

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014**

CONTENTS

| | |
|---|---------|
| Five Year Financial Review | 1 - 2 |
| Management's Responsibility for the Consolidated Financial Statements | 3 |
| Independent Auditor's Report | 4 |
| Consolidated Statement of Financial Position | 5 |
| Consolidated Statement of Operations | 6 |
| Consolidated Statement of Changes in Net Financial Assets | 7 |
| Consolidated Statement of Cash Flows | 8 |
| Notes to the Consolidated Financial Statements | 9 - 19 |
| Schedule 1 ▶ Continuity of Reserves and Reserve Funds | 20 |
| Schedule 2 ▶ Tangible Capital Assets | 21 - 22 |
| Independent Auditor's Report ▶ Trust Funds | 23 |
| Trust Funds ▶ Statement of Financial Position and Statement of Financial Activities | 24 |
| Trust Funds ▶ Notes to the Financial Statements | 25 |
| Pinehurst Cemetery | 26 |
| Perth and District Union Public Library Board | 27 - 37 |
| Drummond/North Elmsley Tay Valley Fire Rescue | 38 - 53 |

**Tay Valley Township
Consolidated
Financial Statements
December 31, 2014**

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

| December 31 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------------|------------------|------------------|-----------------|-----------------|
| Population (Statistics Canada) | 5,771 | 5,771 | 5,571 | 5,571 | 6,000 |
| Number of Households (MPAC) | 3,891 | 3,875 | 3,868 | 3,843 | 3,825 |
| Taxable Assessment (000's) | | | | | |
| Residential and farm | \$ 1,041,450 | \$ 1,006,684 | \$ 973,455 | \$ 902,035 | \$ 831,170 |
| Commercial and industrial | 58,660 | 47,794 | 47,310 | 42,272 | 40,894 |
| Total | 1,100,110 | 1,054,478 | 1,020,765 | 944,307 | 872,064 |
| Commercial, industrial as % of assessment | 5.33% | 4.53% | 4.63% | 4.40% | 4.70% |
| Rates of Taxation | | | | | |
| Residential | | | | | |
| ▸ for general municipal purposes | 0.388617 | 0.397489 | 0.396556 | 0.404645 | 0.413418 |
| ▸ for county purposes | 0.392978 | 0.410042 | 0.418354 | 0.431698 | 0.443520 |
| ▸ for school board purposes | 0.203000 | 0.212000 | 0.221000 | 0.231000 | 0.241000 |
| Total | 0.984595 | 1.019531 | 1.035910 | 1.067343 | 1.097938 |
| Multi-Residential (total) | 2.056004 | 2.160636 | 2.235244 | 2.267276 | 2.293008 |
| Commercial (total) | 2.650786 | 2.710667 | 2.717630 | 2.802743 | 2.895237 |
| Industrial (total) | 3.606520 | 3.768390 | 3.886101 | 4.268753 | 4.856974 |
| Tax Arrears ▸ percentage of current levy (>10%)** | 6.88% | 5.74% | 5.61% | 5.30% | 3.96% |
| Taxes Transferred (000's) | | | | | |
| ▸ County | 4,532 | 4,555 | 4,519 | 4,315 | 4,110 |
| ▸ School Boards | 2,874 | 2,844 | 2,804 | 2,813 | 2,850 |
| Revenues (000's) | | | | | |
| | \$ | \$ | \$ | \$ | \$ |
| ▸ Taxation and payments in lieu | 4,481 | 4,414 | 4,278 | 4,057 | 3,837 |
| ▸ Government transfers | 815 | 716 | 750 | 731 | 710 |
| ▸ Fees and service charges | 341 | 430 | 352 | 353 | 281 |
| ▸ Other | 458 | 478 | 431 | 434 | 428 |
| ▸ Revenues related to capital assets | 626 | 320 | 6 | 763 | 954 |
| Total | 6,721 | 6,358 | 5,817 | 6,338 | 6,210 |
| Expenditures (000's) | | | | | |
| ▸ Operations | 5,888 | 5,750 | 5,707 | 5,497 | 5,490 |
| ▸ Amortization | 705 | 669 | 651 | 630 | 582 |
| Net Assets (Net Debt) | | | | | |
| ▸ % of Operating Revenue (>(20%)) ** | 60.51% | 55.16% | 43.77% | 38.48% | 41.30% |
| ▸ % of Taxation (>(50%)) ** | 82.31% | 75.41% | 59.45% | 52.88% | 56.58% |

** 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 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------|--------|--------|--------|--------|
| | \$ | \$ | \$ | \$ | \$ |
| Long Term Debt | | | | | |
| ▸ Net long term debt (000's) | 903 | 935 | 923 | 955 | 732 |
| ▸ Long term debt charges (000's) | 71 | 84 | 81 | 58 | 12 |
| ▸ Annual repayment limit (000's) | 1,240 | 1,087 | 1,089 | 1,019 | 1,013 |
| ▸ Long term debt per household | 232 | 241 | 239 | 248 | 191 |
| ▸ Debt charges (000's) | | | | | |
| ▸ tax supported | 71 | 84 | 81 | 58 | 12 |
| <hr/> | | | | | |
| Municipal Equity (000's) | | | | | |
| ▸ Surplus and Reserves | 4,682 | 4,329 | 3,524 | 3,116 | 2,962 |
| ▸ Invested in capital assets | 9,533 | 9,025 | 9,221 | 9,518 | 8,862 |
| ▸ Reserves as % of operating expenses (>20%) ** | 78.88% | 74.23% | 61.52% | 56.32% | 53.21% |
| ▸ Asset consumption ratio | 50.74% | 48.48% | 45.47% | 43.70% | 32.98% |
| <hr/> | | | | | |
| Financial Indicators | | | | | |
| ▸ Sustainability | | | | | |
| ▸ financial assets to liabilities | 2.41 | 2.07 | 1.95 | 1.85 | 1.85 |
| ▸ financial assets to liabilities excluding long term debt | 3.68 | 2.95 | 3.06 | 3.02 | 2.60 |
| ▸ capital reserve to accumulated amortization | 8.83% | 11.87% | 13.48% | 14.53% | 21.22% |
| ▸ Flexibility | | | | | |
| ▸ Debt charges to total operating revenue (<5%) ** | 1.17% | 1.41% | 1.40% | 0.88% | 0.24% |
| ▸ Total operating revenue to taxable assessment | 0.55% | 0.57% | 0.57% | 0.59% | 0.60% |
| ▸ Working capital to operating expenses (>10%)** | 80.85% | 77.12% | 61.69% | 56.93% | 53.19% |
| ▸ Vulnerability | | | | | |
| ▸ Operating government transfers ▸ to operating revenue | 13.37% | 11.86% | 12.90% | 13.12% | 13.37% |
| ▸ Total government transfers ▸ to total revenues | 20.71% | 15.23% | 12.89% | 22.47% | 25.63% |



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 established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. 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 Chartered Accountant Professional Corporation, 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

Peter Tranter
Acting Treasurer

Allan & Partners LLP

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated statement of financial position of the Corporation of the Tay Valley Township as at December 31, 2014 and the consolidated statement of operations, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Tay Valley Township as at December 31, 2014 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Professional Accountants
Licensed Public Accountants

Authorized to practice public accounting by the Institute of Chartered Professional Accountants of Ontario

Perth, Ontario,
June 9, 2015.

Tay Valley Township
Consolidated Statement of Financial Position

| December 31 | 2014 | 2013 |
|---|-------------------|-------------------|
| | \$ | \$ |
| ASSETS | | |
| Financial Assets | | |
| Cash and short term deposits | 5,122,784 | 5,424,549 |
| Taxes receivable (allowance \$50,000) | 764,016 | 625,574 |
| Accounts receivable | 375,985 | 350,090 |
| Other | 1,550 | 1,550 |
| Long term receivables (note 5) | 38,272 | 46,437 |
| | 6,302,607 | 6,448,200 |
| LIABILITIES | | |
| Financial Liabilities | | |
| Accounts payable | 323,053 | 356,032 |
| Accrued landfill closure and post closure (note 10) | 437,500 | 412,500 |
| Accrued post employment benefits | 6,298 | 39,652 |
| Prepaid property taxes | 315,305 | 320,197 |
| Deferred revenues (note 4) | 249,927 | 677,368 |
| Other current liabilities | 210,311 | 210,162 |
| Solar farm security deposit | 169,083 | 166,666 |
| Long term liabilities (note 5) | 903,014 | 935,378 |
| | 2,614,491 | 3,117,955 |
| NET FINANCIAL ASSETS | 3,688,116 | 3,330,245 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 14) | 10,408,006 | 9,960,463 |
| Inventories | 91,421 | 63,500 |
| | 10,499,427 | 10,023,963 |
| Contingent Liabilities (note 12) | | |
| MUNICIPAL EQUITY (note 6) | 14,187,543 | 13,354,208 |

Approved On Behalf of Council:

Reeve

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 | 2014 | 2013 |
|--|---------------------|-------------------|------------|
| | \$ | \$ | \$ |
| REVENUES | | | |
| Taxation ▶ residential | 3,946,579 | 3,964,207 | 3,922,122 |
| ▶ commercial and industrial | 448,121 | 463,682 | 438,943 |
| ▶ other governments | 53,000 | 52,850 | 52,816 |
| User charges ▶ protection to persons and property | 8,000 | 21,596 | 26,021 |
| ▶ waste disposal | 89,400 | 93,310 | 71,110 |
| ▶ planning and zoning | 52,000 | 70,132 | 199,365 |
| ▶ other | 137,640 | 156,296 | 133,620 |
| Government transfers | 759,628 | 814,765 | 715,873 |
| Contribution from developers | 4,000 | 4,184 | 20,000 |
| Licences and permits | 106,000 | 106,843 | 113,121 |
| Investment income | 77,995 | 98,346 | 96,260 |
| Penalties and interest on taxes | 95,000 | 120,876 | 115,102 |
| Provincial offences | 90,000 | 94,618 | 86,596 |
| Other | 18,940 | 33,661 | 47,228 |
| TOTAL REVENUES | 5,886,303 | 6,095,366 | 6,038,177 |
| EXPENDITURES | | | |
| General government | 1,002,451 | 1,091,259 | 996,787 |
| Protection to persons and property | 1,296,843 | 1,258,120 | 1,227,396 |
| Transportation services | 2,277,518 | 2,144,231 | 2,103,243 |
| Environmental services | 663,300 | 641,916 | 690,945 |
| Social and health services | --- | 4,956 | 2,748 |
| Recreation and cultural services | 474,033 | 459,156 | 518,799 |
| Planning and development | 258,500 | 288,170 | 210,125 |
| TOTAL EXPENDITURES | 5,972,645 | 5,887,808 | 5,750,043 |
| NET REVENUES (EXPENDITURES) FROM OPERATIONS | (86,342) | 207,558 | 288,134 |
| OTHER | | | |
| Grants and transfers related to capital | | | |
| Gain on disposal of capital asset | --- | --- | 117,000 |
| Government transfers | 576,000 | 625,777 | 203,077 |
| | 576,000 | 625,777 | 320,077 |
| ANNUAL SURPLUS | 489,658 | 833,335 | 608,211 |
| MUNICIPAL EQUITY, BEGINNING OF YEAR | 13,354,208 | 13,354,208 | 12,745,997 |
| MUNICIPAL EQUITY, END OF YEAR | 13,843,866 | 14,187,543 | 13,354,208 |

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 | 2014 | 2013 |
|--|---------------------|--------------------|-----------|
| | \$ | \$ | \$ |
| ANNUAL SURPLUS | 489,658 | 833,335 | 608,211 |
| Amortization of tangible capital assets | 16,692 | 705,157 | 669,182 |
| Acquisition of tangible capital assets | (971,000) | (1,152,700) | (486,359) |
| Acquisition of supplies inventories | --- | (27,921) | (4,750) |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (464,650) | 357,871 | 786,284 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 3,330,245 | 3,330,245 | 2,543,961 |
| NET FINANCIAL ASSETS, END OF YEAR | 2,865,595 | 3,688,116 | 3,330,245 |

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 | 2014 | 2013 |
|--|--------------------|------------------|
| | \$ | \$ |
| OPERATING | | |
| Annual surplus for the year | 833,335 | 608,211 |
| Amortization | 705,157 | 669,182 |
| | 1,538,492 | 1,277,393 |
| Net Change in Non-Cash Working Capital Balances | | |
| Taxes receivable | (138,442) | (28,176) |
| Accounts receivable | (25,895) | (19,556) |
| Long term receivables | 8,165 | 7,703 |
| Accounts payable | (32,979) | (15,681) |
| Accrued landfill closure and post closure | 25,000 | 25,000 |
| Accrued post employment benefits | (33,354) | (7,546) |
| Prepaid property taxes | (4,892) | 48,896 |
| Deferred revenues | (427,441) | (3,463) |
| Other current liabilities | 149 | (12,462) |
| Solar farm security deposit | 2,417 | 166,666 |
| Inventories | (27,921) | (4,750) |
| | (655,193) | 156,631 |
| Working Capital from Operations | 883,299 | 1,434,024 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (1,152,700) | (486,359) |
| Net investment in tangible capital assets | (1,152,700) | (486,359) |
| FINANCING | | |
| Debt principal repayments | (32,364) | (41,450) |
| Net decrease in cash from financing activities | (32,364) | (41,450) |
| NET (DECREASE) INCREASE IN CASH | (301,765) | 906,215 |
| CASH, BEGINNING OF YEAR | 5,424,549 | 4,518,334 |
| CASH, END OF YEAR | 5,122,784 | 5,424,549 |

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

Tay Valley Township

Notes to the Consolidated Financial Statements

December 31, 2014

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 for local governments as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies by the Township are as follows:

Reporting Entity

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

▶ Pinehurst Cemetery

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

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

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

Basis of Accounting

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

2. Significant Accounting Policies / continued

Basis of Accounting / continued

- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.
- (iii) Trust funds and their related operations administered by the Township are not included in these financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

| | |
|-----------|----------------|
| Land | |
| Buildings | 20 to 60 years |
| Bridges | 50 to 75 years |
| Equipment | 5 to 30 years |
| Roads | 5 to 30 years |
| Vehicles | 5 to 30 years |

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

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

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

Leases

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

Inventories and Prepaid Expenses

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

Tay Valley Township Notes to the Consolidated Financial Statements

December 31, 2014

2. Significant Accounting Policies / continued

Pension and Employee Benefits

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

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

Cash and Cash Equivalents

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

Government Transfers

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

Deferred Revenues

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

Investments

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

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

Landfill Closure and Post-Closure Liabilities

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

2. Significant Accounting Policies / continued

Landfill Closure and Post-Closure Liabilities / continued

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

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the Township's best information and judgment and may differ significantly based on actual results.

3. Operations of the School Boards and County of Lanark

During 2014, 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 | 2,873,976 | 4,488,530 |
| Taxation from other governments | --- | 43,124 |
| Amounts requisitioned and paid | 2,873,976 | 4,531,654 |

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

4. Deferred Revenues

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

| | Gravel Pit Rehabilitation | Development Charges | Parkland | Federal Gas Tax | Total |
|-------------------------------|------------------------------|------------------------|----------|--------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| January 1, 2014 | 1,550 | 156,932 | 39,694 | 479,192 | 677,368 |
| Contributions from developers | --- | 28,750 | 700 | --- | 29,450 |
| Interest | --- | 2,505 | 585 | 4,052 | 7,142 |
| Government grants | --- | --- | --- | 165,928 | 165,928 |
| Transfer to capital fund | --- | (4,184) | --- | (625,777) | (629,961) |
| December 31, 2014 | 1,550 | 184,003 | 40,979 | 23,395 | 249,927 |

5. Long Term Liabilities

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

| | 2014 | 2013 |
|---|----------------|---------|
| | \$ | \$ |
| Ontario Infrastructure Projects Corporation (4.45%), debenture for the Township offices with semi annual blended payments of \$46,686 maturing 2035. | 632,798 | 650,723 |
| Ontario Infrastructure Projects Corporation (4.25%), debenture for the South Sherbrooke Fire Hall with semi annual blended payments of \$16,333 maturing 2036. | 231,944 | 238,218 |
| 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 | 38,272 | 46,437 |
| Net long term liabilities at the end of the year | 903,014 | 935,378 |

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

5. Long Term Liabilities / continued

(b) Principal payments fall due as follows:

| | General Revenues |
|---------------------|-----------------------------|
| | \$ |
| 2015 | 33,930 |
| 2016 | 35,574 |
| 2017 | 30,505 |
| 2018 | 31,907 |
| 2019 | 33,374 |
| 2020 and thereafter | 737,814 |
| | 903,104 |

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

(d) Interest expense on long term liabilities in 2014 amounted to \$38,818 (2013 \$43,410).

6. Municipal Equity

Municipal equity consists of:

| | 2014 | 2013 |
|-------------------------------------|-------------------|-------------|
| | \$ | \$ |
| Invested in tangible capital assets | 10,408,006 | 9,960,463 |
| Long term liabilities | (903,104) | (935,378) |
| | 9,504,992 | 9,025,085 |
| Unrestricted surplus | 63,625 | 62,710 |
| Reserves (Schedule 1) | 4,618,926 | 4,221,258 |
| Reserve Funds (Schedule 1) | --- | 45,155 |
| Total Municipal Equity | 14,187,543 | 13,354,208 |

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

7. Pension Contributions

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS was \$112,319 (2013 \$118,124) 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 \$28,778 (2013 \$26,559) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

9. Provincial Offences Administration (POA)

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

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

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

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

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

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

10. Landfill Closure and Post Closure Liability

The Environment Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites and is in accordance with the Township's accounting policy. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

The Township currently has three active and two inactive landfill sites. The Maberly site is a transfer site and has been rendered inactive, although there is capacity available for emergency use. The site has been capped with a clay cap as per MOE closure guidelines. The Stanleyville site is also a transfer site and has been temporarily capped until such time as the Township determines it is required to be put into service. The Stanleyville site and the Glen Tay site have estimated lives beyond 2030. The remaining volume is estimated at 154,000 cubic metres for the Stanleyville site and 182,000 cubic metres for the Glen Tay site, with annual usage projected as 5,800 cubic metres for Glen Tay. The anticipated closure plan involves placement of a clay cap and soil cover, landscaping and revegetation and ongoing annual monitoring and maintenance at an estimated cost of \$162,500 for the Stanleyville site and \$372,850 for the Glen Tay site. Annual post closure maintenance and monitoring requirements are estimated to be \$13,750 per annum.

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

11. Contractual Obligations

The Municipality has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. The contract ended December 31, 2013 and was amended to extend the contract to December 31, 2014. 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 2014 was \$503,037 (2013 \$490,362).

The Municipality has negotiated a long term contract with Stanley Sanitation Ltd. for the disposal and transfer of recycled materials and waste. The contract ends August 31, 2014. Annual charges are determined based on the volume of recycled goods that are transferred. The contract for 2014 approximated \$251,957 (2013 \$223,229).

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, 2014, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position.

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

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, 2013.

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.

14. Tangible Capital Assets

| | 2014 | 2013 |
|-----------|-------------------|------------------|
| | \$ | \$ |
| Land | 136,257 | 136,257 |
| Buildings | 3,341,745 | 3,413,721 |
| Bridges | 2,592,417 | 2,634,614 |
| Equipment | 571,520 | 617,268 |
| Roads | 2,757,354 | 2,116,906 |
| Vehicles | 1,008,713 | 1,041,697 |
| | 10,408,006 | 9,960,463 |

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

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

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.

| 2014 | Salaries, Wages & Employee Benefits | Debt Interest | Materials & Services | External Transfers | Amortization | Total |
|---|--|------------------|----------------------------|-----------------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| General Government | | | | | | |
| Governance | 125,138 | --- | 45,048 | --- | --- | 170,186 |
| Corporate Management & Program Support | 545,442 | 38,818 | 302,332 | 18,630 | 15,851 | 921,073 |
| Protection to Persons and Property | | | | | | |
| Fire | 207,746 | --- | 188,763 | --- | 97,959 | 494,468 |
| Police | --- | --- | 515,156 | --- | --- | 515,156 |
| Conservation Authority | --- | --- | --- | 56,859 | --- | 56,859 |
| Protective Inspection | 85,681 | --- | 105,956 | --- | --- | 191,637 |
| Transportation | | | | | | |
| Roadways | 502,069 | --- | 863,179 | --- | 565,411 | 1,930,659 |
| Winter Control | 52,222 | --- | 154,761 | --- | --- | 206,983 |
| Street Lighting | --- | --- | 6,589 | --- | --- | 6,589 |
| Environmental | | | | | | |
| Waste Services | 189,146 | --- | 243,048 | --- | --- | 432,194 |
| Recycling | --- | --- | 209,722 | --- | --- | 209,722 |
| Health Services | | | | | | |
| Cemeteries | --- | --- | 4,956 | --- | --- | 4,956 |
| Recreation and Cultural Services | | | | | | |
| Recreation Facilities & Programs | --- | --- | 29,581 | --- | --- | 29,581 |
| Recreation Facilities Other | 18,792 | --- | 27,049 | 198,473 | --- | 244,314 |
| Libraries | 112,088 | --- | 38,137 | 9,100 | 25,936 | 185,261 |
| Planning and Development | | | | | | |
| Planning & Zoning | 138,933 | --- | 144,737 | 4,500 | --- | 288,170 |
| 2014 | 1,977,257 | 38,818 | 2,879,014 | 287,562 | 705,157 | 5,887,808 |

Tay Valley Township
Notes to the Consolidated Financial Statements

December 31, 2014

15. Segmented Information / continued

| 2013 | Salaries, Wages & Employee Benefits | Debenture Debt Interest | Materials & Services | External Transfers | Amortization | Total |
|---|--|-------------------------------|----------------------------|-----------------------|----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| General Government | | | | | | |
| Governance | 118,799 | --- | 12,934 | --- | --- | 131,733 |
| Corporate Management & Program Support | 535,145 | 39,851 | 270,132 | 4,075 | 15,851 | 865,054 |
| Protection to Persons and Property | | | | | | |
| Fire | 206,640 | 480 | 192,698 | --- | 92,075 | 491,893 |
| Police | --- | --- | 487,749 | --- | --- | 487,749 |
| Conservation Authority | --- | --- | --- | 60,972 | --- | 60,972 |
| Protective Inspection | 86,684 | --- | 100,098 | --- | --- | 186,782 |
| Transportation | | | | | | |
| Roadways | 456,265 | --- | 854,610 | --- | 537,818 | 1,848,693 |
| Winter Control | 84,537 | --- | 163,387 | --- | --- | 247,924 |
| Street Lighting | --- | --- | 6,626 | --- | --- | 6,626 |
| Environmental | | | | | | |
| Waste Services | 191,227 | --- | 324,826 | --- | --- | 516,053 |
| Recycling | --- | --- | 174,892 | --- | --- | 174,892 |
| Health Services | | | | | | |
| Cemeteries | --- | --- | 2,748 | --- | --- | 2,748 |
| Recreation and Cultural Services | | | | | | |
| Recreation Facilities & Programs | --- | --- | 29,876 | --- | --- | 29,876 |
| Recreation Facilities Other | 13,886 | --- | 80,566 | 216,288 | --- | 310,740 |
| Libraries | 111,713 | --- | 35,529 | 7,502 | 23,439 | 178,183 |
| Planning and Development | | | | | | |
| Planning & Zoning | 134,691 | --- | 72,184 | 3,250 | --- | 210,125 |
| 2013 | 1,939,587 | 40,331 | 2,808,855 | 292,087 | 669,183 | 5,750,043 |

16. Budget Figures

The operating budget approved by Township Council for 2014 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within Reserves and Reserve Funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements.

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

| For the year ended December 31 | (Note 16) Budget | 2014 | 2013 |
|--|---------------------|-----------|-----------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Investment income | --- | --- | --- |
| Total Net Revenues | --- | --- | --- |
| Net Transfers From / (To) Other Funds | | | |
| Transfers from (to) operations | 15,300 | 214,218 | (387,659) |
| Transfers to capital acquisitions | 43,600 | 163,650 | 1,143,088 |
| Total Net Transfers | 58,900 | 377,868 | 755,429 |
| Reserves and Reserve Fund Balances, Change in Year | 58,900 | 377,868 | 755,429 |
| Reserves and Reserve Fund Balances, Beginning of Year | 4,266,413 | 4,266,413 | 3,510,984 |
| Reserves and Reserve Fund Balances, End of Year | 4,325,313 | 4,644,281 | 4,266,413 |

Composition of Reserves and Reserve Funds

| For the year ended December 31 | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Reserves set aside for specific purposes by Council: | | |
| ▶ for working capital | 450,000 | 450,000 |
| ▶ for acquisition of capital assets | 2,952,138 | 2,938,227 |
| ▶ for contingencies | 802,299 | 439,535 |
| ▶ for Pinehurst cemetery | 7,253 | 6,753 |
| ▶ for library and fire joint boards | 432,591 | 386,743 |
| Total Reserves | 4,644,281 | 4,221,258 |
| Reserve Funds | | |
| ▶ for library | --- | 45,155 |
| Total Reserves and Reserve Funds | 4,644,281 | 4,266,413 |

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

Tay Valley Township
Schedule 2 ▶ 2014 Tangible Capital Assets

| Asset Class | Cost 01/01/14 | Additions | (Disposals) | Cost 31/12/14 |
|-------------|-------------------|------------------|-------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Land | 136,257 | --- | --- | 136,257 |
| Buildings | 4,131,045 | --- | --- | 4,131,045 |
| Bridges | 4,449,165 | 22,563 | --- | 4,471,728 |
| Equipment | 1,221,526 | 31,185 | --- | 1,252,711 |
| Roads | 5,291,990 | 983,025 | --- | 6,275,015 |
| Vehicles | 2,486,718 | 115,927 | --- | 2,602,645 |
| | 17,716,701 | 1,152,700 | --- | 18,869,401 |

| Asset Class | Accumulated Amortization 01/01/14 | Amortization | (Disposals) | Accumulated Amortization 31/12/14 | Net Book Value 31/12/14 |
|-------------|---|----------------|-------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Land | --- | --- | --- | --- | 136,257 |
| Buildings | 717,324 | 71,976 | --- | 789,300 | 3,341,745 |
| Bridges | 1,814,551 | 64,760 | --- | 1,879,311 | 2,592,417 |
| Equipment | 604,258 | 76,933 | --- | 681,191 | 571,520 |
| Roads | 3,175,084 | 342,577 | --- | 3,517,661 | 2,757,354 |
| Vehicles | 1,445,021 | 148,911 | --- | 1,593,932 | 1,008,713 |
| | 7,756,238 | 705,157 | --- | 8,461,395 | 10,408,006 |

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

Tay Valley Township
Schedule 2 ▶ 2013 Tangible Capital Assets

| Asset Class | Cost 01/01/13 | Additions | (Disposals) | Cost 31/12/13 |
|-------------|-------------------|----------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Land | 136,257 | --- | --- | 136,257 |
| Buildings | 4,241,045 | --- | (110,000) | 4,131,045 |
| Bridges | 4,449,165 | --- | --- | 4,449,165 |
| Equipment | 1,182,886 | 38,640 | --- | 1,221,526 |
| Roads | 5,076,190 | 215,800 | --- | 5,291,990 |
| Vehicles | 2,254,799 | 231,919 | --- | 2,486,718 |
| | 17,340,342 | 486,359 | (110,000) | 17,716,701 |

| Asset Class | Accumulated Amortization 01/01/13 | Amortization | (Disposals) | Accumulated Amortization 31/12/13 | Net Book Value 31/12/13 |
|-------------|---|----------------|------------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Land | --- | --- | --- | --- | 136,257 |
| Buildings | 755,809 | 71,515 | (110,000) | 717,324 | 3,413,721 |
| Bridges | 1,750,244 | 64,307 | --- | 1,814,551 | 2,634,614 |
| Equipment | 529,822 | 74,436 | --- | 604,258 | 617,268 |
| Roads | 2,854,286 | 320,798 | --- | 3,175,084 | 2,116,906 |
| Vehicles | 1,306,895 | 138,126 | --- | 1,445,021 | 1,041,697 |
| | 7,197,056 | 669,182 | (110,000) | 7,756,238 | 9,960,463 |

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

Allan & Partners LLP

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the statement of financial position of the trust funds of the Corporation of the Tay Valley Township as at December 31, 2014 and the statement of financial activities of the trust funds for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Tay Valley Township as at December 31, 2014 and the financial activities for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Professional Accountants

Licensed Public Accountants

Authorized to practice public accounting by the Institute of Chartered Professional Accountants of Ontario

Perth, Ontario,
June 9, 2015.

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

| December 31 | Education | Pinehurst Cemetery | 2014 | 2013 |
|--------------------|-----------|-----------------------|---------------|--------|
| | \$ | \$ | \$ | \$ |
| ASSETS | | | | |
| Cash | --- | 28,778 | 28,778 | 26,559 |
| LIABILITIES | | | | |
| Fund balance | --- | 28,778 | 28,778 | 26,559 |

Statement of Financial Activities

| For the year ended December 31 | Education | Pinehurst Cemetery | 2014 | 2013 |
|---|-----------|-----------------------|---------------|--------|
| | \$ | \$ | \$ | \$ |
| REVENUES | | | | |
| Bank interest | 2 | 388 | 390 | 322 |
| Sale of plots, donations | --- | 2,550 | 2,550 | --- |
| | 2 | 2,938 | 2,940 | 322 |
| EXPENDITURES | | | | |
| Bursary | 345 | --- | 345 | 325 |
| Pinehurst Cemetery | --- | 376 | 376 | --- |
| | 345 | 376 | 721 | 325 |
| NET REVENUES (EXPENDITURES) FOR THE YEAR | (343) | 2,562 | 2,219 | (3) |
| BALANCE AT THE BEGINNING OF THE YEAR | 343 | 26,216 | 26,559 | 26,562 |
| BALANCE AT THE END OF THE YEAR | --- | 28,778 | 28,778 | 26,559 |

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

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

December 31, 2014

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 | 2014 | 2013 |
|----------------------|--------|--------|
| | \$ | \$ |
| ASSETS | | |
| Cash | 25,353 | 16,273 |
| FUND BALANCES | | |
| Current fund | 24,308 | 15,228 |
| Reserves | 1,045 | 1,045 |
| | 25,353 | 16,273 |

Statement of Operations

| For the year ended December 31 | 2014 | 2013 |
|----------------------------------|--------------|--------------|
| | \$ | \$ |
| REVENUES | | |
| Other | | |
| Investment income | 557 | 362 |
| Sale of plots, donations | 5,132 | 3,941 |
| Perpetual Care | 2,550 | 300 |
| Return of investment | 5,797 | --- |
| | 14,036 | 4,603 |
| EXPENDITURES | | |
| Honorariums, salaries and wages | 1,625 | 1,949 |
| Materials and services | 781 | 499 |
| Trustee | 2,550 | 300 |
| | 4,956 | 2,748 |
| NET REVENUES FOR THE YEAR | 9,080 | 1,855 |

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 established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. 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 Chartered Accountant Professional Corporation, 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.

Rachel Warren, Interim CEO

Allan & Partners LLP

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the statement of financial position of the Perth & District Union Public Library Board as at December 31, 2014 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Professional Accountants

Licensed Public Accountants

Authorized to practice public accounting by the Institute of Chartered Professional Accountants of Ontario

Perth, Ontario,
March 16, 2015.

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

| December 31 | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| ASSETS | | |
| Financial Assets | | |
| Cash | 363,549 | 318,244 |
| Accounts receivable | 27,241 | 12,795 |
| | 390,790 | 331,039 |
| LIABILITIES | | |
| Financial Liabilities | | |
| Accounts payable | 34,701 | 16,076 |
| NET FINANCIAL ASSETS | | |
| | 356,089 | 314,963 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 4) (Schedule 2) | 498,620 | 481,989 |
| ACCUMULATED SURPLUS (note 3) | | |
| | 854,709 | 796,952 |

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 | 2014 | 2013 |
|---|--------------------|----------------|----------------|
| | \$ | \$ | \$ |
| REVENUES | | | |
| Government Grants | | | |
| Municipal Grants ▶ Perth | 191,585 | 191,585 | 189,158 |
| ▶ Tay Valley | 152,945 | 152,945 | 149,845 |
| ▶ Drummond/North Elmsley | 145,670 | 145,670 | 140,397 |
| Provincial Grants ▶ Operating | 42,800 | 42,817 | 42,817 |
| Other Grants | 1,200 | 13,783 | 39,313 |
| User Charges ▶ fees and service charges | 5,800 | 6,689 | 7,967 |
| Other Income | | | |
| Fines, other | 8,600 | 10,513 | 9,596 |
| Interest | 1,000 | 5,386 | 4,742 |
| Rentals | 500 | 1,260 | 970 |
| Book sales | 2,000 | 2,180 | 1,949 |
| Donations | 32,500 | 67,948 | 52,111 |
| TOTAL REVENUES | 584,600 | 640,776 | 638,865 |
| EXPENDITURES | | | |
| Salaries, wages and employee benefits | 373,600 | 359,258 | 357,367 |
| Amortization of books | 53,500 | 56,877 | 56,880 |
| Periodicals and newspapers | 4,100 | 4,095 | 4,040 |
| Utilities, telephone | 20,200 | 18,428 | 20,589 |
| Special programs, activities | 34,500 | 37,228 | 62,718 |
| Insurance, professional fees | 16,000 | 19,564 | 19,758 |
| Internet, videos, miscellaneous | 8,100 | 4,589 | 2,844 |
| Library, photocopy supplies | 6,300 | 5,867 | 12,182 |
| Technology | 12,800 | 14,333 | 3,492 |
| Building amortization | --- | 18,100 | 18,100 |
| Maintenance and repairs | 14,900 | 16,529 | 26,036 |
| Equipment and shelving amortization | --- | 8,151 | --- |
| Grants to other libraries | --- | --- | 6,542 |
| Donation to Perth and District Community Foundation | --- | 20,000 | 24,000 |
| TOTAL EXPENDITURES | 544,000 | 583,019 | 614,548 |
| ANNUAL SURPLUS | 40,600 | 57,757 | 24,317 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 796,952 | 796,952 | 772,635 |
| ACCUMULATED SURPLUS, END OF YEAR | 837,552 | 854,709 | 796,952 |

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 | 2014 | 2013 |
|--|----------|----------|
| | \$ | \$ |
| ANNUAL SURPLUS | 57,757 | 24,317 |
| Amortization of tangible capital assets | 83,128 | 74,980 |
| Acquisition of tangible capital assets | (99,759) | (53,502) |
| INCREASE IN NET FINANCIAL ASSETS | 41,126 | 45,795 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 314,963 | 269,168 |
| NET FINANCIAL ASSETS, END OF YEAR | 356,089 | 314,963 |

Statement of Cash Flows

| For the year ended December 31 | 2014 | 2013 |
|---|----------|----------|
| | \$ | \$ |
| OPERATING | | |
| Annual surplus | 57,757 | 24,317 |
| Amortization | 83,128 | 74,980 |
| | 140,885 | 99,297 |
| Net Change in Non-Cash Working Capital Items | | |
| Accounts receivable | (14,446) | 40,847 |
| Accounts payable | 11,762 | (21,824) |
| Due to Town of Perth | 6,863 | 1,252 |
| | 4,179 | 20,275 |
| Working Capital from Operations | 145,064 | 119,572 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (99,759) | (53,502) |
| NET INCREASE IN CASH | 45,305 | 66,070 |
| CASH, BEGINNING OF YEAR | 318,244 | 252,174 |
| CASH, END OF YEAR | 363,549 | 318,244 |

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

Perth & District Union Public Library Board

Notes to the Financial Statements

December 31, 2014

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 Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies by the Board are as follows:

Reporting Entity

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

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

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

Tangible Capital Assets

Tangible capital assets are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

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

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, 2014

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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

Cash and Cash Equivalents

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

Government Transfers

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

Deferred Revenues

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

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

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

December 31, 2014

3. Accumulated Surplus

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

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Surplus | | |
| Invested in tangible capital assets | 498,620 | 481,989 |
| | 498,620 | 481,989 |
| Reserves | | |
| Insurance | 3,000 | 3,000 |
| Capital | 89,727 | 104,360 |
| Contingency | 34,330 | 34,330 |
| Building | 149,354 | 94,528 |
| Pay equity | 3,366 | 3,366 |
| Literacy | 14,306 | 5,403 |
| Books | 50,525 | 25,000 |
| Donations and bequest | 11,481 | --- |
| Total Reserves | 356,089 | 269,987 |
| Reserve Funds | | |
| B & M | --- | 11,373 |
| Books | --- | 27,278 |
| Hooper | --- | 6,325 |
| | --- | 44,976 |
| Total Reserves and Reserve Funds | 356,089 | 314,963 |
| Accumulated Surplus | 854,709 | 796,952 |

4. Tangible Capital Assets

| Net Book Value of Assets | 2014 | 2013 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Land | 125,000 | 125,000 |
| Buildings | 175,121 | 193,221 |
| Books | 165,894 | 163,768 |
| Machinery and equipment | 32,605 | --- |
| | 498,620 | 481,989 |

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

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

December 31, 2014

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, 2013.

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.

6. Budget Figures

Perth & District Union Public Library Board reviews its operating and capital budgets each year. The approved operating budget for 2014 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 | 2014 | 2013 |
|--|--------------------|----------------|---------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Interest | --- | 164 | 216 |
| Total Net Transfers Approved By Board | 40,600 | 40,962 | 44,996 |
| Reserves, Change in Year | 40,600 | 41,126 | 45,212 |
| Reserves, Beginning of Year | 314,963 | 314,963 | 269,168 |
| Reserves, End of Year | 355,563 | 356,089 | 314,963 |

Composition of Reserves

| For the year ended December 31 | 2014 | 2013 |
|---|----------------|---------|
| | \$ | \$ |
| Reserves | | |
| Insurance | 3,000 | 3,000 |
| Capital | 89,727 | 104,360 |
| Contingency | 34,330 | 34,330 |
| Building | 149,354 | 94,528 |
| Pay equity | 3,366 | 3,366 |
| Literacy | 14,306 | 5,403 |
| Books | 50,525 | 25,000 |
| Donations and bequest | 11,481 | --- |
| Total Reserves | 356,089 | 269,987 |
| Reserve Funds | | |
| B & M | --- | 11,373 |
| Books | --- | 27,278 |
| Hooper | --- | 6,325 |
| Total Reserve Funds | --- | 44,976 |
| Total Reserves and Reserve Funds | 356,089 | 314,963 |

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

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

December 31, 2014

| Assets | Cost 01/01/14 | Additions (Disposals) | Cost 31/12/14 | Accumulated Amortization 01/01/14 | Amortization 2014 | Accumulated Amortization 31/12/14 | Net Book Value 31/12/14 |
|--------------------------|------------------|--------------------------|------------------|---|----------------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land | 125,000 | --- | 125,000 | --- | --- | --- | 125,000 |
| Building | 724,006 | --- | 724,006 | 530,785 | 18,100 | 548,885 | 175,121 |
| Books | 578,376 | (25) | 578,351 | 414,608 | (2,151) | 412,457 | 165,894 |
| Shelving | 84,627 | --- | 84,627 | 84,627 | --- | 84,627 | --- |
| Machinery & Equipment | 13,798 | 40,756 | 54,554 | 13,798 | 8,151 | 21,949 | 32,605 |
| | 1,525,807 | 40,731 | 1,566,538 | 1,043,818 | 24,100 | 1,067,918 | 498,620 |

December 31, 2013

| Assets | Cost 01/01/13 | Additions (Disposals) | Cost 31/12/13 | Accumulated Amortization 01/01/13 | Amortization 2013 | Accumulated Amortization 31/12/13 | Net Book Value 31/12/13 |
|--------------------------|------------------|--------------------------|------------------|---|----------------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land | 125,000 | --- | 125,000 | --- | --- | --- | 125,000 |
| Building | 724,006 | --- | 724,006 | 512,685 | 18,100 | 530,785 | 193,221 |
| Books | 575,589 | 2,787 | 578,376 | 408,443 | 6,165 | 414,608 | 163,768 |
| Shelving | 84,627 | --- | 84,627 | 84,627 | --- | 84,627 | --- |
| Machinery & Equipment | 13,798 | --- | 13,798 | 13,798 | --- | 13,798 | --- |
| | 1,523,020 | 2,787 | 1,525,807 | 1,019,553 | 24,265 | 1,043,818 | 481,989 |

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

BBD&E Station
14 Sherbrooke St. E.
Perth, Ontario



South Sherbrooke Station
22110 Hwy. 7
Tay Valley Township

Fire Department Administration
14 Sherbrooke St. E. Perth, ON K7H 1A2
Office: 613-267-2596 Fax: 613-264-8561

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Drummond/North Elmsley Tay Valley Fire Rescue's are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. 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 Chartered Accountant Professional Corporation, 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

Allan & Partners LLP

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the statement of financial position of the Drummond/North Elmsley Tay Valley Fire Rescue as at December 31, 2014 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 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 Drummond/North Elmsley Tay Valley Fire Rescue as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Professional Accountants

Licensed Public Accountants

Authorized to practice public accounting by the Institute of Chartered Professional Accountants of Ontario

Perth, Ontario,
March 23, 2015.

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

| December 31 | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| Financial Assets | | |
| Cash | 589,210 | 576,421 |
| Government receivable | 55,922 | 100,722 |
| Accounts receivable | 5,986 | 23,648 |
| | 651,118 | 700,791 |
| LIABILITIES | | |
| Financial Liabilities | | |
| Accounts payable | 24,837 | 36,218 |
| | 626,281 | 664,573 |
| NET FINANCIAL ASSETS | 626,281 | 664,573 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 5) (Schedule 2) | 1,028,304 | 838,272 |
| ACCUMULATED SURPLUS (note 4) | 1,654,585 | 1,502,845 |

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 | 2014 | 2013 |
|---|--------------------|------------------|-----------|
| | \$ | \$ | \$ |
| REVENUES | | | |
| Municipal contributions | | | |
| ▶ Township of Drummond/North Elmsley | 361,339 | 361,339 | 374,709 |
| ▶ Tay Valley Township | 483,533 | 483,534 | 473,724 |
| Other | | | |
| ▶ provincial highway rescue fees | --- | 7,730 | 4,715 |
| ▶ fire fees, inspections | --- | 5,162 | 8,810 |
| ▶ investment income | --- | 10,872 | 7,109 |
| TOTAL REVENUES | 844,872 | 868,637 | 869,067 |
| EXPENDITURES | | | |
| Administration (Schedule 3) | 211,322 | 208,366 | 210,800 |
| BBDE Fire Station (Schedule 4) | 294,000 | 329,037 | 319,024 |
| South Sherbrooke Fire Station (Schedule 5) | 176,550 | 171,052 | 172,004 |
| Smiths Falls Fire Agreement (Schedule 6) | 11,500 | 8,442 | 11,576 |
| TOTAL EXPENDITURES | 693,372 | 716,897 | 713,404 |
| NET REVENUES FROM OPERATIONS | 151,500 | 151,740 | 155,663 |
| ANNUAL SURPLUS | 151,500 | 151,740 | 155,663 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 1,502,845 | 1,502,845 | 1,347,182 |
| ACCUMULATED SURPLUS, END OF YEAR | 1,654,345 | 1,654,585 | 1,502,845 |

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 | 2014 | 2013 |
|--|-----------------|----------------|
| | \$ | \$ |
| ANNUAL SURPLUS | 151,740 | 155,663 |
| Amortization of tangible capital assets | 61,437 | 48,868 |
| Acquisition of tangible capital assets | (251,469) | --- |
| (DECREASE) INCREASE IN NET FINANCIAL ASSETS | (38,292) | 204,531 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 664,573 | 460,042 |
| NET FINANCIAL ASSETS, END OF YEAR | 626,281 | 664,573 |

Statement of Cash Flows

| For the year ended December 31 | 2014 | 2013 |
|---|----------------|-----------------|
| | \$ | \$ |
| OPERATING | | |
| Annual surplus | 151,740 | 155,663 |
| Net Change in Non-Cash Working Capital Items | | |
| Government receivable | 44,800 | (4,502) |
| Accounts receivable | 17,662 | (13,856) |
| Accounts payable | (11,381) | (22,281) |
| | 51,081 | (40,639) |
| Non-cash charges to operations | | |
| Amortization | 61,437 | 48,868 |
| Working Capital from Operations | 264,258 | 163,892 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (251,469) | --- |
| FINANCING | | |
| Debt principal repayments | --- | (23,000) |
| Net decrease in cash from financing activities | --- | (23,000) |
| NET INCREASE IN CASH | 12,789 | 140,892 |
| CASH, BEGINNING OF YEAR | 576,421 | 435,529 |
| CASH, END OF YEAR | 589,210 | 576,421 |

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, 2014

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 for organizations operating in the local government sector as recommended by the Public Sector Accounting Board ('PSAB') of the Canadian Institute of Chartered Accountants. Significant 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 |

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, 2014

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

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

Cash and Cash Equivalents

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

Government Transfers

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

Deferred Revenues

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

Financial Instruments

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

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

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

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

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the Board's best information and judgment and may differ significantly based on actual results.

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

December 31, 2014

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. The fair values of cash, investments and accounts payable 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, 2013.

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, 2014

4. Accumulated Surplus

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

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Surplus | | |
| BBDE Fire Station | | |
| ▸ invested in tangible capital assets | 1,017,106 | 826,376 |
| South Sherbrooke Fire Station | | |
| ▸ invested in tangible capital assets | 11,198 | 11,896 |
| | 1,028,304 | 838,272 |
| Reserves ▸ Administration | | |
| Contingency | 32,946 | 17,120 |
| Reserves ▸ BBDE Fire Station | | |
| Working funds | 50,000 | 50,000 |
| Contingency | 130,257 | 125,257 |
| Equipment | 183,482 | 133,454 |
| Apparatus | 66,585 | 224,085 |
| Bunker gear | 36,000 | 30,000 |
| Buildings | 28,000 | --- |
| | 494,324 | 562,796 |
| Reserves ▸ South Sherbrooke | | |
| Contingency | 52,976 | 46,680 |
| Bunker gear | 25,000 | 20,000 |
| | 77,976 | 66,680 |
| Reserves ▸ Smiths Falls Fire Agreement | | |
| Fire calls | 21,035 | 17,977 |
| | 626,281 | 664,573 |
| Total Reserves | 1,654,585 | 1,502,845 |

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

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

December 31, 2014

5. Tangible Capital Assets

| | 2014 | | 2013 | |
|-----------|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| | \$ | \$ | \$ | \$ |
| Land | 30,000 | --- | 30,000 | 30,000 |
| Building | 388,989 | 132,675 | 256,314 | 266,039 |
| Vehicles | 1,152,702 | 461,051 | 691,651 | 489,842 |
| Equipment | 61,539 | 11,200 | 50,339 | 52,391 |
| | 1,633,230 | 604,926 | 1,028,304 | 838,272 |

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 2014 is included in the budget figures presented in the Statement of Operations.

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

| For the year ended December 31 | (Note 6) Budget | 2014 | 2013 |
|--|--------------------|-----------|---------|
| | \$ | \$ | \$ |
| Net Transfer From / (To) Other Funds | | | |
| Transfers from operations | 141,500 | 201,708 | 181,529 |
| Transfers to capital acquisitions | (240,000) | (240,000) | --- |
| Total Net Transfers Approved By Board | (98,500) | (38,292) | 181,529 |
| Reserves, Change in Year | (98,500) | (38,292) | 181,529 |
| Reserves, Beginning of Year | 664,573 | 664,573 | 483,044 |
| Reserves, End of Year | 566,073 | 626,281 | 664,573 |

Composition of Reserves

| For the year ended December 31 | 2014 | 2013 |
|---|---------|---------|
| | \$ | \$ |
| Reserves ▶ Administration | | |
| Contingency | 32,946 | 17,120 |
| Reserves ▶ BBDE Fire Station | | |
| Working funds | 50,000 | 50,000 |
| Contingency | 130,257 | 125,257 |
| Equipment | 183,482 | 133,454 |
| Apparatus | 66,585 | 224,085 |
| Bunker gear | 36,000 | 30,000 |
| Building | 28,000 | --- |
| | 494,324 | 562,796 |
| Reserves ▶ South Sherbrooke | | |
| Contingency | 52,976 | 46,680 |
| Bunker gear | 25,000 | 20,000 |
| | 77,976 | 66,680 |
| Reserves ▶ Smiths Falls Fire Agreement | | |
| Fire calls | 21,035 | 17,977 |
| Total Reserves | 626,281 | 664,573 |

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, 2014

| Assets | Cost 01/01/14 | Additions (Disposals) | Cost 31/12/14 | Accumulated Amortization 01/01/14 | Amortization 2014 | Accumulated Amortization 31/12/14 | Net Book Value 31/12/14 |
|-----------|------------------|--------------------------|------------------|---|----------------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land | 30,000 | --- | 30,000 | --- | --- | --- | 30,000 |
| Building | 388,989 | --- | 388,989 | 122,950 | 9,725 | 132,675 | 256,314 |
| Vehicles | 889,865 | 251,469 | 1,141,334 | 408,551 | 49,094 | 457,645 | 683,689 |
| Equipment | 57,653 | --- | 57,653 | 8,628 | 1,922 | 10,550 | 47,103 |
| | 1,366,507 | 251,469 | 1,617,976 | 540,129 | 60,741 | 600,870 | 1,017,106 |

December 31, 2013

| Assets | Cost 01/01/13 | Additions (Disposals) | Cost 31/12/13 | Accumulated Amortization 01/01/13 | Amortization 2013 | Accumulated Amortization 31/12/13 | Net Book Value 31/12/13 |
|-----------|------------------|--------------------------|------------------|---|----------------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land | 30,000 | --- | 30,000 | -- | --- | --- | 30,000 |
| Building | 388,989 | --- | 388,989 | 113,225 | 9,725 | 122,950 | 266,039 |
| Vehicles | 1,019,187 | (129,322) | 889,865 | 501,354 | (92,801) | 408,553 | 481,312 |
| Equipment | 57,653 | --- | 57,653 | 6,704 | 1,922 | 8,626 | 49,027 |
| | 1,495,829 | (129,322) | 1,366,507 | 621,283 | (81,154) | 540,129 | 826,378 |

South Sherbrooke Fire Station

December 31, 2014

| Assets | Cost 01/01/14 | Additions (Disposals) | Cost 31/12/14 | Accumulated Amortization 01/01/14 | Amortization 2014 | Accumulated Amortization 31/12/14 | Net Book Value 31/12/14 |
|-----------|------------------|--------------------------|------------------|---|----------------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Equipment | 3,886 | --- | 3,886 | 520 | 130 | 650 | 3,236 |
| Vehicles | 11,368 | --- | 11,368 | 2,838 | 568 | 3,406 | 7,962 |
| | 15,254 | --- | 15,254 | 3,358 | 698 | 4,056 | 11,198 |

December 31, 2013

| Assets | Cost 01/01/13 | Additions (Disposals) | Cost 31/12/13 | Accumulated Amortization 01/01/13 | Amortization 2013 | Accumulated Amortization 31/12/13 | Net Book Value 31/12/13 |
|-----------|------------------|--------------------------|------------------|---|----------------------|---|-------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Equipment | 3,886 | --- | 3,886 | 390 | 130 | 520 | 3,366 |
| Vehicles | 11,368 | --- | 11,368 | 2,270 | 568 | 2,838 | 8,530 |
| | 15,254 | --- | 15,254 | 2,660 | 698 | 3,358 | 11,896 |

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 | 2014 | 2013 |
|---|--------------------|---------|---------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Municipal contributions | | | |
| ▶ Township of Drummond/North Elmsley | 113,487 | 113,487 | 114,222 |
| ▶ Tay Valley Township | 99,835 | 99,835 | 100,078 |
| Other | | | |
| ▶ investment income | --- | 10,872 | 7,109 |
| Total Revenues | 213,322 | 224,194 | 221,409 |
| Expenditures | | | |
| Fire chief salary and benefits | 94,579 | 92,758 | 90,554 |
| Secretary treasurer | 50,843 | 49,309 | 49,379 |
| Employer health tax | 3,500 | 3,533 | 3,124 |
| Bad debt | --- | 2,128 | --- |
| Bank charges, interest and penalties | 200 | 184 | 361 |
| Telephone | 7,200 | 7,284 | 7,221 |
| Training and seminars | 3,000 | 2,285 | 3,033 |
| Office supplies | 3,500 | 3,760 | 3,970 |
| Inspection and prevention | 2,000 | 1,119 | 1,817 |
| Professional fees | 5,500 | 5,699 | 7,653 |
| Fire service agreements | 10,000 | 10,000 | 11,450 |
| Insurance | 19,500 | 19,500 | 20,618 |
| Advertising, subscription and memberships | 2,500 | 2,302 | 1,915 |
| Fuel | 3,000 | 2,965 | 3,230 |
| Administration, other | 6,000 | 5,540 | 6,475 |
| Total Expenditures | 211,322 | 208,366 | 210,800 |
| Annual Surplus | 2,000 | 15,828 | 10,609 |
| Accumulated Surplus, Beginning of Year | 13,817 | 13,817 | 3,208 |
| Accumulated Surplus, End of Year | 15,817 | 29,645 | 13,817 |

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 | 2014 | 2013 |
|---|--------------------|------------------|-----------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Municipal contributions | | | |
| ▶ Township of Drummond/North Elmsley | 236,352 | 236,352 | 230,934 |
| ▶ Tay Valley Township | 202,148 | 202,149 | 195,931 |
| Other | | | |
| ▶ provincial highway rescue fees | --- | 7,730 | 4,715 |
| ▶ fire fees, inspections, donations | --- | 5,062 | 8,810 |
| Total Revenues | 438,500 | 451,293 | 440,390 |
| Expenditures | | | |
| Amortization | | | |
| Building | --- | 9,725 | 9,725 |
| Vehicles | --- | 49,094 | 36,521 |
| Equipment | --- | 1,922 | 1,922 |
| Operations | | | |
| Firefighter honourariums | 174,200 | 147,593 | 149,551 |
| Communications maintenance | 4,000 | 4,343 | 3,816 |
| Training and seminars | 18,500 | 14,456 | 14,984 |
| Clothing | 4,000 | 4,741 | 2,586 |
| Bunker gear cleaning | 2,500 | 1,684 | 1,330 |
| Bunker gear | 4,000 | 2,500 | 3,028 |
| Loan repayment | --- | --- | 671 |
| Other | 1,300 | 1,300 | 1,025 |
| BBDE Fire Hall | | | |
| Power and water | 8,200 | 7,454 | 7,076 |
| Heating fuel | 4,600 | 3,606 | 3,855 |
| Building maintenance and other | 12,100 | 17,145 | 12,018 |
| Insurance | 2,100 | 2,100 | 2,100 |
| Vehicle and Equipment | | | |
| Minor equipment purchases | 15,000 | 13,060 | 12,843 |
| Vehicle and equipment maintenance | 18,500 | 23,385 | 22,666 |
| Fuel, oil, lubricants, etc. | 7,700 | 8,025 | 7,752 |
| Insurance | 7,300 | 7,300 | 7,222 |
| Minor capital | 10,000 | 9,604 | 18,333 |
| Total Expenditures | 294,000 | 329,037 | 319,024 |
| Annual Surplus | 144,500 | 122,256 | 121,366 |
| Accumulated Surplus, Beginning of Year | 1,397,477 | 1,397,477 | 1,276,111 |
| Accumulated Surplus, End of Year | 1,541,977 | 1,519,733 | 1,397,477 |

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

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

| For the year ended December 31 | (Note 7) Budget | 2014 | 2013 |
|---|--------------------|---------|---------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Net taxation municipal contributions ▶ Tay Valley Township | 181,550 | 181,650 | 177,715 |
| Total Revenues | 181,550 | 181,650 | 177,715 |
| Expenditures | | | |
| Amortization | --- | 698 | 698 |
| Operations | | | |
| Firefighter honourariums | 74,850 | 70,906 | 68,412 |
| Communications maintenance | 4,500 | 3,518 | 4,008 |
| Telephone | 2,100 | 2,033 | 1,962 |
| Training and seminars | 10,000 | 10,072 | 10,178 |
| Clothing | 3,000 | 4,800 | 3,159 |
| Bunker gear cleaning | 2,000 | 2,222 | 2,118 |
| Other | 2,500 | 1,814 | 923 |
| Fire Prevention | | | |
| Advertising, subscriptions and memberships | 500 | 470 | 500 |
| Emergency First Response | | | |
| Medical supplies | 2,000 | 2,020 | 2,000 |
| South Sherbrooke Fire Hall | | | |
| Power and water | 4,500 | 6,320 | 5,109 |
| Heating fuel | 5,500 | 6,688 | 6,197 |
| Building maintenance and other | 6,500 | 5,184 | 5,512 |
| Insurance | 2,500 | 2,500 | 2,508 |
| Vehicle and Equipment | | | |
| Minor equipment purchases | 15,000 | 12,437 | 14,719 |
| Vehicle and equipment maintenance | 13,500 | 15,539 | 16,869 |
| Fuel, oil, lubricants, etc. | 3,500 | 3,067 | 2,732 |
| Insurance | 7,600 | 7,600 | 7,900 |
| Minor capital | 16,500 | 13,164 | 16,500 |
| Total Expenditures | 176,550 | 171,052 | 172,004 |
| Annual Surplus | 5,000 | 10,598 | 5,711 |
| Accumulated Surplus, Beginning of Year | 73,574 | 73,574 | 67,863 |
| Accumulated Surplus, End of Year | 78,574 | 84,172 | 73,574 |

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 7) Budget | 2014 | 2013 |
|---|--------------------|--------|--------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Municipal contribution | | | |
| ▶ Transfer of Townships/Smiths Falls Area Reserve | --- | --- | 18,133 |
| ▶ Taxation raised in year | 11,500 | 11,500 | 11,420 |
| | 11,500 | 11,500 | 29,553 |
| Expenditures | | | |
| Fire Services Agreement | 11,500 | 8,442 | 11,576 |
| Annual Surplus | --- | 3,058 | 17,977 |
| Accumulated Surplus, Beginning of Year | 17,977 | 17,977 | --- |
| Accumulated Surplus, End of Year | 17,977 | 21,035 | 17,977 |

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