actual results could differ from these estimates.

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#### 3. Risk Management

In the normal course of operations, the Board is exposed to a variety of financial risks which are actively managed by the Board.

The Board's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Board's exposure to and management of risk has not changed materially from December 31, 2010.

##### (a) Credit Risk

Credit risk arises from the possibility that the entities to which the Board provides services to may experience difficulty and be unable to fulfill their obligations. The Board is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Board does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

##### (b) Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Board is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Board's operating results.

##### (c) Currency Risk

Currency risk is the risk that the fair value of future cash flows of financial instruments denominated in currencies other than the functional currency of the Board will fluctuate due to changes in foreign exchange rates.

# Perth & District Union Public Library Board

## Notes to the Financial Statements

**December 31, 2011**

### 3. Risk Management/ continued

#### (d) Liquidity Risk

Liquidity risk is the risk that the Board will not be able to meet its obligations as they fall due. The Board requires working capital to meet day-to-day operating activities. Management expects that the Board's cash flows from operating activities will be sufficient to meet these requirements.

### 4. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2011	2010
	\$	\$
<b>Surplus</b>		
Invested in tangible capital assets	528,149	560,933
<b>Reserves</b>		
Insurance	3,000	3,000
Contingency	34,330	19,645
Infrastructure	54,529	42,029
Pay equity	3,366	3,366
Literacy	5,088	1,919
Books	25,000	25,000
Total Reserves	125,313	94,959
<b>Reserve Funds</b>		
B & M	2,382	2,221
Capital	47,862	31,062
Books	20,203	10,529
Hooper	16,195	16,115
	86,642	59,927
<b>Total Reserves and Reserve Funds</b>	211,955	154,886
<b>Accumulated Surplus</b>	740,104	715,819

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**Perth & District Union Public Library Board**  
**Notes to the Financial Statements**

**December 31, 2011**

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**5. Tangible Capital Assets**

<b>Net Book Value of Assets</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Land	<b>125,000</b>	125,000
Buildings	<b>229,421</b>	247,521
Books	<b>172,155</b>	176,023
Shelving	<b>1,573</b>	10,036
Machinery and Equipment	<b>---</b>	2,353
	<b>528,149</b>	560,933

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For additional information, see Schedule 2 ► Tangible Capital Assets.

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**6. Budget Figures**

Perth & District Union Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2011 is included in the budget figures presented in the Consolidated Statement of Operations.

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**Perth & District Union Public Library Board**  
**Schedule 1 ► Continuity of Reserves**

For the year ended December 31	(Note 6) Budget	2011	2010
	\$	\$	\$
<b>Revenues</b>			
Interest	---	241	135
<b>Total Net Transfers Approved By Board</b>	(29,300)	56,828	53,232
<b>Reserves, Change in Year</b>	(29,300)	57,069	53,367
<b>Reserves, Beginning of Year</b>	154,886	154,886	101,519
<b>Reserves, End of Year</b>	125,586	211,955	154,886

**Composition of Reserves**

For the year ended December 31	2011	2010
	\$	\$
<b>Current Fund</b>	17,629	---
<b>Reserves</b>		
Insurance	3,000	3,000
Contingency	16,701	19,645
Building expansion	54,529	42,029
Pay equity	3,366	3,366
Literacy	5,088	1,919
Books	25,000	25,000
<b>Total Reserves</b>	107,684	94,959
<b>Reserve Funds</b>		
B & M	2,382	2,221
Capital	47,862	31,062
Books	20,203	10,529
Hooper	16,195	16,115
	86,642	59,927
<b>Total Reserves and Reserve Funds</b>	211,955	154,886

**Perth & District Union Public Library Board**  
**Schedule 2 ► Tangible Capital Assets**

**December 31, 2011**

Assets	Cost 01/01/11	Additions (Disposals)	Cost 31/12/11	Accumulated Amortization 01/01/11	Amortization 2011	Accumulated Amortization 31/12/11	Net Book Value 31/12/11
	\$	\$	\$	\$	\$	\$	\$
Land	125,000	---	125,000	---	---	---	125,000
Building	724,006	---	724,006	476,485	18,100	494,585	229,421
Books	471,470	52,646	524,116	295,447	56,514	351,961	172,155
Shelving	84,627	---	84,627	74,591	8,463	83,054	1,573
Machinery & Equipment	13,798	---	13,798	11,445	2,353	13,798	---
	<b>1,418,901</b>	<b>52,646</b>	<b>1,471,547</b>	<b>857,968</b>	<b>85,430</b>	<b>943,398</b>	<b>528,149</b>

**December 31, 2010**

Assets	Cost 01/01/10	Additions (Disposals)	Cost 31/12/10	Accumulated Amortization 01/01/10	Amortization 2010	Accumulated Amortization 31/12/10	Net Book Value 31/12/10
	\$	\$	\$	\$	\$	\$	\$
Land	125,000	---	125,000	---	---	---	125,000
Building	720,879	3,127	724,006	458,424	18,061	476,485	247,521
Books	413,484	57,986	471,470	239,708	55,739	295,447	176,023
Shelving	77,052	7,575	84,627	66,507	8,084	74,591	10,036
Machinery & Equipment	13,798	---	13,798	8,685	2,760	11,445	2,353
	<b>1,350,213</b>	<b>68,688</b>	<b>1,418,901</b>	<b>773,324</b>	<b>84,644</b>	<b>857,968</b>	<b>560,933</b>

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



Chartered Accountant Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

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### To the Board Members, Inhabitants and Ratepayers of the Drummond/North Elmsley Tay Valley Fire Rescue:

We have audited the statement of financial position of the Drummond/North Elmsley Tay Valley Fire Rescue as at December 31, 2011 and the statement of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

Drummond/North Elmsley Tay Valley Fire Rescue's 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.

#### 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 the 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 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 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 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 Drummond/North Elmsley Tay Valley Fire Rescue as at December 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in black ink, appearing to read "Allan".

Chartered Accountants  
Licenced Public Accountants  
Perth, Ontario,  
March 16, 2012.

# Drummond/North Elmsley Tay Valley Fire Rescue

## Statement of Financial Position

December 31	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash	436,769	226,246
Accounts receivable	49,600	229,993
	<b>486,369</b>	456,239
<b>LIABILITIES</b>		
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	51,593	21,900
Long term liabilities (note 3)	46,000	69,000
	<b>97,593</b>	90,900
<b>NET FINANCIAL ASSETS</b>	<b>388,776</b>	365,339
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 6) (Schedule 2)	829,946	764,110
<b>ACCUMULATED SURPLUS</b> (note 5)	<b>1,218,722</b>	1,129,449

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



# Drummond/North Elmsley Tay Valley Fire Rescue Statement of Operations

For the year ended December 31	(Note 7) Budget	2011	2010
	\$	\$	\$
<b>REVENUES</b>			
Net taxation municipal contributions			
▸ Township of Drummond/North Elmsley	320,552	<b>321,000</b>	306,073
▸ Tay Valley Township	447,360	<b>447,360</b>	424,777
Other			
▸ provincial highway rescue fees	---	<b>10,660</b>	5,060
▸ fire fees, inspections	---	<b>39,425</b>	20,150
▸ investment income	---	<b>5,547</b>	2,902
Sale of equipment/miscellaneous	---	---	2,667
<b>TOTAL REVENUES</b>	767,912	<b>823,992</b>	761,629
<b>EXPENDITURES</b>			
Administration (Schedule 3)	186,862	<b>198,670</b>	176,992
BBDE Fire Station (Schedule 4)	316,750	<b>370,659</b>	320,349
South Sherbrooke Fire Station (Schedule 5)	165,800	<b>170,390</b>	148,758
<b>TOTAL EXPENDITURES</b>	669,412	<b>739,719</b>	646,099
<b>NET REVENUES FROM OPERATIONS</b>	98,500	<b>84,273</b>	115,530
<b>OTHER</b>			
Grants and transfers related to capital			
Government transfers	---	<b>5,000</b>	10,000
Donations	---	---	10,000
	---	<b>5,000</b>	20,000
<b>ANNUAL SURPLUS</b>	98,500	<b>89,273</b>	135,530
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	1,129,449	<b>1,129,449</b>	993,919
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	1,227,949	<b>1,218,722</b>	1,129,449

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

# Drummond/North Elmsley Tay Valley Fire Rescue

## Statement of Changes in Net Financial Assets

For the year ended December 31	2011	2010
	\$	\$
<b>ANNUAL SURPLUS</b>	<b>89,273</b>	135,530
Amortization of tangible capital assets	<b>48,220</b>	48,220
Acquisition of tangible capital assets	<b>(114,056)</b>	(100,450)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>23,437</b>	83,300
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>365,339</b>	282,039
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>388,776</b>	365,339

## Statement of Cash Flows

For the year ended December 31	2011	2010
	\$	\$
<b>OPERATING</b>		
Annual surplus	<b>89,273</b>	135,530
<b>Net Change in Non-Cash Working Capital Items</b>		
Accounts receivable	<b>180,393</b>	(192,098)
Accounts payable and accrued liabilities	<b>29,693</b>	(10,980)
	<b>210,086</b>	(203,078)
Non-cash charges to operations		
Amortization	<b>48,220</b>	48,220
<b>Working Capital from Operations</b>	<b>347,579</b>	(19,328)
<b>CAPITAL</b>		
Acquisition of tangible capital assets	<b>(114,056)</b>	(100,450)
<b>FINANCING</b>		
Debt principal repayments	<b>(23,000)</b>	(23,000)
<b>Net decrease in cash from financing activities</b>	<b>(23,000)</b>	(23,000)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>210,523</b>	(142,778)
<b>CASH, BEGINNING OF YEAR</b>	<b>226,246</b>	369,024
<b>CASH, END OF YEAR</b>	<b>436,769</b>	226,246

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

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# Drummond/North Elmsley Tay Valley Fire Rescue

## Notes to the Financial Statements

December 31, 2011

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### 1. Status of the Board

Drummond/North Elmsley Tay Valley Fire Rescue (the 'Board') was formed January 1, 2006 pursuant to an agreement between the Township of Drummond/North Elmsley and Tay Valley Township.

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### 2. Significant Accounting Policies

The financial statements of Drummond/North Elmsley Tay Valley Fire Rescue are the representations of management and have been prepared in all material respects in accordance with Canadian public sector accounting standards for organizations operating in the local government sector as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants. Significant aspect of the accounting policies by the Board are as follows:

#### Reporting Entity

The financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Board.

#### Basis of Accounting

The 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 on receipt of goods and services and/or the creation of a legal obligation to pay.

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.

#### Tangible Capital Assets

Tangible capital assets are recorded at cost, which include 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:

Assets	Estimated Useful Life
Land	
Building	40 years
Vehicles	20 years
Equipment	30 years

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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## Drummond/North Elmsley Tay Valley Fire Rescue

### Notes to the Financial Statements

December 31, 2011

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#### 2. Significant Accounting Policies / continued

##### **Tangible Capital Assets / continued**

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 other assets as of the date of transfer.

##### **Cash and Cash Equivalents**

The Board considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

##### **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.

##### **Deferred Revenues**

The Board defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

##### **Financial Instruments**

All financial instruments are initially recognized at fair value on the statement of financial position. The Board has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Board classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

##### **Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures during the period. Actual results could differ from these estimates.

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## Drummond/North Elmsley Tay Valley Fire Rescue Notes to the Financial Statements

December 31, 2011

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### 3. Long Term Liabilities

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

	2011	2010
	\$	\$
Serial debenture debt issued by the Township of Drummond / North Elmsley maturing 2013 with interest rate of 3.90%.	43,000	69,000

- (b) Principal payments fall due as follows:

	\$
2012	23,000
2013	20,000
	43,000

- (c) Interest expense on long term liabilities in 2011 amounted to \$2,466 (2010 \$3,363).
- 

### 4. Risk Management

In the normal course of operations, the Board is exposed to a variety of financial risks which are actively managed by the Board.

The Board's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, investments, accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Board's exposure to and management of risk has not changed materially from December 31, 2010.

(a) **Credit Risk**

Credit risk arises from the possibility that the entities to which the Board provides services to may experience difficulty and be unable to fulfill their obligations. The Board is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Board does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

(b) **Interest Rate Risk**

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Board is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Board's operating results.

# Drummond/North Elmsley Tay Valley Fire Rescue

## Notes to the Financial Statements

**December 31, 2011**

### 4. Risk Management / continued

#### (c) Liquidity Risk

Liquidity risk is the risk that the Board will not be able to meet its obligations as they fall due. The Board requires working capital to meet day-to-day operating activities. Management expects that the Board's cash flows from operating activities will be sufficient to meet these requirements.

### 5. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2011	2010
	\$	\$
<b>Surplus</b>		
BBDE Fire Station		
► Invested in tangible capital assets	770,655	681,120
South Sherbrooke Fire Station		
► Invested in tangible capital assets	13,290	13,989
	<b>783,945</b>	<b>695,109</b>
<b>Reserves ► Administration</b>		
Contingency	4,511	2,511
<b>Reserves ► BBDE Fire Station</b>		
Working funds	50,000	50,000
Contingency	115,256	110,256
Equipment	65,691	55,191
Apparatus	123,620	152,791
Bunker gear	18,000	12,000
	<b>372,567</b>	<b>380,238</b>
<b>Reserves ► South Sherbrooke</b>		
Contingency	47,699	46,591
Bunker gear	10,000	5,000
	<b>57,699</b>	<b>51,591</b>
<b>Total Reserves</b>	<b>434,777</b>	<b>434,340</b>
	<b>1,218,722</b>	<b>1,129,449</b>

For additional information, see Schedule 1 ► Continuity of Reserves.

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## Drummond/North Elmsley Tay Valley Fire Rescue

### Notes to the Financial Statements

December 31, 2011

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#### 6. Tangible Capital Assets

Net Book Value of Assets	2011	2010
	\$	\$
Land	30,000	30,000
Building	285,489	295,214
Vehicles	457,960	380,349
Equipment	56,495	58,547
	829,946	764,110

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For additional information, see Schedule 2 ► Tangible Capital Assets.

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#### 7. Budget Figures

Drummond/North Elmsley Tay Valley Fire Rescue reviews its operating and capital budgets each year. The approved operating budget for 2011 is included in the budget figures presented in the consolidated Statement of Operations.

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**Drummond/North Elmsley Tay Valley Fire Rescue**  
**Schedule 1 ► Continuity of Reserves**

For the year ended December 31	(Note 7) Budget	2011	2010
	\$	\$	\$
<b>Net Transfer From/(To) Other Funds</b>			
Transfers from operations	98,500	<b>114,493</b>	13,386
Transfers (to) from capital acquisitions	(300,000)	<b>(114,056)</b>	105,927
<b>Total Net Transfers Approved By Board</b>	(201,500)	<b>437</b>	119,313
<b>Reserves, Change in Year</b>	(201,500)	<b>437</b>	119,313
<b>Reserves, Beginning of Year</b>	434,340	<b>434,340</b>	315,027
<b>Reserves, End of Year</b>	232,840	<b>434,777</b>	434,340

**Composition of Reserves**

For the year ended December 31	2011	2010
	\$	\$
<b>Reserves ► Administration</b>		
Contingency	<b>4,511</b>	2,511
<b>Reserves ► BBDE Fire Station</b>		
Working funds	<b>50,000</b>	50,000
Contingency	<b>115,256</b>	110,256
Equipment	<b>65,691</b>	55,191
Apparatus	<b>123,620</b>	152,791
Bunker gear	<b>18,000</b>	12,000
	<b>372,567</b>	380,238
<b>Reserves ► South Sherbrooke</b>		
Contingency	<b>47,699</b>	46,591
Bunker gear	<b>10,000</b>	5,000
	<b>57,699</b>	51,591
<b>Total Reserves</b>	<b>434,777</b>	434,340



**Drummond/North Elmsley Tay Valley Fire Rescue**  
**Schedule 2 ► Tangible Capital Assets**

**BBDE Fire Station**

**December 31, 2011**

Assets	Cost 01/01/11	Additions (Disposals)	Cost 31/12/11	Accumulated Amortization 01/01/11	Amortization 2011	Accumulated Amortization 31/12/11	Net Book Value 31/12/11
	\$	\$	\$	\$	\$	\$	\$
Land	30,000	---	30,000	---	---	---	30,000
Building	388,989	---	388,989	93,775	9,725	103,500	285,489
Vehicles	784,633	114,056	898,689	414,519	35,876	450,395	448,294
Equipment	57,653	---	57,653	2,860	1,922	4,782	52,871
	<b>1,261,275</b>	<b>114,056</b>	<b>1,375,331</b>	<b>511,154</b>	<b>47,523</b>	<b>558,677</b>	<b>816,654</b>

**December 31, 2010**

Assets	Cost 01/01/10	Additions (Disposals)	Cost 31/12/10	Accumulated Amortization 01/01/10	Amortization 2010	Accumulated Amortization 31/12/10	Net Book Value 31/12/10
	\$	\$	\$	\$	\$	\$	\$
Land	30,000	---	30,000	---	---	---	30,000
Building	388,989	---	388,989	84,050	9,725	93,775	295,214
Vehicles	717,520	67,113	784,633	378,641	35,876	414,519	370,116
Equipment	28,202	29,451	57,653	740	1,922	2,862	54,791
	<b>1,164,711</b>	<b>96,564</b>	<b>1,261,275</b>	<b>463,631</b>	<b>47,523</b>	<b>511,154</b>	<b>750,121</b>

**South Sherbrooke Fire Station**

**December 31, 2011**

Assets	Cost 01/01/11	Additions (Disposals)	Cost 31/12/11	Accumulated Amortization 01/01/11	Amortization 2011	Accumulated Amortization 31/12/11	Net Book Value 31/12/11
	\$	\$	\$	\$	\$	\$	\$
Equipment	3,886	---	3,886	130	130	260	3,626
Vehicles	11,368	---	11,368	1,135	567	1,702	9,666
	<b>15,254</b>	<b>---</b>	<b>15,254</b>	<b>1,265</b>	<b>697</b>	<b>1,962</b>	<b>13,292</b>

**December 31, 2010**

Assets	Cost 01/01/10	Additions (Disposals)	Cost 31/12/10	Accumulated Amortization 01/01/10	Amortization 2010	Accumulated Amortization 31/12/10	Net Book Value 31/12/10
	\$	\$	\$	\$	\$	\$	\$
Equipment	---	3,886	3,886	---	130	130	3,756
Vehicles	11,368	---	11,368	568	567	1,135	10,233
	<b>11,368</b>	<b>3,886</b>	<b>15,254</b>	<b>568</b>	<b>697</b>	<b>1,265</b>	<b>13,989</b>

The accompanying notes are an integral part of these financial statements:

**Drummond/North Elmsley Tay Valley Fire Rescue**  
**Schedule 3 ► Administration Operations**

For the year ended December 31	(Note 7) Budget	2011	2010
	\$	\$	\$
<b>Revenues</b>			
Net taxation municipal contributions			
► Township of Drummond/North Elmsley	100,097	<b>100,097</b>	85,780
► Township of Drummond/North Elmsley			
► computer upgrade	---	<b>5,000</b>	---
► Tay Valley Township	88,765	<b>88,765</b>	76,070
Other			
► investment income	---	<b>5,547</b>	2,902
<b>Total Revenues</b>	188,862	<b>199,409</b>	164,752
<b>Expenditures</b>			
Fire chief salary and benefits	87,462	<b>88,165</b>	86,813
Secretary treasurer	42,700	<b>49,809</b>	30,367
Telephone	7,350	<b>6,249</b>	7,612
Training and seminars	2,500	<b>2,457</b>	1,722
Office supplies	3,500	<b>4,415</b>	4,637
Inspection and prevention	2,000	<b>1,840</b>	1,937
Professional fees	3,000	<b>2,871</b>	1,500
Fire service agreements	14,000	<b>12,075</b>	17,625
Insurance	11,350	<b>11,301</b>	11,052
Advertising, subscription and memberships	2,500	<b>1,658</b>	2,124
Fuel	2,500	<b>4,074</b>	---
Administration, other	8,000	<b>13,756</b>	11,603
<b>Total Expenditures</b>	186,862	<b>198,670</b>	176,992
 <b>Annual Surplus (Deficit)</b>	 2,000	 <b>739</b>	 (12,240)
<b>Accumulated Surplus, Beginning of Year</b>	2,511	<b>2,511</b>	14,751
<b>Accumulated Surplus, End of Year</b>	4,511	<b>3,250</b>	2,511

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

**Drummond/North Elmsley Tay Valley Fire Rescue**  
**Schedule 4 ► BBDE Fire Station Operations**

For the year ended December 31	(Note 7) Budget	2011	2010
	\$	\$	\$
<b>Revenues</b>			
Net taxation municipal contributions			
► Township of Drummond/North Elmsley	220,455	<b>220,903</b>	220,293
► Tay Valley Township	187,795	<b>187,795</b>	187,657
► capital items	---	---	10,000
Other			
► provincial highway rescue fees	---	<b>10,660</b>	5,060
► fire fees, inspections, donations	---	<b>39,425</b>	20,150
Sale of equipment / miscellaneous	---	---	12,667
<b>Total Revenues</b>	408,250	<b>458,783</b>	455,827
<b>Expenditures</b>			
Amortization			
Building	---	<b>9,725</b>	9,725
Vehicles	---	<b>35,876</b>	35,876
Equipment	---	<b>1,922</b>	1,922
Operations			
Firefighter honourariums	156,000	<b>183,080</b>	155,964
Communications maintenance	6,000	<b>5,898</b>	5,706
Training and seminars	18,500	<b>23,500</b>	16,880
Clothing	2,000	<b>1,717</b>	1,441
Bunker gear cleaning	2,500	<b>2,014</b>	2,119
Bunker gear	4,000	<b>3,969</b>	7,996
Loan repayment	27,300	<b>2,466</b>	3,363
Other	2,000	<b>2,013</b>	2,386
Fire Prevention			
Firefighter honourariums	1,500	<b>1,500</b>	1,188
Advertising, subscriptions and memberships	500	<b>256</b>	411
BBDE Fire Hall			
Power and water	8,200	<b>9,193</b>	8,148
Heating fuel	4,600	<b>3,103</b>	2,965
Building maintenance and other	10,000	<b>11,720</b>	8,567
Insurance	4,550	<b>4,523</b>	4,450
Vehicle and Equipment			
Minor equipment purchases	15,000	<b>13,570</b>	11,449
Vehicle and equipment maintenance	17,000	<b>17,124</b>	17,145
Fuel, oil, lubricants, etc.	7,000	<b>9,055</b>	8,286
Insurance	10,600	<b>9,200</b>	10,500
Minor capital	19,500	<b>19,235</b>	3,862
<b>Total Expenditures</b>	316,750	<b>370,659</b>	320,349
<b>Annual Surplus</b>	91,500	<b>88,124</b>	135,478
<b>Accumulated Surplus, Beginning of Year</b>	1,061,359	<b>1,061,359</b>	925,881
<b>Accumulated Surplus, End of Year</b>	1,152,859	<b>1,149,483</b>	1,061,359

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

**Drummond/North Elmsley Tay Valley Fire Rescue**  
**Schedule 5 ► South Sherbrooke Fire Station Operations**

For the year ended December 31	(Note 7) Budget	2011	2010
	\$	\$	\$
<b>Revenues</b>			
Net taxation municipal contributions			
► Tay Valley Township	170,800	<b>170,800</b>	161,050
<b>Total Revenues</b>	170,800	<b>170,800</b>	161,050
<b>Expenditures</b>			
Amortization	---	<b>697</b>	697
Operations			
Firefighter honourariums	66,800	<b>64,783</b>	65,780
Communications maintenance	1,500	<b>3,528</b>	2,151
Communications purchases	3,000	---	1,647
Training and seminars	10,000	<b>9,742</b>	9,584
Clothing	3,000	<b>2,833</b>	2,281
Bunker gear cleaning	2,000	<b>1,391</b>	1,201
Other	2,500	<b>2,529</b>	2,705
Fire Prevention			
Advertising, subscriptions and memberships	---	---	1,407
Emergency First Response			
Firefighter honourariums	1,000	<b>1,000</b>	---
Medical supplies	2,000	<b>572</b>	1,694
Training and seminars	500	<b>227</b>	---
South Sherbrooke Fire Hall			
Power and water	2,500	<b>4,031</b>	1,118
Heating fuel	4,500	<b>5,974</b>	1,774
Building maintenance and other	7,650	<b>7,045</b>	3,822
Insurance	4,550	<b>6,174</b>	2,000
Vehicle and Equipment			
Minor equipment purchases	15,700	<b>12,392</b>	14,244
Vehicle and equipment maintenance	13,000	<b>20,463</b>	16,831
Fuel, oil, lubricants, etc.	2,500	<b>2,340</b>	822
Insurance	7,100	<b>8,353</b>	7,000
Minor capital	16,000	<b>16,316</b>	12,000
<b>Total Expenditures</b>	165,800	<b>170,390</b>	148,758
<b>Annual Surplus</b>	5,000	<b>410</b>	12,292
<b>Accumulated Surplus, Beginning of Year</b>	65,579	<b>65,579</b>	53,287
<b>Accumulated Surplus, End of Year</b>	70,579	<b>65,989</b>	65,579

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