

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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**Tay Valley Township
Consolidated
Financial Statements
December 31, 2017**

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

December 31	2017	2016	2015	2014	2013
Population (Statistics Canada)	5,665	5,665	5,571	5,571	5,571
Number of Households (MPAC)	3,922	3,911	3,892	3,891	3,875
Taxable Assessment (000's)	\$	\$	\$	\$	\$
Residential and farm	1,125,989	1,113,037	1,077,225	1,041,450	1,006,684
Commercial and industrial	54,307	53,523	61,627	58,660	47,794
Total	1,180,296	1,166,560	1,138,852	1,100,110	1,054,478
Commercial, industrial as % of assessment	4.60%	5.32%	5.41%	5.33%	4.53%
Rates of Taxation					
Residential					
▸ for general municipal purposes	0.433371	0.414839	0.398555	0.388617	0.397489
▸ for county purposes	0.376627	0.373000	0.379779	0.392978	0.410042
▸ for school board purposes	0.179000	0.188000	0.195000	0.203000	0.212000
Total	0.988998	0.975839	0.973334	0.984595	1.019531
Multi-Residential (total)	2.002479	1.998918	2.010562	2.056004	2.160636
Commercial (total)	2.720473	2.629872	2.628966	2.650786	2.710667
Industrial (total)	3.495205	3.555710	3.527826	3.606520	3.768390
Tax Arrears ▸ percentage of current levy (>10%)**	6.44%	7.09%	6.93%	6.88%	5.74%
Taxes Transferred (000's)					
▸ County	4,600	4,531	4,579	4,532	4,555
▸ School Boards	2,639	2,764	2,938	2,874	2,844
Revenues (000's)	\$	\$	\$	\$	\$
▸ Taxation and payments in lieu	5,297	5,041	4,591	4,481	4,414
▸ Government transfers	922	863	858	815	716
▸ Fees and service charges	286	339	274	341	430
▸ Other	505	446	525	458	478
▸ Revenues related to capital assets	---	25	25	626	320
Total	7,010	6,714	6,273	6,721	6,358
Expenditures (000's)					
▸ Operations	6,794	6,310	6,114	5,888	5,750
▸ Amortization	585	608	726	705	669
Net Financial Assets (Net Debt)					
▸ % of Operating Revenue (>(20%)) **	65.29%	58.84%	54.91%	60.51%	55.16%
▸ % of Taxation (>(50%)) **	86.40%	78.37%	74.73%	82.31%	75.41%

** 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	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Long Term Debt					
▸ Net long term debt (000's)	810	841	877	903	935
▸ Long term debt charges (000's)	72	75	74	71	84
▸ Annual repayment limit (000's)	1,258	1,293	1,222	1,240	1,087
▸ Long term debt per household	207	215	225	232	241
▸ Debt charges (000's)					
▸ tax supported	72	75	74	71	84
<hr/>					
Municipal Equity (000's)					
▸ Surplus and Reserves	5,444	4,853	4,382	4,682	4,329
▸ Invested in capital assets	9,523	9,897	9,965	9,505	9,025
▸ Reserves as % of operating expenses (>20%) **	80.13%	76.91%	71.66%	78.88%	74.23%
▸ Asset consumption ratio	49.94%	47.57%	45.84%	44.84%	43.78%
<hr/>					
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	1.90	2.22	2.21	2.41	2.07
▸ financial assets to liabilities excluding long term debt	2.26	3.00	3.21	3.68	2.95
▸ capital reserve to accumulated amortization	40.76%	36.39%	35.56%	40.00%	42.87%
▸ Flexibility					
▸ Debt charges to total operating revenue (<5%) **	0.96%	1.12%	1.18%	1.17%	1.41%
▸ Total operating revenue to taxable assessment	0.59%	0.58%	0.55%	0.55%	0.57%
▸ Working capital to operating expenses (>10%)**	55.45%	49.27%	41.77%	47.30%	41.67%
▸ Vulnerability					
▸ Operating government transfers ▸ to operating revenue	13.16%	12.86%	13.73%	13.37%	11.86%
▸ Total government transfers ▸ to total revenues	13.16%	12.82%	14.07%	20.71%	15.23%



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, 2017 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, 2017 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, appearing to read "Allan".

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
May 15, 2018.

Tay Valley Township
Consolidated Statement of Financial Position

December 31	2017	2016
	\$	\$
ASSETS		
Financial Assets		
Cash and short term deposits	8,378,090	5,714,978
Taxes receivable (allowance \$50,000)	753,178	821,208
Accounts receivable	490,746	627,071
Other	1,550	1,550
Long term receivables (note 5)	24,516	28,115
	9,648,080	7,192,922
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	532,896	452,092
Accrued landfill closure and post closure (note 10)	512,500	487,500
Accrued post employment benefits	6,554	6,482
Prepaid property taxes	389,444	350,396
Deferred revenues (note 4)	2,389,228	694,028
Other current liabilities	255,164	236,886
Solar farm security deposit	175,494	174,022
Long term liabilities (note 5)	810,005	841,177
	5,071,285	3,242,583
NET FINANCIAL ASSETS	4,576,795	3,950,339
NON-FINANCIAL ASSETS		
Tangible capital assets (note 14)	10,308,209	10,710,346
Inventories	81,586	89,699
	10,389,795	10,800,045
Contingent Liabilities (note 12)		
MUNICIPAL EQUITY (note 6)	14,966,590	14,750,384

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	2017	2016
	\$	\$	\$
REVENUES			
Taxation ▶ residential	4,716,281	4,735,102	4,515,237
▶ commercial and industrial	507,280	505,340	474,943
▶ other governments	51,200	56,711	50,681
User charges ▶ protection to persons and property	9,100	27,993	71,616
▶ waste disposal	87,450	101,158	87,589
▶ planning and zoning	54,000	75,905	66,858
▶ other	55,350	80,558	112,815
Government transfers	936,781	922,152	863,493
Licences and permits	110,900	135,121	127,413
Investment income	83,188	120,239	79,994
Penalties and interest on taxes	120,000	124,447	129,310
Provincial offences	60,000	70,606	57,831
Other	23,415	54,402	51,242
TOTAL REVENUES	6,814,945	7,009,734	6,689,022
EXPENDITURES			
General government	1,138,779	1,231,685	1,086,395
Protection to persons and property	1,885,161	1,919,011	1,693,030
Transportation services	2,145,386	2,055,262	2,032,945
Environmental services	802,130	774,047	737,743
Social and health services	---	4,436	3,979
Recreation and cultural services	526,043	502,804	507,390
Planning and development	273,789	306,283	248,557
TOTAL EXPENDITURES	6,771,288	6,793,528	6,310,039
NET REVENUES FROM OPERATIONS	43,657	216,206	378,983
OTHER			
Grants and transfers related to capital			
Government transfers	---	---	25,000
ANNUAL SURPLUS	43,657	216,206	403,983
MUNICIPAL EQUITY, BEGINNING OF YEAR	14,750,384	14,750,384	14,346,401
MUNICIPAL EQUITY, END OF YEAR	14,794,041	14,966,590	14,750,384

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	2017	2016
	\$	\$	\$
ANNUAL SURPLUS	43,657	216,206	403,983
Amortization of tangible capital assets	572,674	584,777	608,332
Acquisition of tangible capital assets	(665,200)	(182,640)	(514,552)
Acquisition of supplies inventories	---	8,113	21,435
	(92,526)	410,250	115,215
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(48,869)	626,456	519,198
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,950,339	3,950,339	3,431,141
NET FINANCIAL ASSETS, END OF YEAR	3,901,470	4,576,795	3,950,339

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	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	216,206	403,983
Amortization	584,777	608,332
	800,983	1,012,315
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	68,030	(35,354)
Accounts receivable	136,325	429,777
Long term receivables	3,599	9,803
Accounts payable and accrued liabilities	80,804	180,875
Accrued landfill closure and post closure	25,000	25,000
Accrued post employment benefits	72	92
Prepaid property taxes	39,048	6,334
Deferred revenues	1,695,200	227,182
Other current liabilities	18,278	6,480
Solar farm security deposit	1,472	2,487
Inventories	8,113	21,435
	2,075,941	874,111
Working Capital from Operations	2,876,924	1,886,426
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(182,640)	(514,552)
Net investment in tangible capital assets	(182,640)	(514,552)
FINANCING ACTIVITIES		
Debt principal repayments	(31,172)	(36,204)
Net decrease in cash from financing activities	(31,172)	(36,204)
NET INCREASE IN CASH	2,663,112	1,335,670
CASH, BEGINNING OF YEAR	5,714,978	4,379,308
CASH, END OF YEAR	8,378,090	5,714,978

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

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2017

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, 2017

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.

Taxation and Related Revenues

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

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.

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2017

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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.

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.

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2017

2. Significant Accounting Policies / continued

Deferred Revenues / continued

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.

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.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2017

2. Significant Accounting Policies / continued

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of 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 2017, 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	2,639,395	4,554,398
Taxation from other governments	---	45,314
Amounts requisitioned and paid	2,639,395	4,599,712

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.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2017

4. Deferred Revenues

The balances in the obligatory reserve funds of the Township are summarized below:

	Gravel Pit Rehabilitation	Development Charges	Parkland	Federal Gas Tax	OCIF	Total
	\$	\$	\$	\$	\$	\$
January 1, 2017	1,550	289,345	46,029	357,104	---	694,028
Contributions from developers	---	54,775	1,000	---	----	55,775
Interest	---	4,360	629	1,914	555	7,458
Government grants	---	---	---	172,375	1,459,592	1,631,967
December 31, 2017	1,550	348,480	47,658	531,393	1,460,147	2,389,228

5. Long Term Liabilities

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

	2017	2016
	\$	\$
Ontario Infrastructure Projects Corporation (4.45%), debenture for the Township offices with semi annual blended payments of \$46,686 maturing 2035.	574,034	594,490
Ontario Infrastructure Projects Corporation (4.25%), debenture for the South Sherbrooke Fire Hall with semi annual blended payments of \$16,333 maturing 2036.	211,455	218,572
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	24,516	28,115
Net long term liabilities at the end of the year	810,005	841,177

(b) Principal payments fall due as follows:

	General Revenues
	\$
2018	32,614
2019	34,124
2020	35,704
2021	37,358
2022 and thereafter	670,205
	810,005

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2017

5. Long Term Liabilities / continued

- (c) Interest expense on long term liabilities in 2017 amounted to \$35,923 (2016 \$38,893).
 - (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
-

6. Municipal Equity

Municipal equity consists of:

	2017	2016
	\$	\$
Invested in tangible capital assets		
Tangible capital assets	10,308,209	10,710,346
Long term liabilities	(785,489)	(813,063)
	9,522,720	9,897,283
Reserves (Schedule 1)	5,443,870	4,853,101
Total Municipal Equity	14,966,590	14,750,384

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 \$124,060 (2016 \$114,607) 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 \$34,422 (2016 \$32,322) 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.

Tay Valley Township Notes to the Consolidated Financial Statements

December 31, 2017

9. Provincial Offences Administration (POA)

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

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

The Township's share of net revenues arising from operation of the POA office have been consolidated with these 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 Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Closure and post closure cost requirements are to be provided over the estimated remaining life of the landfill sites based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities are based on estimates and assumptions with respect to events extending over a period of up to fifty years 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.

The Township currently has two active and three inactive landfill sites.

The Noonan and Christie Lake inactive sites have been closed but have ongoing monitoring and maintenance in accordance with Ministry standards.

The Maberly site has been capped as per MOE closure guidelines. The site is being used as a transfer site and although there is remaining capacity there are no plans to reopen the site. There are ongoing monitoring and maintenance in accordance with Ministry standards.

The two active sites include Glen Tay and Stanleyville. In estimating the closure dates and closure costs it is generally assumed that landfills will close sequentially with Glen Tay closed first in two stages and then Stanleyville. The active sites have an estimated life range of 75 years.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2017

10. Landfill Closure and Post Closure Liability / continued

Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities using an estimated inflation rate of 2% and discounted at the Township's average long term borrowing rate of 3%.

For the inactive sites, the estimated post closure care expenditures are calculated to be approximately \$260,000. The estimated liability for these expenditures is recognized immediately.

For the active sites, the estimated total landfill closure and post closure care expenditures are calculated to be approximately \$1,550,000. For sites that are still active, the estimated liability for these expenses is recognized as the landfill site's capacity is used.

The estimated total landfill closure and post-closure care expense are calculated at approximately \$1,810,000 (2016 \$1,102,800). Included in liabilities at December 31, 2017 is an amount of \$512,500 (2016 \$487,500) 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 2017 was \$1,064,052 (2016 \$874,315).

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 but a one year extension was given for 2017. 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 2017 approximated \$230,902 (2016 \$232,624).

The Municipality has negotiated a long term contract with Steven Lewis for roadside mowing. The contract ends December 31, 2017. The contract for 2017 approximated \$9,871 (2016 \$10,961).

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 2017 approximated \$89,332 (2016 \$108,253).

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 2017 approximated \$169,322 (2016 \$105,853).

The Municipality has extended the contract for two - one year periods with Crains' Construction Ltd. for roadside brushing (original contract was 2013 to 2015) The contract for 2017 approximated \$13,320 (2016 \$14,282).

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2017

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, 2017, management believes that the Township 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 consolidated financial statements.

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, 2016.

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, 2017

14. Tangible Capital Assets

	2017	2016
	\$	\$
Land	82,517	82,517
Buildings	2,960,728	3,026,604
Bridges	2,627,216	2,701,779
Equipment	335,703	392,086
Roads	2,940,539	3,124,108
Vehicles	659,628	803,376
Proportionate Portion of Fire	533,199	424,042
Proportionate Portion of Library	168,679	155,834
	10,308,209	10,710,346

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, 2017

15. Segmented Information / continued

2017	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
\$	\$	\$	\$	\$	\$	\$
General Government						
Governance	127,587	---	77,908	29,110	---	234,605
Corporate Management & Program Support	645,325	34,218	301,686	---	15,851	997,080
Protection to Persons and Property						
Fire	226,861	---	175,025	---	99,466	501,352
Police	2,378	---	1,075,726	---	---	1,078,104
Conservation Authority	---	---	---	60,934	---	60,934
Protective Inspection	89,005	---	189,616	---	---	278,621
Transportation						
Roadways	482,748	---	840,271	---	438,739	1,761,758
Winter Control	50,042	---	236,215	---	---	286,257
Street Lighting	---	---	6,532	---	715	7,247
Environmental						
Waste Services	261,021	---	319,615	---	---	580,636
Recycling	---	---	193,411	---	---	193,411
Health Services						
Cemeteries	---	---	4,436	---	---	4,436
Recreation and Cultural Services						
Recreation Facilities & Programs	---	---	42,696	---	---	42,696
Recreation Facilities Other	20,374	---	34,462	192,246	---	247,082
Libraries	130,442	---	44,814	7,764	30,006	213,026
Planning and Development						
Planning & Zoning	175,671	1,705	127,907	1,000	---	306,283
2017	2,211,454	35,923	3,370,320	291,054	584,777	6,793,528

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2017

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, 2017

16. Budget Figures

The 2017 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Statement of Operations. The revenues attributable to these items continue to be included in the Statement of Operations, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget	Actual
	\$	\$
Total Revenues	6,814,945	7,009,734
Total Expenditures	(6,771,288)	(6,793,528)
Net Revenues	43,657	216,206
Amortization	572,674	584,777
Adjusted Net Revenues	616,331	800,983
Funds Available	616,331	800,983
Capital Expenditures	(665,200)	(182,640)
Principal Repayments	(28,800)	(27,574)
(Decrease) Increase in Operating Surplus	(77,669)	590,769
Allocated as follows:		
Net Transfers (to) from Reserves Township	(166,950)	565,171
Net Transfers from (to) Reserves Library Board	66,559	(18,021)
Net Transfers to Reserves Fire Board	22,722	43,619
	(77,669)	590,769

Tay Valley Township
Schedule 1 ▶ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 16) Budget	2017	2016
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	683,300	710,506	727,502
Transfers to capital acquisitions	(850,250)	(119,737)	(256,139)
Total Net Transfers	(166,950)	590,769	471,363
Reserves and Reserve Fund Balances, Change in Year	(166,950)	590,769	471,363
Reserves and Reserve Fund Balances, Beginning of Year	4,853,101	4,853,101	4,381,738
Reserves and Reserve Fund Balances, End of Year	4,686,151	5,443,870	4,853,101

Composition of Reserves and Reserve Funds

For the year ended December 31	2017	2016
	\$	\$
Reserves set aside for specific purposes by Council:		
▶ for working capital	450,000	450,000
▶ for acquisition of capital assets	3,095,114	2,464,993
▶ for contingencies	756,489	825,036
▶ for Pinehurst cemetery	45,642	42,045
▶ for fire joint board	994,442	950,823
▶ for library joint board	102,183	120,204
Total Reserves	5,443,870	4,853,101
Total Reserves and Reserve Funds	5,443,870	4,853,101

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

Tay Valley Township
Schedule 2 ▶ 2017 Tangible Capital Assets

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	\$	\$	\$	\$
Land	82,517	---	---	82,517
Buildings	3,720,164	---	---	3,720,164
Bridges	4,747,076	---	---	4,747,076
Equipment	982,835	---	---	982,835
Roads	7,146,496	---	---	7,146,496
Vehicles	2,394,833	---	---	2,394,833
Proportionate Portion of Fire	811,180	139,789	---	950,969
Proportionate Portion of Library	541,981	42,851	(17,692)	567,140
	20,427,082	182,640	(17,692)	20,592,030

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$
Land	---	---	---	---	82,517
Buildings	693,560	65,876	---	759,436	2,960,728
Bridges	2,045,297	74,563	---	2,119,860	2,627,216
Equipment	590,749	56,383	---	647,132	335,703
Roads	4,022,388	183,569	---	4,205,957	2,940,539
Vehicles	1,591,457	143,748	---	1,735,205	659,628
Proportionate Portion of Fire	387,138	30,632	---	417,770	533,199
Proportionate Portion of Library	386,147	30,006	(17,692)	398,461	168,679
	9,716,736	584,777	(17,692)	10,283,821	10,308,209

The accompany notes are an integral part of consolidated these 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 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, 2017 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, 2017 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,
May 15, 2018.

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

December 31	Pinehurst Cemetery	2017	2016
	\$	\$	\$
ASSETS			
Cash	34,422	34,422	32,322
LIABILITIES			
Fund balance	34,422	34,422	32,322

Statement of Financial Activities

For the year ended December 31	Pinehurst Cemetery	2017	2016
	\$	\$	\$
REVENUES			
Bank interest	---	---	361
Sale of plots, donations	2,100	2,100	2,263
	2,100	2,100	2,624
EXPENDITURES			
Pinehurst Cemetery	---	---	150
NET REVENUES FOR THE YEAR	2,100	2,100	2,474
BALANCE AT THE BEGINNING OF THE YEAR	32,322	32,322	29,848
BALANCE AT THE END OF THE YEAR	34,422	34,422	32,322

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

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

December 31, 2017

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	2017	2016
	\$	\$
ASSETS		
Cash	36,889	33,792
FUND BALANCES		
Reserves	36,889	33,792

Statement of Operations

For the year ended December 31	2017	2016
	\$	\$
REVENUES		
Other		
Investment income	566	371
Sale of plots, donations	4,867	7,505
Perpetual Care	2,100	2,263
	7,533	10,139
EXPENDITURES		
Honorariums, salaries and wages	1,800	1,794
Materials and services	536	622
Trustee	2,100	2,263
	4,436	4,679
NET REVENUES FOR THE YEAR	3,097	5,460

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, 2017 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, 2017 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,
May 28, 2018.

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

December 31	2017	2016
	\$	\$
ASSETS		
Financial Assets		
Cash	439,903	445,795
Accounts receivable	15,776	23,693
	455,679	469,488
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	151,726	75,521
NET FINANCIAL ASSETS	303,953	393,967
NON-FINANCIAL ASSETS		
Tangible capital assets (note 4) (Schedule 2)	555,202	486,573
ACCUMULATED SURPLUS (note 3)	859,155	880,540

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	2017	2016
	\$	\$	\$
REVENUES			
Government Grants			
Municipal Grants ▶ Perth	202,804	202,372	198,759
▶ Tay Valley	158,047	158,054	154,918
▶ Drummond/North Elmsley	157,166	157,592	154,071
Provincial Grants ▶ Operating	42,800	42,817	42,817
Other Grants	16,459	26,656	13,211
User Charges ▶ fees and service charges	6,300	6,497	6,809
Other Income			
Fines, other	10,000	10,830	10,322
Interest	3,725	5,933	5,519
Rentals	500	890	360
Book sales	2,250	3,704	2,636
Donations	42,000	60,913	75,349
TOTAL REVENUES	642,051	676,258	664,771
EXPENDITURES			
Amortization ▶ books	---	53,006	53,760
▶ building	---	38,616	21,912
▶ equipment and shelving	---	8,503	8,151
▶ leasehold improvements	---	2,639	2,639
Salaries, wages and employee benefits	424,047	427,522	419,735
Periodicals, newspapers and Ebooks	10,200	8,463	9,123
Utilities, telephone	24,000	20,934	22,849
Special programs, activities	42,000	46,417	41,643
Insurance, professional fees	16,400	19,573	19,135
Internet, videos, miscellaneous	3,100	3,756	12,065
Library, photocopy supplies	12,000	12,193	10,618
Technology	9,812	10,543	9,108
Maintenance and repairs	20,000	27,286	13,927
Fire hall lease and operations	6,000	2,667	3,296
Donation to Perth and District Community Foundation	---	15,525	18,000
TOTAL EXPENDITURES	567,559	697,643	665,961
ANNUAL (DEFICIT) SURPLUS	74,492	(21,385)	(1,190)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	880,540	880,540	881,730
ACCUMULATED SURPLUS, END OF YEAR	955,032	859,155	880,540

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	2017	2016
	\$	\$
ANNUAL DEFICIT	(21,385)	(1,190)
Amortization of tangible capital assets	102,764	86,462
Acquisition of tangible capital assets	(171,393)	(86,897)
	(68,629)	(435)
DECREASE IN NET FINANCIAL ASSETS	(90,014)	(1,625)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	393,967	395,592
NET FINANCIAL ASSETS, END OF YEAR	303,953	393,967

Statement of Cash Flows

For the year ended December 31	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Annual deficit for the year	(21,385)	(1,190)
Amortization	102,764	86,462
	81,379	85,272
Net Change in Non-Cash Working Capital Items		
Accounts receivable	7,917	(5,205)
Accounts payable and accrued liabilities	76,205	(29,172)
	84,122	(34,377)
Working Capital from Operations	165,501	50,895
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(171,393)	(86,897)
NET DECREASE IN CASH	(5,892)	(36,002)
CASH, BEGINNING OF YEAR	445,795	481,797
CASH, END OF YEAR	439,903	445,795

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

Perth & District Union Public Library Board

Notes to the Financial Statements

December 31, 2017

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, 2017

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, 2017

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:

	2017	2016
	\$	\$
Surplus		
Invested in tangible capital assets	555,202	486,573
Reserves		
Insurance	10,000	3,000
Capital	18,957	99,387
Contingency	19,695	19,694
Building	192,355	189,355
Literacy	8,440	20,525
Books	43,025	50,525
Donations and bequest	11,481	11,481
Total Reserves	303,953	393,967
Accumulated Surplus	859,155	880,540

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

December 31, 2017

4. Tangible Capital Assets

Net Book Value of Assets	2017	2016
	\$	\$
Land	125,000	125,000
Buildings	243,916	165,603
Leasehold improvements	18,476	21,115
Books	158,252	158,552
Machinery and equipment	9,558	16,303
	555,202	486,573

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, 2016.

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, 2017

6. Budget Figures

Perth & District Union Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2017 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	2017	2016
	\$	\$	\$
Net Transfers From / (To) Other Funds			
Transfers from operations	27,992	32,376	36,082
Transfers to capital acquisitions	(87,148)	(122,390)	(37,707)
Total Net Transfers Approved By Board	(59,156)	(90,014)	(1,625)
Reserves, Change in Year	(59,156)	(90,014)	(1,625)
Reserves, Beginning of Year	393,967	393,967	395,592
Reserves, End of Year	334,811	303,953	393,967

Composition of Reserves

For the year ended December 31	2017	2016
	\$	\$
Reserves		
Insurance	10,000	3,000
Contingency	19,695	19,694
Literacy	8,440	20,525
Donations and bequest	11,481	11,481
	49,616	54,700
For Capital Purposes		
Capital	18,957	99,387
Building	192,355	189,355
Books	43,025	50,525
	254,337	339,267
Total Reserves	303,953	393,967

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

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

December 31, 2017

Assets	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17	Accumulated Amortization 01/01/17	Additions	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$		\$	\$			\$	\$
Land	125,000	---	---	125,000	---	---	---	---	125,000
Building Leasehold Improvements	754,500	116,929	---	871,429	588,897	38,616	---	627,513	243,916
Books	25,592	---	---	25,592	4,477	2,639	---	7,116	18,476
Shelving	556,537	52,706	(57,986)	551,257	397,985	53,006	(57,986)	393,005	158,252
Machinery & Equipment	84,627	---	---	84,627	84,627	---	---	84,627	---
	54,554	1,758	---	56,312	38,251	8,503	---	46,754	9,558
	1,600,810	171,393	(57,986)	1,714,217	1,114,237	102,764	(57,986)	1,159,015	555,202

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

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 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, 2017 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, 2017 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.

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

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
April 12, 2018.

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

December 31	2017	2016
	\$	\$
ASSETS		
Financial Assets		
Cash	1,397,766	1,376,430
Government receivable	14,240	36,348
Accounts receivable	193,460	85,261
	1,605,466	1,498,039
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	53,299	93,928
NET FINANCIAL ASSETS	1,552,167	1,404,111
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5) (Schedule 2)	1,083,744	997,942
ACCUMULATED SURPLUS (note 4)	2,635,911	2,402,053

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	2017	2016
	\$	\$	\$
REVENUES			
Municipal contributions			
▸ Township of Drummond/North Elmsley	387,112	387,112	375,804
▸ Tay Valley Township	514,511	514,511	496,501
▸ Tay Valley Township ▸ South Sherbrooke reserve	---	52,300	491,860
Other			
▸ provincial highway rescue fees	---	---	5,683
▸ fire fees, inspections, transfers	---	39,430	134,404
▸ investment income	---	19,662	9,941
TOTAL REVENUES	901,623	1,013,015	1,514,193
EXPENDITURES			
Administration (Schedule 3)	224,273	213,563	230,986
BBDE Fire Station (Schedule 4)	317,300	376,556	484,729
South Sherbrooke Fire Station (Schedule 5)	201,050	178,918	183,732
Smiths Falls Fire Agreement (Schedule 6)	11,500	10,120	11,478
TOTAL EXPENDITURES	754,123	779,157	910,925
NET REVENUES FROM OPERATIONS	147,500	233,858	603,268
ANNUAL SURPLUS	147,500	233,858	603,268
ACCUMULATED SURPLUS, BEGINNING OF YEAR	2,402,053	2,402,053	1,798,785
ACCUMULATED SURPLUS, END OF YEAR	2,549,553	2,635,911	2,402,053

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	2017	2016
	\$	\$
ANNUAL SURPLUS	233,858	603,268
Amortization of tangible capital assets	66,382	65,301
Acquisition of tangible capital assets	(152,184)	(80,301)
	(85,802)	(15,000)
INCREASE IN NET FINANCIAL ASSETS	148,056	588,268
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,404,111	815,843
NET FINANCIAL ASSETS, END OF YEAR	1,552,167	1,404,111

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	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Annual surplus for the year	233,858	603,268
Net Change in Non-Cash Working Capital Items		
Government receivable	22,108	(5,637)
Accounts receivable	(108,199)	(81,537)
Accounts payable and accrued liabilities	(40,629)	68,146
	(126,720)	(19,028)
Non-cash charges to operations		
Amortization	66,382	65,301
Working Capital from Operations	173,520	649,541
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(152,184)	(80,301)
NET INCREASE IN CASH	21,336	569,240
CASH, BEGINNING OF YEAR	1,376,430	807,190
CASH, END OF YEAR	1,397,766	1,376,430

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, 2017

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, 2017

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, 2017

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.

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of financial statements 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.

Drummond/North Elmsley Tay Valley Fire Rescue

Notes to the Financial Statements

December 31, 2017

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, 2016.

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, 2017

4. Accumulated Surplus

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

	2017	2016
	\$	\$
Surplus		
BBDE Fire Station		
▸ invested in tangible capital assets	945,442	988,140
South Sherbrooke Fire Station		
▸ invested in tangible capital assets	138,302	9,802
	1,083,744	997,942
Reserves ▸ Administration		
Contingency	83,340	50,968
Reserves ▸ BBDE Fire Station		
Working funds	50,000	50,000
Contingency	145,257	140,257
Equipment	278,379	243,432
Apparatus	269,086	186,585
Bunker gear	36,000	30,000
Buildings	112,000	84,000
	890,722	734,274
Reserves ▸ South Sherbrooke		
Capital	478,851	507,830
Contingency	51,922	51,922
Bunker gear	21,836	35,000
	552,609	594,752
Reserves ▸ Smiths Falls Fire Agreement		
Fire calls	25,496	24,117
Total Reserves	1,552,167	1,404,111
	2,635,911	2,402,053

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

Drummond/North Elmsley Tay Valley Fire Rescue

Notes to the Financial Statements

December 31, 2017

5. Tangible Capital Assets

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	30,000	---	30,000	30,000
Building	388,989	161,850	227,139	236,864
Vehicles	1,193,672	577,606	616,066	669,178
Equipment	93,986	18,437	75,549	46,235
Linear Assets	16,489	1,236	15,253	15,665
Work in Progress	119,737	---	119,737	---
	1,842,873	759,129	1,083,744	997,942

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 2017 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 \$9,208 (2016 \$12,769) 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, 2017, 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	2017	2016
	\$	\$	\$
Net Transfer From / (To) Other Funds			
Transfers from operations	114,500	278,857	651,268
Transfers to capital acquisitions	(275,000)	(130,801)	(63,000)
Total Net Transfers Approved By Board	(160,500)	148,056	588,268
Reserves, Change in Year	(160,500)	148,056	588,268
Reserves, Beginning of Year	1,404,111	1,404,111	815,843
Reserves, End of Year	1,243,611	1,552,167	1,404,111

Composition of Reserves

For the year ended December 31	2017	2016
	\$	\$
Reserves ▶ Administration		
Contingency	83,340	50,968
Reserves ▶ BBDE Fire Station		
Working funds	50,000	50,000
Contingency	145,257	140,257
Equipment	278,379	243,432
Apparatus	269,086	186,585
Bunker gear	36,000	30,000
Building	112,000	84,000
	890,722	734,274
Reserves ▶ South Sherbrooke		
Capital	478,851	507,830
Contingency	51,922	51,922
Bunker gear	21,836	35,000
	552,609	594,752
Reserves ▶ Smiths Falls Fire Agreement		
Fire calls	25,496	24,117
Total Reserves	1,552,167	1,404,111

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, 2017

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	\$	\$	\$	\$
Land	30,000	---	---	30,000
Buildings	388,989	---	---	388,989
Vehicles	1,143,954	---	---	1,143,954
Equipment	57,653	22,660	---	80,313
Linear Assets	16,489	---	---	16,489
	1,637,085	22,660	---	1,659,745

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$
Land	---	---	---	---	30,000
Buildings	152,125	9,725	---	161,850	227,139
Vehicles	481,602	52,544	---	534,146	609,808
Equipment	14,394	2,677	---	17,071	63,242
Linear Assets	824	412	---	1,236	15,253
	648,945	65,358	---	714,303	945,442

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

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, 2017

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	\$	\$	\$	\$
Equipment	3,886	9,787	---	13,673
Vehicles	49,718	---	---	49,718
Work in Progress	---	119,737	---	119,737
	53,604	129,524	---	183,128

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	\$	\$	\$	\$	\$
Equipment	910	456	---	1,366	12,307
Vehicles	42,892	568	---	43,460	6,258
Work in Progress	---	---	---	---	119,737
	43,802	1,024	---	44,826	138,302

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
Work in Progress	---	---	---	---
	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
Work in Progress	---	---	---	---	---
	4,754	39,048	---	43,802	9,802

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	2017	2016
	\$	\$	\$
Revenues			
Municipal contributions			
▶ Township of Drummond/North Elmsley	122,187	122,187	116,103
▶ Tay Valley Township	104,086	104,086	98,902
Other			
▶ investment income	---	19,662	9,941
Total Revenues	226,273	245,935	224,946
Expenditures			
Fire chief salary and benefits	102,955	103,113	100,623
Secretary treasurer salary and benefits	55,518	45,499	60,554
Fire prevention wages and benefits	7,000	2,851	4,282
Employer health tax	4,000	4,675	5,151
Bad debt	---	2,025	4,050
Telephone	6,100	6,507	6,183
Training and seminars	3,500	2,055	4,516
Office supplies	10,000	11,617	9,594
Inspection and prevention	2,000	1,102	2,434
Professional fees	5,700	7,879	4,316
Fire service agreements	10,000	10,000	10,000
Insurance	10,000	10,000	10,021
Advertising, subscription and memberships	2,500	2,129	2,652
Fuel	3,000	2,463	2,653
Administration, other	2,000	1,648	3,957
Total Expenditures	224,273	213,563	230,986
Annual Surplus (Deficit)	2,000	32,372	(6,040)

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	2017	2016
	\$	\$	\$
Revenues			
Municipal contributions			
▶ Township of Drummond/North Elmsley	253,425	253,425	248,201
▶ Tay Valley Township	209,875	209,875	205,549
Other			
▶ provincial highway rescue fees	---	---	4,304
▶ fire fees, inspections, transfers	---	27,004	123,829
Total Revenues	463,300	490,304	581,883
Expenditures			
Amortization			
Building	---	9,725	9,725
Vehicles	---	52,544	52,544
Equipment	---	2,677	1,922
Linear assets	---	412	412
Operations			
Amounts to other municipalities for services	---	---	69,675
Firefighter honourariums	190,500	178,407	189,375
Communications maintenance	4,000	3,408	5,038
Training and seminars	18,500	14,678	24,410
Clothing	4,000	2,979	4,119
Bunker gear	4,000	4,585	1,825
Bunker gear cleaning	2,500	3,433	1,235
Radio licensing fees	1,300	1,025	1,252
BBDE Fire Hall			
Power and water	8,700	8,267	9,895
Heating fuel	4,600	3,418	4,076
Building maintenance and other	15,000	23,241	17,753
Insurance	4,800	4,800	4,832
Vehicle and Equipment			
Minor equipment purchases	15,100	19,776	13,159
Vehicle and equipment maintenance	20,000	22,490	21,337
Fuel, oil, lubricants, etc.	7,700	4,986	7,991
Insurance	8,100	8,163	7,434
Minor capital	8,500	7,542	36,720
Total Expenditures	317,300	376,556	484,729
Annual Surplus	146,000	113,748	97,154

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	2017	2016
	\$	\$	\$
Revenues			
Municipal contributions			
▶ Tay Valley Township	200,550	200,550	192,050
▶ Tay Valley Township ▶ South Sherbrooke reserve	---	52,300	491,860
Other			
▶ provincial highway rescue fees	---	---	1,379
▶ fire fees, inspections, transfers	---	12,426	10,575
Total Revenues	200,550	265,276	695,864
Expenditures			
Amortization	---	1,024	698
Operations			
Firefighter honourariums	88,100	74,220	78,499
Communications maintenance	3,000	2,454	3,241
Telephone	1,400	1,411	1,574
Training and seminars	12,000	11,442	13,301
Clothing	3,000	3,069	1,417
Bunker gear cleaning	2,000	1,378	2,235
Radio licensing fees	2,500	1,711	2,503
Fire Prevention			
Advertising, subscriptions and memberships	500	562	377
Emergency First Response			
Medical supplies	2,000	1,187	1,577
South Sherbrooke Fire Hall			
Power and water	6,000	3,981	6,368
Heating fuel	6,000	4,196	4,423
Building maintenance and other	6,500	6,658	4,577
Insurance	5,800	5,800	5,813
Vehicle and Equipment			
Minor equipment purchases	15,000	13,137	10,707
Vehicle and equipment maintenance	14,500	18,070	16,639
Fuel, oil, lubricants, etc.	3,500	3,165	1,728
Insurance	7,250	7,289	6,129
Minor capital	22,000	18,164	21,926
Total Expenditures	201,050	178,918	183,732
Annual Surplus (Deficit)	(500)	86,358	512,132

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	2017	2016
	\$	\$	\$
Revenues			
Municipal contribution			
▶ Taxation raised in year	11,500	11,500	11,500
Expenditures			
Fire Services Agreement	11,500	10,120	11,478
Annual Surplus	---	1,380	22

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