

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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**Tay Valley Township
Consolidated
Financial Statements
December 31, 2016**

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

December 31	2016	2015	2014	2013	2012
Population (Statistics Canada)	5,665	5,571	5,571	5,571	5,571
Number of Households (MPAC)	3,911	3,892	3,891	3,875	3,868
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential and farm	1,104,496	1,077,225	1,041,450	1,006,684	973,455
Commercial and industrial	62,064	61,627	58,660	47,794	47,310
Total	1,166,560	1,138,852	1,100,110	1,054,478	1,020,765
Commercial, industrial as % of assessment	5.32%	5.41%	5.33%	4.53%	4.63%
Rates of Taxation					
Residential					
▸ for general municipal purposes	0.414839	0.398555	0.388617	0.397489	0.396556
▸ for county purposes	0.373000	0.379779	0.392978	0.410042	0.418354
▸ for school board purposes	0.188000	0.195000	0.203000	0.212000	0.221000
Total	0.975839	0.973334	0.984595	1.019531	1.035910
Multi-Residential (total)	1.998918	2.010562	2.056004	2.160636	2.235244
Commercial (total)	2.629872	2.628966	2.650786	2.710667	2.717630
Industrial (total)	3.555710	3.527826	3.606520	3.768390	3.886101
Tax Arrears ▸ percentage of current levy (>10%)**	7.09%	6.93%	6.88%	5.74%	5.61%
Taxes Transferred (000's)					
▸ County	4,531	4,579	4,532	4,555	4,519
▸ School Boards	2,764	2,938	2,874	2,844	2,804
Revenues (000's)	\$	\$	\$	\$	\$
▸ Taxation and payments in lieu	5,041	4,591	4,481	4,414	4,278
▸ Government transfers	863	858	815	716	750
▸ Fees and service charges	339	274	341	430	352
▸ Other	446	525	458	478	431
▸ Revenues related to capital assets	25	25	626	320	6
Total	6,714	6,273	6,721	6,358	5,817
Expenditures (000's)					
▸ Operations	6,310	6,114	5,888	5,750	5,707
▸ Amortization	608	726	705	669	651
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	58.84%	54.91%	60.51%	55.16%	43.77%
▸ % of Taxation (>(50%)) **	78.37%	74.73%	82.31%	75.41%	59.45%

** Represents the Provincial Low Risk Indicator.
(Note: All dollar amounts are in thousands of dollars.)

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

December 31	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Net long term debt (000's)	841	877	903	935	923
▸ Long term debt charges (000's)	75	74	71	84	81
▸ Annual repayment limit (000's)	1,293	1,222	1,240	1,087	1,089
▸ Long term debt per household	215	225	232	241	239
▸ Debt charges (000's)					
▸ tax supported	75	74	71	84	81
<hr/>					
Municipal Equity (000's)					
▸ Surplus and Reserves	4,853	4,382	4,682	4,329	3,524
▸ Invested in capital assets	9,897	9,965	9,505	9,025	9,221
▸ Reserves as % of operating expenses (>20%) **	76.91%	71.66%	78.88%	74.23%	61.52%
▸ Asset consumption ratio	47.57%	45.84%	44.84%	43.78%	41.50%
<hr/>					
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	2.22%	2.21	2.41	2.07	1.95
▸ financial assets to liabilities excluding long term debt	3.00%	3.21	3.68	2.95	3.06
▸ capital reserve to accumulated amortization	36.39%	35.56%	40.00%	42.87%	35.81%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%) **	1.12%	1.18%	1.17%	1.41%	1.40%
▸ Total operating revenue to taxable assessment	0.58%	0.55%	0.55%	0.57%	0.57%
▸ Working capital to operating expenses (>10%)**	49.27%	41.77%	47.30%	41.67%	27.46%
▸ Vulnerability					
▸ Operating government transfers ▸ to operating revenue	12.86%	13.73%	13.37%	11.86%	12.90%
▸ Total government transfers ▸ to total revenues	12.82%	14.07%	20.71%	15.23%	12.89%



Tay Valley Township

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of Tay Valley Township are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Council approval of the consolidated financial statements.

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

Larry Donaldson, Chief Administrative Officer

Angela Millar, Treasurer



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Tay Valley Township which comprise the consolidated statement of financial position as at December 31, 2016 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 the consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including 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, 2016 and its consolidated results of operations, changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script that reads "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
September 12, 2017.

Tay Valley Township
Consolidated Statement of Financial Position

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	5,714,978	4,379,308
Taxes receivable (allowance \$50,000)	821,208	785,854
Accounts receivable	627,071	1,056,848
Other	1,550	1,550
Long term receivables (note 5)	28,115	37,918
	7,192,922	6,261,478
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	452,092	271,217
Accrued landfill closure and post closure (note 10)	487,500	462,500
Accrued post employment benefits	6,482	6,390
Prepaid property taxes	350,396	344,062
Deferred revenues (note 4)	694,028	466,846
Other current liabilities	236,886	230,406
Solar farm security deposit	174,022	171,535
Long term liabilities (note 5)	841,177	877,381
	3,242,583	2,830,337
NET FINANCIAL ASSETS	3,950,339	3,431,141
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	10,710,346	10,804,126
Inventories	89,699	111,134
	10,800,045	10,915,260
Contingent Liabilities (note 12)		
MUNICIPAL EQUITY (note 6)	14,750,384	14,346,401

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

Tay Valley Township Consolidated Statement of Operations

For the year ended December 31	(Note 16) Budget	2016	2015
	\$	\$	\$
REVENUES			
Taxation ▶ residential	4,459,643	4,515,237	4,204,059
▶ commercial and industrial	496,266	474,943	338,929
▶ other governments	49,200	50,681	48,372
User charges ▶ protection to persons and property	9,100	71,616	39,282
▶ waste disposal	87,450	87,589	85,217
▶ planning and zoning	54,000	66,858	88,175
▶ other	54,698	112,815	61,771
Government transfers	863,674	863,493	857,781
Deferred revenues earned (note 4)	20,000	---	---
Licences and permits	104,900	127,413	134,163
Investment income	82,356	79,994	85,105
Penalties and interest on taxes	105,000	129,310	131,037
Provincial offences	80,000	57,831	61,179
Other	24,178	51,242	113,229
TOTAL REVENUES	6,490,465	6,689,022	6,248,299
EXPENDITURES			
General government	1,096,835	1,086,395	1,126,456
Protection to persons and property	1,704,757	1,693,030	1,460,677
Transportation services	2,317,217	2,032,945	2,123,678
Environmental services	691,090	737,743	661,341
Social and health services	---	3,979	3,314
Recreation and cultural services	517,981	507,390	478,041
Planning and development	266,896	248,557	260,934
TOTAL EXPENDITURES	6,594,776	6,310,039	6,114,441
NET REVENUES (EXPENDITURES) FROM OPERATIONS	(104,311)	378,983	133,858
OTHER			
Grants and transfers related to capital Government transfers	25,000	25,000	25,000
ANNUAL SURPLUS (DEFICIT)	(79,311)	403,983	158,858
MUNICIPAL EQUITY, BEGINNING OF YEAR	14,346,401	14,346,401	14,187,543
MUNICIPAL EQUITY, END OF YEAR	14,267,090	14,750,384	14,346,401

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

Tay Valley Township
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	(Note 16) Budget	2016	2015
	\$	\$	\$
ANNUAL SURPLUS (DEFICIT)	(79,311)	403,983	158,858
Amortization of tangible capital assets	671,829	608,332	726,453
Acquisition of tangible capital assets	(921,540)	(514,552)	(1,122,573)
Acquisition of supplies inventories	---	21,435	(19,713)
	(249,711)	115,215	(415,833)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(329,022)	519,198	(256,975)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,431,141	3,431,141	3,688,116
NET FINANCIAL ASSETS, END OF YEAR	3,102,119	3,950,339	3,431,141

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

Tay Valley Township Consolidated Statement of Cash Flows

For the year ended December 31	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	403,983	158,858
Amortization	608,332	726,453
	1,012,315	885,311
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(35,354)	(21,838)
Accounts receivable	429,777	(680,863)
Long term receivables	9,803	8,654
Accounts payable and accrued liabilities	180,875	(51,836)
Accrued landfill closure and post closure	25,000	25,000
Accrued post employment benefits	92	92
Prepaid property taxes	6,334	28,757
Deferred revenues	227,182	216,919
Other current liabilities	6,480	20,095
Solar farm security deposit	2,487	2,452
Inventories	21,435	(19,713)
	874,111	(472,281)
Working Capital from Operations	1,886,426	413,030
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(514,552)	(1,122,573)
Net investment in tangible capital assets	(514,552)	(1,122,573)
FINANCING ACTIVITIES		
Debt principal repayments	(36,204)	(33,933)
Net decrease in cash from financing activities	(36,204)	(33,933)
NET INCREASE (DECREASE) IN CASH	1,335,670	(743,476)
CASH, BEGINNING OF YEAR	4,379,308	5,122,784
CASH, END OF YEAR	5,714,978	4,379,308

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

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2016

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.

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. 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 consolidated 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.
- (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.

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Basis of Accounting / continued

- (iii) Trust funds and their related operations administered by the Township are not included in these consolidated 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.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

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.

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Inventories and Prepaid Expenses

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

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 consolidated 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.

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

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Township has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

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.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Investments / continued

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.

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.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Township:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of pos-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

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.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Measurement Uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

3. Operations of the School Boards and County of Lanark

During 2016, 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:

	School Boards	County
	\$	\$
Property taxes	2,764,064	4,487,966
Taxation from other governments	---	42,757
Amounts requisitioned and paid	2,764,064	4,530,723

4. Deferred Revenues

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada 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, 2016	1,550	235,739	44,512	185,045	466,846
Contributions from developers	---	50,700	1,000	---	51,700
Interest	---	2,906	517	2,683	6,106
Government grants	---	---	---	169,376	169,376
Transfer to capital fund	---	---	---	---	---
December 31, 2016	1,550	289,345	46,029	357,104	694,028

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2016

5. Long Term Liabilities

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

	2016	2015
	\$	\$
Ontario Infrastructure Projects Corporation (4.45%), debenture for the Township offices with semi annual blended payments of \$46,686 maturing 2035.	594,490	614,065
Ontario Infrastructure Projects Corporation (4.25%), debenture for the South Sherbrooke Fire Hall with semi annual blended payments of \$16,333 maturing 2036.	218,572	225,398
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	28,115	37,918
Net long term liabilities at the end of the year	841,177	877,381

- (b) Principal payments fall due as follows:

	General Revenues
	\$
2017	31,173
2018	32,614
2019	34,123
2020	35,704
2021 and thereafter	707,563
	841,177

- (c) Interest expense on long term liabilities in 2016 amounted to \$38,893 (2015 \$40,038).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2016

6. Municipal Equity

Municipal equity consists of:

	2016	2015
	\$	\$
Invested in tangible capital assets		
Tangible capital assets	10,710,346	10,804,126
Long term liabilities	(813,063)	(839,463)
	9,897,283	9,964,663
Reserves (Schedule 1)	4,853,101	4,381,738
Total Municipal Equity	14,750,384	14,346,401

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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$114,607 (2015 \$112,706) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. Trust Funds

Trust funds administered by the Township amounting to \$32,322 (2015 \$29,848) 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.

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.

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2016

9. Provincial Offences Administration (POA) / continued

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 consolidated 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.

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 has an estimated life beyond 2040 with a remaining volume estimated at 154,000 cubic metres.

The Glen Tay site has an estimated life beyond 2030 and remaining volume estimated at 132,690 cubic metres, with annual usage projected as 6,100 cubic metres.

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 \$372,800 for the Glen Tay site.

Annual post closure maintenance and monitoring requirements are estimated to be \$21,367 per annum.

The inactive sites, Christie Lake and Noonan, have been closed using a clay cap cover and soil. Hydrogeological samples are taken every 5 years to test the surface and ground water. Annual site monitoring costs are estimated at \$14,667 per annum.

Tay Valley Township Notes to the Consolidated Financial Statements

December 31, 2016

10. Landfill Closure and Post Closure Liability / continued

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates, if necessary, 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. 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.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Township's average long term borrowing rate of 4.25% and using an assumed rate of 2.0% for inflation. The estimated total landfill closure and post-closure care expenditures are calculated to be approximately \$730,000. For sites that are inactive, the estimated liability for these expenditures is recognized immediately. Included in liabilities on the Consolidated Statement of Financial Position at December 31, 2016 is an amount of \$487,500 (2015 \$462,500) with respect to landfill closure and post-closure liabilities recognized to date.

11. Contractual Obligations

The Municipality has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. In January 2015, a new five year contract was signed and will end December 31st, 2019. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2016 was \$874,315 (2015 \$659,601).

The Municipality has negotiated a long term contract with Stanley Sanitation Ltd. for the disposal and transfer of recycled materials and waste. The contract ended August 31, 2016. Annual charges are based on the number of times that the Contractor lifts a bin of waste, blue box diversion and non-blue box diversion goods. The contract for 2016 approximated \$232,624 (2015 \$270,431).

The Municipality has negotiated a long term contract with Steven Lewis for roadside mowing. The contract ends December 31, 2017. The contract for 2016 approximated \$10,961 (2015 \$9,831).

The Municipality has negotiated a long term contract with Rock Lake Excavations for waste site compacting services. The contract ends December 31, 2019. The contract for 2016 approximated \$108,253 (Contract began November 1, 2015 therefore, two months of 2015 was \$28,275).

The Municipality has negotiated a long term contract with Arnott Bros. for the provision of winter sand. The contract ends December 31st, 2019. The contract for 2016 approximated \$105,853.

The Municipality has extended the contract for one year with Crains' Construction Ltd. for roadside brushing (original contract was 2013 to 2015) The contract for 2016 approximated \$14,282 (2015 \$14,499).

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2016

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, 2016, 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.

13. 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, 2015.

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.

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.

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.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2016

14. Tangible Capital Assets

	2016	2015
	\$	\$
Land	82,517	82,517
Buildings	3,026,604	3,092,480
Bridges	2,701,779	2,776,342
Equipment	392,086	444,647
Roads	3,124,108	2,997,671
Vehicles	803,376	847,639
Proportionate Portion of Fire	424,042	407,129
Proportionate Portion of Library	155,834	155,701
	10,710,346	10,804,126

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

15. 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 operations.

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, 2016

15. Segmented Information / continued

2016	Salaries, Wages & Employee Benefits	Debt Interest	Materials & Services	External Transfers	Amortization	Total
\$	\$	\$	\$	\$	\$	\$
General Government						
Governance	124,064	---	---	---	---	124,064
Corporate Management & Program Support	584,157	36,618	309,455	16,250	15,851	962,331
Protection to Persons and Property						
Fire	242,767	---	---	---	98,797	341,564
Police	1,050	---	882,544	---	---	883,594
Conservation Authority	---	---	---	59,864	---	59,864
Protective Inspection	91,495	---	316,513	---	---	408,008
Transportation						
Roadways	552,078	---	809,663	---	439,454	1,801,195
Winter Control	54,645	---	172,145	---	---	226,790
Street Lighting	---	---	4,960	---	---	4,960
Environmental						
Waste Services	216,503	---	325,559	---	---	542,062
Recycling	---	---	195,681	---	---	195,681
Health Services						
Cemeteries	---	---	3,979	---	---	3,979
Recreation and Cultural Services						
Recreation Facilities & Programs	---	---	29,116	---	---	29,116
Recreation Facilities Other	18,599	---	60,860	5,492	---	84,951
Libraries	128,065	---	45,528	193,350	26,380	393,323
Planning and Development						
Planning & Zoning	145,618	2,275	100,664	---	---	248,557
2016	2,159,041	38,893	3,256,667	274,956	580,482	6,310,039

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2016

15. Segmented Information / continued

2015	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	\$	\$	\$	\$	\$	\$
General Government						
Governance	116,078	---	26,095	---	---	142,173
Corporate Management & Program Support	607,249	37,742	308,941	14,500	15,851	984,283
Protection to Persons and Property						
Fire	222,084	---	190,717	---	97,538	510,339
Police	825	---	671,566	---	---	672,391
Conservation Authority	---	---	---	58,406	---	58,406
Protective Inspection	103,931	---	115,610	---	---	219,541
Transportation						
Roadways	528,174	---	840,275	---	587,144	1,955,593
Winter Control	52,085	---	109,358	---	---	161,443
Street Lighting	---	---	6,642	---	---	6,642
Environmental						
Waste Services	203,656	---	259,735	---	---	463,391
Recycling	---	---	197,950	---	---	197,950
Health Services						
Cemeteries	---	---	3,314	---	---	3,314
Recreation and Cultural Services						
Recreation Facilities & Programs	---	---	27,563	---	---	27,563
Recreation Facilities Other	19,622	---	40,804	188,473	---	248,899
Libraries	122,223	---	42,857	10,579	25,920	201,579
Planning and Development						
Planning & Zoning	172,486	2,296	83,402	2,750	---	260,934
2015	2,148,413	40,038	2,924,829	274,708	726,453	6,114,441

16. Budget Figures

The operating budget approved by Township Council for 2016 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 consolidated 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 16) Budget	2016	2015
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	100,739	727,502	887,125
Transfers to capital acquisitions	(544,740)	(256,139)	(1,149,668)
Total Net Transfers	(444,001)	471,363	(262,543)
Reserves and Reserve Fund Balances, Change in Year	(444,001)	471,363	(262,543)
Reserves and Reserve Fund Balances, Beginning of Year	4,381,738	4,381,738	4,644,281
Reserves and Reserve Fund Balances, End of Year	3,937,737	4,853,101	4,381,738

Composition of Reserves and Reserve Funds

For the year ended December 31	2016	2015
	\$	\$
Reserves set aside for specific purposes by Council:		
▶ for working capital	450,000	450,000
▶ for acquisition of capital assets	2,464,993	2,721,134
▶ for contingencies	825,036	644,124
▶ for Pinehurst cemetery	42,045	36,085
▶ for fire joint board	950,823	407,421
▶ for library joint board	120,204	122,974
Total Reserves	4,853,101	4,381,738
Total Reserves and Reserve Funds	4,853,101	4,381,738

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

Tay Valley Township
Schedule 2 ▶ 2016 Tangible Capital Assets

Asset Class	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16
	\$	\$	\$	\$
Land	82,517	---	---	82,517
Buildings	3,720,164	---	---	3,720,164
Bridges	4,747,076	---	---	4,747,076
Equipment	979,013	3,822	---	982,835
Roads	6,836,490	310,006	---	7,146,496
Vehicles	2,295,348	99,485	---	2,394,833
Proportionate Portion of Fire	753,827	74,726	(17,373)	811,180
Proportionate Portion of Library	533,753	26,513	(18,285)	541,981
	19,948,188	514,552	(35,658)	20,427,082

Asset Class	Accumulated Amortization 01/01/16	Amortization	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$
Land	---	---	---	---	82,517
Buildings	627,684	65,876	---	693,560	3,026,604
Bridges	1,970,734	74,563	---	2,045,297	2,701,779
Equipment	534,366	56,383	---	590,749	392,086
Roads	3,838,819	183,569	---	4,022,388	3,124,108
Vehicles	1,447,709	143,748	---	1,591,457	803,376
Proportionate Portion of Fire	346,698	57,813	(17,373)	387,138	424,042
Proportionate Portion of Library	378,052	26,380	(18,285)	386,147	155,834
	9,144,062	608,332	(35,658)	9,716,736	10,710,346

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

Tay Valley Township
Schedule 2 ▶ 2015 Tangible Capital Assets

Asset Class	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15
	\$	\$	\$	\$
Land	82,517	---	---	82,517
Buildings	3,720,164	---	---	3,720,164
Bridges	4,471,728	275,348	---	4,747,076
Equipment	961,366	17,647	---	979,013
Roads	6,275,015	561,475	---	6,836,490
Vehicles	2,056,837	238,511	---	2,295,348
Proportionate Portion of Fire	770,291	7,552	(24,016)	753,827
Proportionate Portion of Library	531,483	22,040	(19,770)	533,753
	18,869,401	1,122,573	(43,786)	19,948,188

Asset Class	Accumulated Amortization 01/01/15	Amortization	(Disposals)	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$
Land	---	---	---	---	82,517
Buildings	561,808	65,876	---	627,684	3,092,480
Bridges	1,879,311	91,423	---	1,970,734	2,776,342
Equipment	478,110	56,256	---	534,366	444,647
Roads	3,517,661	321,158	---	3,838,819	2,997,671
Vehicles	1,310,593	137,116	---	1,447,709	847,639
Proportionate Portion of Fire	342,010	28,704	(24,016)	346,698	407,129
Proportionate Portion of Library	371,902	25,920	(19,770)	378,052	155,701
	8,461,395	726,453	(43,786)	9,144,062	10,804,126

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the trust funds of the Corporation of the Tay Valley Township as at December 31, 2016 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 the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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, 2016 and the financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
September 12, 2017.

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

December 31	Pinehurst Cemetery	2016	2015
	\$	\$	\$
ASSETS			
Cash	32,322	32,322	29,848
LIABILITIES			
Fund balance	32,322	32,322	29,848

Statement of Financial Activities

For the year ended December 31	Pinehurst Cemetery	2016	2015
	\$	\$	\$
REVENUES			
Bank interest	361	361	358
Sale of plots, donations	2,263	2,263	1,100
	2,624	2,624	1,458
EXPENDITURES			
Pinehurst Cemetery	150	150	388
NET REVENUES FOR THE YEAR	2,474	2,474	1,070
BALANCE AT THE BEGINNING OF THE YEAR	29,848	29,848	28,778
BALANCE AT THE END OF THE YEAR	32,322	32,322	29,848

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

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

December 31, 2016

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.

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

December 31	2016	2015
	\$	\$
ASSETS		
Cash	33,792	28,332
FUND BALANCES		
Reserves	33,792	28,332

Statement of Operations

For the year ended December 31	2016	2015
	\$	\$
REVENUES		
Other		
Investment income	371	734
Sale of plots, donations	7,505	4,459
Perpetual Care	2,263	1,100
	10,139	6,293
EXPENDITURES		
Honorariums, salaries and wages	1,794	1,886
Materials and services	622	328
Trustee	2,263	1,100
	4,679	3,314
NET REVENUES FOR THE YEAR	5,460	2,979

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

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Perth & District Union Public Library Board are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to Council approval of the financial statements.

The financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

Erika Heesen, CEO



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Perth & District Union Public Library Board which comprise the statement of financial position as at December 31, 2016 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, 2016 and the results of its operations, net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in cursive script that reads "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
February 27, 2017.

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

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash	445,795	481,797
Accounts receivable	23,693	18,488
	469,488	500,285
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	75,521	104,693
	393,967	395,592
NET FINANCIAL ASSETS		
	393,967	395,592
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4) (Schedule 2)	486,573	486,138
	880,540	881,730
ACCUMULATED SURPLUS (note 3)		
	880,540	881,730

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	2016	2015
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants ▶ Perth	198,759	198,759	196,423
▶ Tay Valley	154,918	154,918	156,580
▶ Drummond/North Elmsley	154,071	154,071	150,697
Provincial Grants ▶ Operating	42,800	42,817	42,817
Other Grants	8,792	13,211	13,014
User Charges ▶ fees and service charges	5,800	6,809	6,263
Other Income			
Fines, other	7,500	10,322	11,477
Interest	3,500	5,519	6,004
Rentals	500	360	900
Book sales	2,000	2,636	3,103
Donations	42,000	75,349	76,823
TOTAL REVENUES	620,640	664,771	664,101
EXPENDITURES			
Amortization ▶ books	---	53,760	55,294
▶ building	---	21,912	18,100
▶ equipment and shelving	---	8,151	8,151
▶ leasehold improvements	---	2,639	1,838
Salaries, wages and employee benefits	378,200	419,735	393,178
Periodicals, newspapers and Ebooks	10,200	9,123	8,763
Utilities, telephone	24,000	22,849	22,583
Special programs, activities	40,000	41,643	39,147
Insurance, professional fees	16,400	19,135	17,157
Internet, videos, miscellaneous	9,100	12,065	12,540
Library, photocopy supplies	14,000	10,618	11,962
Technology	9,792	9,108	7,885
Maintenance and repairs	15,000	13,927	13,818
Fire hall lease and operations	6,000	3,296	2,017
Donation to Perth and District Community Foundation	---	18,000	24,647
TOTAL EXPENDITURES	522,692	665,961	637,080
ANNUAL (DEFICIT) SURPLUS	97,948	(1,190)	27,021
ACCUMULATED SURPLUS, BEGINNING OF YEAR	881,730	881,730	854,709
ACCUMULATED SURPLUS, END OF YEAR	979,678	880,540	881,730

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

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

For the year ended December 31	2016	2015
	\$	\$
ANNUAL (DEFICIT) SURPLUS	(1,190)	27,021
Amortization of tangible capital assets	86,462	83,383
Acquisition of tangible capital assets	(86,897)	(70,901)
	(435)	12,482
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(1,625)	39,503
NET FINANCIAL ASSETS, BEGINNING OF YEAR	395,592	356,089
NET FINANCIAL ASSETS, END OF YEAR	393,967	395,592

Statement of Cash Flows

For the year ended December 31	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Annual (deficit) surplus for the year	(1,190)	27,021
Amortization	86,462	83,383
	85,272	110,404
Net Change in Non-Cash Working Capital Items		
Accounts receivable	(5,205)	8,753
Accounts payable and accrued liabilities	(29,172)	75,016
Due to Town of Perth	---	(5,024)
	(34,377)	78,745
Working Capital from Operations	50,895	189,149
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(86,897)	(70,901)
NET (DECREASE) INCREASE IN CASH	(36,002)	118,248
CASH, BEGINNING OF YEAR	481,797	363,549
CASH, END OF YEAR	445,795	481,797

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

Perth & District Union Public Library Board

Notes to the Financial Statements

December 31, 2016

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.

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 Chartered Professional Accountants of Canada. 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
Leasehold Improvements	10 years
Books	7 years
Shelving	10 years
Machinery and Equipment	5 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.

Perth & District Union Public Library Board

Notes to the Financial Statements

December 31, 2016

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.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the statement of operations.

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.

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

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Board has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

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.

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

December 31, 2016

2. Significant Accounting Policies / continued

Financial Instruments / continued

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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Accumulated Surplus

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

	2016	2015
	\$	\$
Surplus		
Invested in tangible capital assets	486,573	486,138
Reserves		
Insurance	3,000	3,000
Capital	99,387	112,646
Contingency	19,694	33,780
Building	189,355	169,354
Literacy	20,525	14,806
Books	50,525	50,525
Donations and bequest	11,481	11,481
Total Reserves	393,967	395,592
Accumulated Surplus	880,540	881,730

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

December 31, 2016

4. Tangible Capital Assets

Net Book Value of Assets	2016	2015
	\$	\$
Land	125,000	125,000
Buildings	165,603	157,021
Leasehold improvements	21,115	16,541
Books	158,552	163,122
Machinery and equipment	16,303	24,454
	486,573	486,138

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

5. 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, 2015.

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.

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. Changes in variable interest rates could cause unanticipated fluctuations in the Board's operating results.

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.

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

December 31, 2016

6. Budget Figures

Perth & District Union Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2016 is included in the budget figures presented in the Statement of Operations.

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

For the year ended December 31	(Note 6) Budget	2016	2015
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	44,448	36,082	57,882
Transfers to capital acquisitions	(35,000)	(37,707)	(18,379)
Total Net Transfers Approved By Board	9,448	(1,625)	39,503
Reserves, Change in Year	9,448	(1,625)	39,503
Reserves, Beginning of Year	395,592	395,592	356,089
Reserves, End of Year	405,040	393,967	395,592

Composition of Reserves

For the year ended December 31	2016	2015
	\$	\$
Reserves		
Insurance	3,000	3,000
Contingency	19,694	33,780
Literacy	20,525	14,806
Donations and bequest	11,481	11,481
	54,700	63,067
For Capital Purposes		
Capital	99,387	112,646
Building	189,355	169,354
Books	50,525	50,525
	339,267	332,525
Total Reserves	393,967	395,592

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

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

December 31, 2016

Assets	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16	Accumulated Amortization 01/01/16	Additions	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$		\$	\$			\$	\$
Land	125,000	---	---	125,000	---	---	---	---	125,000
Building Leasehold Improvements	724,006	30,494	---	754,500	566,985	21,912	---	588,897	165,603
Books	18,379	7,213	---	25,592	1,838	2,639	---	4,477	21,115
Shelving	567,275	49,190	59,928	556,537	404,153	53,760	59,928	397,985	158,552
Machinery & Equipment	84,627	---	---	84,627	84,627	---	---	84,627	---
	54,554	---	---	54,554	30,100	8,151	---	38,251	16,303
	1,573,841	86,897	59,928	1,600,810	1,087,703	86,462	59,928	1,114,237	486,573

December 31, 2015

Assets	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15	Accumulated Amortization 01/01/15	Additions	(Disposals)	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$		\$	\$	\$		\$	\$
Land	125,000	---	---	125,000	---	---	---	---	125,000
Building Leasehold Improvements	724,006	---	---	724,006	548,885	18,100	---	566,985	157,021
Books	---	18,379	---	18,379	---	1,838	---	1,838	16,541
Shelving	578,351	52,522	(63,598)	567,275	412,457	55,294	(63,598)	404,153	163,122
Machinery & Equipment	84,627	---	---	84,627	84,627	---	---	84,627	---
	54,554	---	---	54,554	21,949	8,151	---	30,100	24,454
	1,566,538	70,901	(63,598)	1,573,841	1,067,918	83,383	(63,598)	1,087,703	486,138

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



Fire Department Administration
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Management's Responsibility for the Financial Statements

The accompanying financial statements of the Drummond/North Elmsley Tay Valley Fire Rescue's are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Board of Directors meets with management subsequently to review these same matters prior to the Board's approval of the financial statements.

The financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

Greg Saunders,
Fire Chief

Megan Moore,
Administrative Assistant/Treasurer

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Drummond/North Elmsley Tay Valley Fire Rescue, which comprise the statement of financial position as at December 31, 2016 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
March 13, 2017.

**Drummond/North Elmsley Tay Valley Fire Rescue
Statement of Financial Position**

December 31	2016	2015
	\$	\$
ASSETS		
Financial Assets		
Cash	1,376,430	807,190
Government receivable	36,348	30,711
Accounts receivable	85,261	3,724
	1,498,039	841,625
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	93,928	25,782
NET FINANCIAL ASSETS	1,404,111	815,843
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5) (Schedule 2)	997,942	982,942
ACCUMULATED SURPLUS (note 4)	2,402,053	1,798,785

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 6) Budget	2016	2015
	\$	\$	\$
REVENUES			
Municipal contributions			
▸ Township of Drummond/North Elmsley	375,804	375,804	370,189
▸ Tay Valley Township	496,501	496,501	493,660
▸ Tay Valley Township ▸ South Sherbrooke reserve	---	491,860	---
Other			
▸ provincial highway rescue fees	---	5,683	3,075
▸ fire fees, inspections, transfers	---	134,404	7,085
▸ investment income	---	9,941	8,445
▸ sale of assets	---	---	6,501
TOTAL REVENUES	872,305	1,514,193	888,955
EXPENDITURES			
Administration (Schedule 3)	213,005	230,986	202,033
BBDE Fire Station (Schedule 4)	337,250	484,729	349,780
South Sherbrooke Fire Station (Schedule 5)	187,050	183,732	184,502
Smiths Falls Fire Agreement (Schedule 6)	11,500	11,478	8,440
TOTAL EXPENDITURES	748,805	910,925	744,755
NET REVENUES FROM OPERATIONS	123,500	603,268	144,200
ANNUAL SURPLUS	123,500	603,268	144,200
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,798,785	1,798,785	1,654,585
ACCUMULATED SURPLUS, END OF YEAR	1,922,285	2,402,053	1,798,785

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	2016	2015
	\$	\$
ANNUAL SURPLUS	603,268	144,200
Amortization of tangible capital assets	65,301	61,851
Acquisition of tangible capital assets	(80,301)	(16,489)
	(15,000)	45,362
INCREASE IN NET FINANCIAL ASSETS	588,268	189,562
NET FINANCIAL ASSETS, BEGINNING OF YEAR	815,843	626,281
NET FINANCIAL ASSETS, END OF YEAR	1,404,111	815,843

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

Drummond/North Elmsley Tay Valley Fire Rescue Statement of Cash Flows

For the year ended December 31	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	603,268	144,200
Net Change in Non-Cash Working Capital Items		
Government receivable	(5,637)	25,211
Accounts receivable	(81,537)	2,262
Accounts payable and accrued liabilities	68,146	945
	(19,028)	28,418
Non-cash charges to operations		
Amortization	65,301	61,851
Working Capital from Operations	649,541	234,469
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(80,301)	(16,489)
NET INCREASE IN CASH	569,240	217,980
CASH, BEGINNING OF YEAR	807,190	589,210
CASH, END OF YEAR	1,376,430	807,190

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

Drummond/North Elmsley Tay Valley Fire Rescue

Notes to the Financial Statements

December 31, 2016

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.

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. 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
Vehicles	20 years
Equipment	30 years
Linear Assets	40 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.

Drummond/North Elmsley Tay Valley Fire Rescue

Notes to the Financial Statements

December 31, 2016

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.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the statement of operations.

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

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Board has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

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.

Drummond/North Elmsley Tay Valley Fire Rescue

Notes to the Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Investments / continued

Investment income earned on available current funds and reserve funds (other than obligatory funds). Are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balance.

Pension and Employee Benefits

The Board 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 Board's policy.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Board:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of pos-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

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.

Drummond/North Elmsley Tay Valley Fire Rescue

Notes to the Financial Statements

December 31, 2016

2. Significant Accounting Policies / continued

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

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 and accounts payable and accrued liabilities. The fair values of cash, investments and 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, 2015.

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.

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.

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.

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

December 31, 2016

4. Accumulated Surplus

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

	2016	2015
	\$	\$
Surplus (Deficit)		
BBDE Fire Station		
▸ invested in tangible capital assets	988,140	972,442
South Sherbrooke Fire Station		
▸ invested in tangible capital assets	9,802	10,500
	997,942	982,942
Reserves ▸ Administration		
Contingency	50,968	57,008
Reserves ▸ BBDE Fire Station		
Working funds	50,000	50,000
Contingency	140,257	135,257
Equipment	243,432	220,476
Apparatus	186,585	149,085
Bunker gear	30,000	42,000
Buildings	84,000	56,000
	734,274	652,818
Reserves ▸ South Sherbrooke		
Capital	507,830	---
Contingency	51,922	51,922
Bunker gear	35,000	30,000
	594,752	81,922
Reserves ▸ Smiths Falls Fire Agreement		
Fire calls	24,117	24,095
	1,404,111	815,843
Total Reserves	2,402,053	1,798,785

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

Drummond/North Elmsley Tay Valley Fire Rescue

Notes to the Financial Statements

December 31, 2016

5. Tangible Capital Assets

	2016			2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	30,000	---	30,000	30,000
Building	388,989	152,125	236,864	246,589
Vehicles	1,193,672	524,494	669,178	641,989
Equipment	61,539	15,304	46,235	48,287
Linear Assets	16,489	824	15,665	16,077
	1,690,689	692,747	997,942	982,942

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

6. Budget Figures

Drummond/North Elmsley Tay Valley Fire Rescue reviews its operating and capital budgets each year. The approved operating budget for 2016 is included in the budget figures presented in the Statement of Operations.

7. Pension Contributions

The Board 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Board does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The amount contributed to OMERS was \$12,769 (2015 \$11,865) for current services and is included as an expenditure on the Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. 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, 2016, management believes that the Board has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore no amount has been accrued in the financial statements.

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

For the year ended December 31	(Note 6) Budget	2016	2015
	\$	\$	\$
Net Transfer From / (To) Other Funds			
Transfers from operations	141,500	651,268	189,562
Transfers to capital acquisitions	(63,000)	(63,000)	---
Total Net Transfers Approved By Board	78,500	588,268	189,562
Reserves, Change in Year	78,500	588,268	189,562
Reserves, Beginning of Year	815,843	815,843	626,281
Reserves, End of Year	894,343	1,404,111	815,843

Composition of Reserves

For the year ended December 31	2016	2015
	\$	\$
Reserves ▶ Administration		
Contingency	50,968	57,008
Reserves ▶ BBDE Fire Station		
Working funds	50,000	50,000
Contingency	140,257	135,257
Equipment	243,432	220,476
Apparatus	186,585	149,085
Bunker gear	30,000	42,000
Building	84,000	56,000
	734,274	652,818
Reserves ▶ South Sherbrooke		
Capital	507,830	---
Contingency	51,922	51,922
Bunker gear	35,000	30,000
	594,752	81,922
Reserves ▶ Smiths Falls Fire Agreement		
Fire calls	24,117	24,095
Total Reserves	1,404,111	815,843

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

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

BBDE Fire Station ▶ December 31, 2016

Asset Class	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16
	\$	\$	\$	\$
Land	30,000	---	---	30,000
Buildings	388,989	---	---	388,989
Vehicles	1,102,003	80,301	(38,350)	1,143,954
Equipment	57,653	---	---	57,653
Linear Assets	16,489	---	---	16,489
	1,595,134	80,301	(38,350)	1,637,085

Asset Class	Accumulated Amortization 01/01/16	Amortization	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$
Land	---	---	---	---	30,000
Buildings	142,400	9,725	---	152,125	236,864
Vehicles	467,408	52,544	(38,350)	481,602	662,352
Equipment	12,472	1,922	---	14,394	43,259
Linear Assets	412	412	---	824	15,665
	622,692	64,603	(38,350)	648,945	988,140

BBDE Fire Station ▶ December 31, 2015

Asset Class	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15
	\$	\$	\$	\$
Land	30,000	---	---	30,000
Buildings	388,989	---	---	388,989
Vehicles	1,141,334	---	(39,331)	1,102,003
Equipment	57,653	---	---	57,653
Linear Assets	---	16,489	---	16,489
	1,617,976	16,489	(39,331)	1,595,134

Asset Class	Accumulated Amortization 01/01/15	Amortization	(Disposals)	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$
Land	---	---	---	---	30,000
Buildings	132,675	9,725	---	142,400	246,589
Vehicles	457,645	49,094	(39,331)	467,408	634,595
Equipment	10,550	1,922	---	12,472	45,181
Linear Assets	---	412	---	412	16,077
	600,870	61,153	(39,331)	622,692	972,442

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

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

South Sherbrooke ▶ December 31, 2016

Asset Class	Cost 01/01/16	Additions	(Disposals)	Cost 31/12/16	
	\$	\$	\$	\$	
Equipment	3,886	---	---	3,886	
Vehicles	11,368	38,350	---	49,718	
	15,254	38,350	---	53,604	

Asset Class	Accumulated Amortization 01/01/16	Amortization	(Disposals)	Accumulated Amortization 31/12/16	Net Book Value 31/12/16
	\$	\$	\$	\$	\$
Equipment	780	130	---	910	2,976
Vehicles	3,974	38,918	---	42,892	6,826
	4,754	39,048	---	43,802	9,802

South Sherbrooke ▶ December 31, 2015

Asset Class	Cost 01/01/15	Additions	(Disposals)	Cost 31/12/15	
	\$	\$	\$	\$	
Equipment	3,886	---	---	3,886	
Vehicles	11,368	---	---	11,368	
	15,254	---	---	15,254	

Asset Class	Accumulated Amortization 01/01/15	Amortization	(Disposals)	Accumulated Amortization 31/12/15	Net Book Value 31/12/15
	\$	\$	\$	\$	\$
Equipment	650	130	---	780	3,106
Vehicles	3,406	568	---	3,974	7,394
	4,056	698	---	4,754	10,500

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 6) Budget	2016	2015
	\$	\$	\$
Revenues			
Municipal contributions			
▶ Township of Drummond/North Elmsley	116,103	116,103	116,442
▶ Tay Valley Township	98,902	98,902	101,207
Other			
▶ investment income	---	9,941	8,445
Total Revenues	215,005	224,946	226,094
Expenditures			
Fire chief salary and benefits	98,335	100,623	95,519
Secretary treasurer salary and benefits	52,570	60,554	49,678
Fire prevention wages and benefits	5,000	4,282	---
Employer health tax	3,500	5,151	3,729
Bad debt	---	4,050	---
Telephone	6,400	6,183	7,722
Training and seminars	3,000	4,516	3,390
Office supplies	8,000	9,594	8,494
Inspection and prevention	2,000	2,434	1,841
Professional fees	5,700	4,316	5,317
Fire service agreements	10,000	10,000	10,000
Insurance	10,000	10,021	9,963
Advertising, subscription and memberships	2,500	2,652	2,261
Fuel	3,000	2,653	2,835
Administration, other	3,000	3,957	1,284
Total Expenditures	213,005	230,986	202,033
Annual (Deficit) Surplus	2,000	(6,040)	24,061

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 6) Budget	2016	2015
	\$	\$	\$
Revenues			
Municipal contributions			
▶ Township of Drummond/North Elmsley	248,201	248,201	242,247
▶ Tay Valley Township	205,549	205,549	204,703
Other			
▶ provincial highway rescue fees	---	4,304	3,075
▶ fire fees, inspections, transfers	---	123,829	7,085
▶ sale of assets	---	---	6,501
Total Revenues	453,750	581,883	463,611
Expenditures			
Amortization			
Building	---	9,725	9,725
Vehicles	---	52,544	49,094
Equipment	---	1,922	1,922
Linear assets	---	412	412
Operations			
Amounts to other municipalities for services	---	69,675	---
Firefighter honourariums	181,450	189,375	157,399
Communications maintenance	4,000	5,038	3,148
Training and seminars	18,500	24,410	18,525
Clothing	4,000	4,119	4,294
Bunker gear cleaning	2,500	1,825	4,000
Bunker gear	4,000	1,235	1,851
Radio licensing fees	1,300	1,252	1,292
BBDE Fire Hall			
Power and water	8,200	9,895	7,428
Heating fuel	4,600	4,076	4,522
Building maintenance and other	15,100	17,753	13,683
Insurance	4,800	4,832	4,776
Vehicle and Equipment			
Minor equipment purchases	15,000	13,159	15,179
Vehicle and equipment maintenance	20,000	21,337	29,057
Fuel, oil, lubricants, etc.	7,700	7,991	5,705
Insurance	8,100	7,434	8,078
Minor capital	38,000	36,720	9,690
Total Expenditures	337,250	484,729	349,780
Annual Surplus	116,500	97,154	113,831

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 6) Budget	2016	2015
	\$	\$	\$
Revenues			
Municipal contributions			
▶ Tay Valley Township	192,050	192,050	187,750
▶ Tay Valley Township ▶ South Sherbrooke reserve	---	491,860	---
Other			
▶ provincial highway rescue fees	---	1,379	---
▶ fire fees, inspections, transfers	---	10,575	---
Total Revenues	192,050	695,864	187,750
Expenditures			
Amortization	---	698	698
Operations			
Firefighter honourariums	81,100	78,499	77,383
Communications maintenance	3,000	3,241	4,450
Telephone	1,400	1,574	2,089
Training and seminars	11,000	13,301	11,006
Clothing	3,000	1,417	4,697
Bunker gear cleaning	2,000	2,235	614
Radio licensing fees	2,500	2,503	2,540
Fire Prevention			
Advertising, subscriptions and memberships	500	377	649
Emergency First Response			
Medical supplies	2,000	1,577	1,961
South Sherbrooke Fire Hall			
Power and water	5,500	6,368	6,240
Heating fuel	6,000	4,423	5,617
Building maintenance and other	6,500	4,577	6,570
Insurance	5,800	5,813	5,796
Vehicle and Equipment			
Minor equipment purchases	15,000	10,707	14,159
Vehicle and equipment maintenance	14,500	16,639	14,934
Fuel, oil, lubricants, etc.	3,500	1,728	2,157
Insurance	7,250	6,129	7,250
Minor capital	16,500	21,926	15,692
Total Expenditures	187,050	183,732	184,502
Annual Surplus	5,000	512,132	3,248

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

**Drummond/North Elmsley Tay Valley Fire Rescue
Schedule 6 ▶ Smiths Falls Fire Agreement**

For the year ended December 31	(Note 6) Budget	2016	2015
	\$	\$	\$
Revenues			
Municipal contribution			
▶ Taxation raised in year	11,500	11,500	11,500
Expenditures			
Fire Services Agreement	11,500	11,478	8,440
Annual Surplus	---	22	3,060

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