

**CORPORATION OF THE
TOWNSHIP OF CAVAN MONAGHAN**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

**CORPORATION OF THE
TOWNSHIP OF CAVAN MONAGHAN**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

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CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

For The Year Ended December 31, 2016

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Cavan Monaghan are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Township maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Township's assets are appropriately accounted for and adequately safeguarded.

The Township's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Township's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the Township of Cavan Monaghan. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Council's approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the Township. Collins Barrow Kawarthas LLP has full and free access to Council.

Mayor

Date

Dec. 4 / 2017

Director of
Finance/Treasurer

Date

Dec. 4, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Cavan Monaghan and its local boards, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, 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 Financial Statements

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 controls as management determines are 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the 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 controls 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 controls. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Cavan Monaghan and its local boards as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

The consolidated financial statements of the Corporation of the Township of Cavan Monaghan and its local boards for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on July 4, 2016.

Collins Barrow Kawartha LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
December 4, 2017

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	18,236,895	8,256,654
Investments (note 4)	1,107,077	1,119,537
Accounts receivable (note 5)	1,839,124	9,856,102
Taxes receivable	1,065,270	1,092,433
Inventories for resale	2,367	2,367
TOTAL FINANCIAL ASSETS	22,250,733	20,327,093
LIABILITIES		
OILC advance (note 6)	8,242,769	4,893,341
Accounts payable and accrued liabilities	1,917,348	4,656,779
Deferred revenue - obligatory reserve funds (note 7)	1,064,173	683,042
Deferred revenue - other	8,088	9,975
Employee future benefits (note 8)	567,030	531,462
Landfill post-closure liability (note 9)	77,300	93,000
TOTAL LIABILITIES	11,876,708	10,867,599
NET FINANCIAL ASSETS	10,374,025	9,459,494
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10)	51,527,587	47,519,508
Prepaid expenses	3,701	2,849
Inventories	192,504	188,976
TOTAL NON-FINANCIAL ASSETS	51,723,792	47,711,333
ACCUMULATED SURPLUS (note 12)	62,097,817	57,170,827

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
REVENUES			
Property taxation	6,612,871	6,590,566	6,163,234
User charges (note 17)	1,532,681	1,749,403	1,468,512
Government of Canada	2,178	695,480	5,736,402
Province of Ontario	558,479	1,271,015	6,420,825
Penalties and interest on taxes	158,000	138,519	160,377
Investment income	100,000	88,558	108,399
Other	85,356	332,400	198,742
Development contributions earned	-	118,844	551,218
Federal gas tax earned	340,000	340,000	87,000
Ontario Lottery and Gaming Corporation	3,000,000	3,220,329	3,115,353
Gain (loss) on disposal of tangible capital assets	-	(195,960)	97,960
TOTAL REVENUES	12,389,565	14,349,154	24,108,022
EXPENSES			
General government	1,662,749	1,577,354	1,598,767
Protection services	2,463,036	2,492,458	2,377,559
Transportation services	2,697,283	2,588,436	2,503,172
Environmental services	1,306,415	1,411,693	1,175,360
Recreation and cultural services	1,057,766	1,061,945	915,236
Planning and development	383,404	290,278	333,938
TOTAL EXPENSES	9,570,653	9,422,164	8,904,032
ANNUAL SURPLUS	<u>2,818,912</u>	4,926,990	15,203,990
ACCUMULATED SURPLUS - beginning of year		57,170,827	41,966,837
ACCUMULATED SURPLUS - end of year		62,097,817	57,170,827

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
ANNUAL SURPLUS	2,818,912	4,926,990	15,203,990
Amortization of tangible capital assets	1,451,903	1,877,870	1,451,904
Purchase of tangible capital assets	(2,268,060)	(6,182,140)	(20,217,164)
Loss/(gain) on disposal of tangible capital assets	-	195,960	(97,960)
Proceeds on sale of tangible capital assets	-	100,231	186,000
Change in prepaid expenses	-	(852)	23,238
Change in inventories	-	(3,528)	(46,981)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	2,002,755	914,531	(3,496,973)
NET FINANCIAL ASSETS - beginning of year	9,459,494	9,459,494	12,956,467
NET FINANCIAL ASSETS - end of year	11,462,249	10,374,025	9,459,494

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	4,926,990	15,203,990
Items not involving cash		
Amortization of tangible capital assets	1,877,870	1,451,904
Loss/(gain) on disposal of tangible capital assets	195,960	(97,960)
Change in employee future benefits	35,568	30,856
Change in landfill post-closure liability	(15,700)	(7,000)
Change in non-cash assets and liabilities		
Accounts receivable	8,016,978	(7,286,294)
Taxes receivable	27,163	18,378
Prepaid expenses	(852)	23,238
Inventories	(3,528)	(46,981)
OILC advance	3,349,428	4,893,341
Accounts payable and accrued liabilities	(2,739,431)	3,358,711
Deferred revenue - obligatory reserve funds	381,131	(245,014)
Deferred revenue - other	(1,887)	2,875
Net change in cash from operating activities	16,049,690	17,300,044
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(6,182,140)	(20,217,164)
Proceeds on sale of tangible capital assets	100,231	186,000
Net change in cash from capital activities	(6,081,909)	(20,031,164)
INVESTING ACTIVITIES		
Purchase of investments	(7,540)	(40,962)
Redemption of investments	20,000	-
Net change in cash from investing activities	12,460	(40,962)
NET CHANGE IN CASH	9,980,241	(2,772,082)
CASH - beginning of year	8,256,654	11,028,736
CASH - end of year	18,236,895	8,256,654

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

The Township of Cavan Monaghan is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

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 and controlled by the Township. These financial statements include:

- Township of Cavan Monaghan Public Libraries
- Millbrook Business Improvement Area Board

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Trust Funds

Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	10 to 20 years
Buildings and building improvements	40 to 75 years
Equipment	3 to 25 years
Vehicles	10 to 25 years or per kilometre
Roads and bridges	7 to 50 years
Water and utility systems	30 to 50 years
Sewer	75 to 80 years
Solar panels	40 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Taxation

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township's Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Township is required to collect on behalf of the County and School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Government and Ontario Lottery and Gaming Corporation Funding

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

Other Revenue

User fees are recognized as revenue in the year the goods and services are provided, with the exception of building permits that are recognized when the permits are issued.

Federal gas tax, development charges and parkland fees are recognized in the period in which the related expenditures are recorded.

(e) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Township because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(g) Deferred Revenue

Deferred revenue represents grants, 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.

(h) Use of Estimates

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 expenses during the year.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include, among others, useful lives of tangible capital assets and amortization, employee future benefits and landfill closure and post-closure liability. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF PETERBOROUGH

During 2016, requisitions were made by the County of Peterborough and School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
Property taxes	2,923,495	3,549,475
Taxation from other governments	6,874	2,147
Amounts requisitioned and remitted	2,930,369	3,551,622

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

3. TRUST FUNDS

Trust funds administered by the Township amounting to \$3,588 (2015 - \$3,750) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. 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 operations.

4. INVESTMENTS

	Market Value \$	2016 \$	2015 \$
Money Market and Bond Funds	1,118,092	1,107,077	1,119,537

Investments include amounts restricted for obligatory reserve funds with a cost of \$113,329 (2015 - \$107,968) and market value of \$107,924 (2015 - \$107,194). All investments are comprised of money market funds and bond funds through the "ONE" Public Sector Group of Funds.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2016 \$	2015 \$
Government of Canada	324,078	4,934,318
Government of Ontario	6,465	4,403,669
Ontario Lottery and Gaming Corporation	820,509	-
Other receivables	688,072	518,115
	1,839,124	9,856,102

6. OILC ADVANCE

During 2015, the Township approved the issue of debentures in the amount of \$4,893,341 from the Ontario Infrastructure and Lands Corporation (OILC). In 2016, an additional \$3,349,428 was advanced. As at December 31, 2016, the debentures had not been issued. The OILC advance of \$8,242,769 reported on the Consolidated Statement of Financial Position represents advances received on these debentures while the projects and financing are in progress and incurs interest at a floating monthly construction rate established by OILC.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

7. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict 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:

	2016	2015
	\$	\$
Development charges	694,225	295,081
Parkland	131,169	76,322
Federal gas tax	238,779	311,639
	1,064,173	683,042

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2016	2015
	\$	\$
Balance - beginning of year	683,042	928,056
Add amounts received:		
Development charges	498,616	144,044
Federal gas tax	261,498	249,046
Parkland	53,000	-
Interest	26,861	16,138
	839,975	409,228
Less transfer to operations:		
Development charges	118,844	551,218
Federal gas tax	340,000	87,000
Source Protection Municipal Implementation Fund	-	16,024
	458,844	654,242
Balance - end of year	1,064,173	683,042

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

8. EMPLOYEE FUTURE AMOUNTS PAYABLE

The Township provides post employment health and dental benefits to certain employees based on a number of eligibility factors including their date of hire and years of service. The Township records estimated liabilities for accrued employee benefits in the year they are earned.

The post-employment benefit is reported as an expense on the Consolidated Statement of Operations and Accumulated Surplus and is comprised as follows:

	2016	2015
	\$	\$
Accrued benefit obligation at January 1	478,749	443,838
Unamortized actuarial gains	52,713	56,768
Liability at January 1	531,462	500,606
Current year benefit cost	41,711	39,140
Benefit payments by employer	(6,143)	(8,284)
Liability at December 31	567,030	531,462

The accrued benefit obligations for the Township's employee future benefit plans are based on actuarial valuations for accounting purposes. These actuarial valuations were based on assumptions about events in future periods. The cost of future benefits is determined actuarially using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health care costs. The discount rate used to determine the employee future benefits payable was determined by reference to the Township's internal rate of borrowing. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The most recent valuation is dated May 16, 2017. The economic assumptions used in this valuation are the Township's best estimates of expected rates:

Expected inflation rate	2.0%
Discount on accrued benefit obligations	3.75%
Health care cost escalation	6.2%
Dental cost escalation	4.5%

9. LANDFILL POST-CLOSURE LIABILITY

The liability for landfill post-closure costs of \$77,300 (2015 - \$93,000) has been estimated using discounted future cash flows associated with post-closure care activities for the landfill site owned by the Township. Post-closure costs include monitoring, maintenance of control systems and consulting fees for 25 years after the site is closed. A reserve of \$71,159 (2015 - \$75,000) has been established for this liability with the remaining costs to be funded from taxation. There are no specific assets designated for settling this liability.

The reported liability is based upon estimates and assumptions with respect to events extending over the remaining monitoring period of the landfill. The landfill has reached its capacity, and was effectively closed in 1998. The total discounted future cash flows for post-closure and monitoring costs are estimated using a discount factor of 3.5% and an inflation rate of 1.5%. The total undiscounted estimated costs amount to \$100,133 (2015 - \$95,960).

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

10. TANGIBLE CAPITAL ASSETS

The net book value of the Township's tangible capital assets are:

	2016	2015
	\$	\$
General		
Land and land improvements	3,755,345	3,796,433
Buildings and building improvements	23,805,256	4,780,478
Equipment	839,256	764,253
Vehicles	2,221,971	2,338,270
Infrastructure		
Roads and bridges	9,678,528	9,731,548
Water and utility systems	5,142,837	1,514,928
Sewer	4,616,799	2,429,511
Solar panels	380,508	390,827
	50,440,500	25,746,248
Assets under construction	1,087,087	21,773,260
	51,527,587	47,519,508

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2015 - \$Nil) and no interest capitalized (2015 - \$Nil).

Tangible capital assets allocated by segment are as follows:

	2016	2015
	\$	\$
General government	4,092,935	4,138,180
Protection services	1,191,540	1,292,585
Transportation services	11,850,581	11,558,213
Environmental services	32,244,936	28,227,898
Health services	1,858	1,858
Recreation and cultural services	2,131,103	2,285,319
Planning and development	14,634	15,455
	51,527,587	47,519,508

11. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation. The reclassifications made had no impact on the prior year surplus.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

12. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2016	2015
	\$	\$
Surplus/(Deficit)		
Unfunded solid waste landfill	(6,141)	(18,000)
Unfunded employee future benefits	(567,030)	(531,462)
Township of Cavan Monaghan Public Libraries	14,553	21,397
Millbrook Business Improvement Area	34,426	25,719
	(524,192)	(502,346)
Invested In Tangible Capital Assets		
Tangible capital assets - net book value	51,527,587	47,519,508
Unfunded capital - pre-servicing studies	(996,056)	(1,387,011)
Unfunded BCF capital purchases	-	(2,257,433)
OILC advance	(8,242,769)	(4,893,341)
	42,288,762	38,981,723
Surplus	41,764,570	38,479,377
Reserves		
Working funds	1,201,109	253,394
Phase-in levy	2,380,008	4,083,034
Emergency services	694,275	608,647
Transportation services	129,746	83,377
Waste disposal services	71,159	75,000
Parks and recreation services	140,936	167,106
Water and sewer operations	1,696,364	1,563,178
Planning and development	331,479	266,060
Future capital	11,547,531	11,458,128
Library expansion	-	6,619
Election services	43,237	33,237
Computer services	71,373	67,640
Springville & Ebenezer cemetery	26,030	26,030
New community centre	2,000,000	-
Total Reserves	20,333,247	18,691,450
	62,097,817	57,170,827

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

13. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Salaries and benefits	3,182,563	3,121,161	3,164,134
Interest charges	-	113,738	-
Materials	1,837,109	1,562,285	1,459,986
Contracted services	2,907,690	2,555,967	2,692,741
Rents and financial	13,300	12,043	10,336
External transfers	178,088	179,100	124,931
Amortization	1,451,903	1,877,870	1,451,904
	9,570,653	9,422,164	8,904,032

14. PENSION AGREEMENTS

Certain employees of the Township are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2016 Annual Report disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

The Township required contributions to OMERS in 2016 were \$180,015 (2015 - \$179,071).

15. CREDIT FACILITY AGREEMENT

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$500,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate. Council authorized the temporary borrowing limit by By-law 2016-06. At December 31, 2016 there was no balance outstanding.

16. COMMITMENTS

The Township is committed to police services provided by the City of Peterborough Police Services Board. The contractual commitment is for a five-year period ending September 30, 2020. The committed amount for 2017 is \$1,207,848 and future years may vary depending on the police force's budget for the given year.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

17. USER CHARGES

User charges consist of the following:

	2016	2015
	\$	\$
Water and sewer consumption	1,000,592	861,268
Building permits and inspections	150,798	131,138
Recreation program/facilities fees, rental and registrations	138,316	177,882
Fire protection	102,561	55,818
Fines and penalties	95,733	5,231
Waste management tipping fees and recycling	66,789	35,874
Planning and zoning	57,289	38,234
General government user fees, licenses and permits	47,659	78,436
Library user fees and fines	19,560	16,410
BIA fundraising and event revenue	11,860	9,128
Parks charges	10,837	9,814
Rents, concessions and franchises	9,305	6,553
Roads and engineering user fees	9,225	5,668
Policing recoveries	-	6,939
Other licenses and permits	28,879	30,119
	1,749,403	1,468,512

18. SEGMENTED INFORMATION

The Township of Cavan Monaghan is a municipal government organization that provides a range of services to its residents. Township services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services. Departments included in the general government segment include Council, CAO, Clerk, and Finance.

Protection Services

Protection services include police, fire, conservation authorities and protective inspection and control. The police services are contracted to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, emergency preparedness, training and education. The members of the fire department consist of volunteers plus a full time Fire Chief.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016

18. SEGMENTED INFORMATION, continued

Transportation Services

The activities of the transportation segment include construction and maintenance of the Township's roads, road safety devices, signs, bridges, sidewalks, street lighting and crossing guard services within the Township.

Water and Sewer

This segment is responsible for providing water and sewer services within the Township.

Other Environmental Services

This function is responsible for providing waste collection and waste disposal services to ratepayers. Curbside pick-up is provided to all wards. Residents are also provided with access to additional waste disposal and recycling services at the Transfer Station site.

Recreation and Cultural Services

The recreation and cultural services segment provides services meant to improve the health and development of the Township's citizens. This service area provides indoor and outdoor recreational facilities. Recreational and cultural programs including skating lessons, moms and tots programs, senior hockey groups and home schooling programs are provided at the arena and community centres. The Township also provides library services to assist with its citizens' informational needs.

Planning and Development

The planning and development services segment manages commercial, industrial and residential development within the Township.

OLG

This segment represents revenues from the Ontario Lottery and Gaming Corporation (OLG). OLG funds are transferred into reserves and used at Council's discretion.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2016

	General			Infrastructure				Totals		
	Land and Land Improvements	Buildings and Building Improvements	Equipment	Vehicles	Roads and Bridges	Water and Utility Systems	Sewer		Solar Panels	Assets Under Construction
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
COST										
Balance, beginning of year	4,173,092	7,312,797	1,973,470	4,378,045	27,462,838	2,376,228	3,406,242	411,924	21,773,260	73,267,896
Add: additions during the year	-	1,819,759	196,608	64,124	824,137	1,927,905	298,842	-	1,050,765	6,182,140
Less: disposals during the year	-	414,420	87,732	-	334,952	11,088	39,679	-	44,073	931,944
Internal transfers	-	17,766,650	48,465	-	113,851	1,761,601	2,002,298	-	(21,692,865)	-
Balance, end of year	4,173,092	26,484,786	2,130,811	4,442,169	28,065,874	6,054,646	5,667,703	411,924	1,087,087	78,518,092
ACCUMULATED AMORTIZATION										
Balance, beginning of year	376,659	2,532,319	1,209,217	2,039,775	17,731,290	861,300	976,731	21,097	-	25,748,388
Add: additions during the year	41,088	428,080	132,365	180,423	940,679	59,783	85,133	10,319	-	1,877,870
Less: disposals during the year	-	280,869	50,027	-	284,623	9,274	10,960	-	-	635,753
Balance, end of year	417,747	2,679,530	1,291,555	2,220,198	18,387,346	911,809	1,050,904	31,416	-	26,990,505
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,755,345	23,805,256	839,256	2,221,971	9,678,528	5,142,837	4,616,799	380,508	1,087,087	51,527,587

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2016

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	OLG \$	Consolidated \$
Revenues									
Property taxation	1,570,325	1,662,560	2,078,951	24,963	142,485	886,653	224,629	-	6,590,566
User charges	179,107	253,359	9,225	1,000,593	66,789	171,181	69,149	-	1,749,403
Government transfers - operating	6,880	510,224	25,000	-	-	37,605	1,500	-	581,209
Government transfers - capital	-	-	-	1,385,286	-	-	-	-	1,385,286
Penalties and interest on taxes	138,519	-	-	-	-	-	-	-	138,519
Investment income	88,127	-	-	-	-	431	-	-	88,558
Other	57,342	-	22,986	237,093	12,024	455	2,500	-	332,400
Development contributions earned	-	-	-	118,844	-	-	-	-	118,844
Federal gas tax earned	-	-	-	-	-	-	-	-	340,000
Ontario Lottery and Gaming	-	-	340,000	-	-	-	-	-	340,000
Gain (loss) on disposal of tangible capital assets	-	-	(31,874)	(164,086)	-	-	-	3,220,329	3,220,329
Total revenues	2,040,300	2,426,143	2,444,288	2,602,693	221,298	1,096,325	297,778	3,220,329	14,349,154
Expenses									
Salaries and benefits	983,072	511,419	722,582	91,501	56,305	549,161	207,121	-	3,121,161
Interest charges	-	-	-	113,738	-	-	-	-	113,738
Materials	205,599	254,725	549,975	174,296	9,999	321,238	46,453	-	1,562,285
Contracted services	178,474	1,435,742	254,741	360,225	142,970	148,030	35,785	-	2,555,967
Rents and financial	10,966	-	-	-	-	1,077	-	-	12,043
External transfers	985	178,115	-	-	-	-	-	-	179,100
Amortization	198,258	112,457	1,061,138	462,659	-	42,439	919	-	1,877,870
Total expenses	1,577,354	2,492,458	2,588,436	1,202,419	209,274	1,061,945	290,278	-	9,422,164
Net surplus/(deficit)	462,946	(66,315)	(144,148)	1,400,274	12,024	34,380	7,500	3,220,329	4,926,990

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2015

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	OLG \$	Consolidated \$
Revenues									
Property taxation	1,311,440	2,120,510	1,445,917	-	850,789	434,578	-	-	6,163,234
User charges	93,002	218,606	5,668	861,267	35,874	206,733	47,362	-	1,468,512
Government transfers - operating	-	598,168	25,000	-	31,024	32,405	1,500	-	688,097
Government transfers - capital	-	-	-	11,469,130	-	-	-	-	11,469,130
Penalties and interest on taxes	160,377	-	-	-	-	-	-	-	160,377
Investment income	108,175	-	-	-	-	224	-	-	108,399
Other	57,189	-	111,653	4,086	23,232	2,582	-	-	198,742
Development contributions earned	-	-	-	-	-	-	551,218	-	551,218
Federal gas tax earned	-	-	87,000	-	-	-	-	-	87,000
Ontario Lottery and Gaming	-	-	-	-	-	-	-	3,115,353	3,115,353
Gain (loss) on disposal of tangible capital assets	-	-	-	-	-	97,960	-	-	97,960
Total revenues	1,730,183	2,937,284	1,675,238	12,334,483	940,919	774,482	600,080	3,115,353	24,108,022
Expenses									
Salaries and benefits	932,024	526,774	799,528	78,459	92,351	508,986	226,012	-	3,164,134
Materials	218,993	278,503	519,648	124,083	9,009	256,763	52,987	-	1,459,986
Contracted services	170,164	1,393,441	281,539	509,891	182,514	101,171	54,021	-	2,692,741
Rents and financial	9,546	-	-	-	-	790	-	-	10,336
External transfers	53,840	71,052	-	-	-	39	-	-	124,931
Amortization	214,200	107,789	902,457	179,053	-	47,487	918	-	1,451,904
Total expenses	1,598,767	2,377,559	2,503,172	891,486	283,874	915,236	333,938	-	8,904,032
Net surplus/(deficit)	131,416	559,725	(827,934)	11,442,997	657,045	(140,754)	266,142	3,115,353	15,203,990

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Report on the Financial Statements

We have audited the accompanying financial statements of the Trust Funds of the Corporation of the Township of Cavan Monaghan, which comprise the statement of financial position as at December 31, 2016, the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the 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 controls 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 controls. 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 Township of Cavan Monaghan as at December 31, 2016 and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

The financial statements of the Trust Funds of the Corporation of the Township of Cavan Monaghan for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on July 4, 2016.

Collins Barrow Kawartha LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
December 4, 2017

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2016

	Baptie Trust \$	Endowment Trust \$	2016 Total \$	2015 Total \$
FINANCIAL ASSETS				
Cash	1,028	3,047	4,075	4,047
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Township	12	475	487	297
FUND BALANCES				
Capital	1,000	1,060	2,060	2,060
Income	16	1,512	1,528	1,690
	1,016	2,572	3,588	3,750
	1,028	3,047	4,075	4,047

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TRUST FUNDS STATEMENT OF CONTINUITY For the Year Ended December 31, 2016

	Baptie Trust \$	Endowment Trust \$	2016 Total \$	2015 Total \$
BALANCES - beginning of year	1,009	2,741	3,750	3,715
RECEIPTS				
Interest Earned	7	21	28	35
Donation	-	-	-	1,000
	7	21	28	1,035
EXPENSES				
Scholarship	-	190	190	1,000
BALANCES - end of year	1,016	2,572	3,588	3,750

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TRUST FUNDS NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook.

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Township's best information and judgment. Actual results could differ from these estimates.

**CORPORATION OF THE
TOWNSHIP OF CAVAN MONAGHAN
TOWNSHIP OF CAVAN
MONAGHAN PUBLIC LIBRARIES
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

INDEPENDENT AUDITOR'S REPORT

To the Members of the Township of Cavan Monaghan Public Libraries, the Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Report on the Financial Statements

We have audited the accompanying financial statements of the Township of Cavan Monaghan Public Libraries of the Corporation of the Township of Cavan Monaghan, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, 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 Financial Statements

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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the 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 controls 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 controls. 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 Township of Cavan Monaghan Public Libraries as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

The financial statements of the Township of Cavan Monaghan Public Libraries for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on June 30, 2016.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
June 20, 2017

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES STATEMENT OF FINANCIAL POSITION At December 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash (note 3)	49,654	35,033
Temporary investments	-	20,000
Accounts receivable	12,922	6,589
TOTAL FINANCIAL ASSETS	62,576	61,622
LIABILITIES		
Accounts payable and accrued liabilities	41,790	32,150
Deferred revenue (note 4)	8,088	8,075
TOTAL LIABILITIES	49,878	40,225
NET FINANCIAL ASSETS	12,698	21,397
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	106,450	115,641
Prepaid expenses	1,855	-
TOTAL NON-FINANCIAL ASSETS	108,305	115,641
ACCUMULATED SURPLUS (note 6)	121,003	137,038

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
REVENUES			
Township contribution	248,400	248,400	242,991
Province of Ontario	21,570	30,155	24,826
Government of Canada	2,178	2,838	1,837
Other grants	3,425	6,563	6,354
User charges	7,300	7,697	7,521
Donations and fundraising	500	1,295	1,240
Investment income	-	431	224
TOTAL REVENUES	283,373	297,379	284,993
EXPENSES			
Salaries and benefits	204,698	223,141	206,911
Insurance	11,540	11,539	10,347
IT expenses	7,000	6,199	5,333
Training and development	2,990	3,078	3,231
Periodicals	1,750	1,700	1,601
Professional fees	3,900	2,475	3,855
Program and service materials	6,954	7,251	5,376
Administration	6,700	8,170	6,565
Telephone and utilities	8,500	8,345	5,851
Amortization	46,567	41,516	46,567
TOTAL EXPENSES	300,599	313,414	295,637
ANNUAL DEFICIT	<u>(17,226)</u>	(16,035)	(10,644)
ACCUMULATED SURPLUS - beginning of year		137,038	147,682
ACCUMULATED SURPLUS - end of year		121,003	137,038

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
ANNUAL DEFICIT	(17,226)	(16,035)	(10,644)
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	46,567	41,516	46,567
ACQUISITION OF TANGIBLE CAPITAL ASSETS	(30,510)	(32,325)	(33,775)
CHANGE IN PREPAID EXPENSES	-	(1,855)	-
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(1,169)	(8,699)	2,148
NET FINANCIAL ASSETS - beginning of year	21,397	21,397	19,249
NET FINANCIAL ASSETS - end of year	20,228	12,698	21,397

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES STATEMENT OF CASH FLOWS For the Year Ended December 31, 2016

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual deficit	(16,035)	(10,644)
Items not involving cash		
Amortization of tangible capital assets	41,516	46,567
Change in non-cash working capital		
Accounts receivable	(6,333)	14,416
Prepaid expenses	(1,855)	-
Accounts payable and accrued liabilities	9,640	(754)
Deferred revenue	13	2,875
Net change in cash from operating activities	26,946	52,460
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(32,325)	(33,775)
INVESTING ACTIVITIES		
Proceeds on disposition of investments	195,000	105,000
Acquisition of investments	(175,000)	(125,000)
Net change in cash from investing activities	20,000	(20,000)
NET CHANGE IN CASH	14,621	(1,315)
CASH - beginning of year	35,033	36,348
CASH - end of year	49,654	35,033

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. NATURE OF OPERATIONS

Cavan Monaghan Public Libraries is an unincorporated non-profit organization. The Cavan Monaghan Libraries are dedicated to working with its staff, members and clients to provide efficient service to meet the needs of the community.

The Cavan Monaghan Libraries house a new and up-to-date collection of books and other items to serve the Township of Cavan Monaghan, and has a reciprocal borrowing agreement with the neighbouring Otonabee South-Monaghan Township.

The Cavan Monaghan Libraries are a registered charity, and as such is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

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

User charges are recognized as revenue in the year the goods and services are provided.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Board's best information and judgment. Actual results could differ from these estimates.

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Books and audio-visuals	7 years
Furniture and equipment	10 years
Computers and software	3 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

(d) Deferred revenue

Deferred revenue represents grants, 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.

(e) Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Board because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Board unless they are sold.

(f) Reserves and Reserve Funds

Certain amounts, as approved by the Board, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

3. CASH

Cash is comprised of \$32,468 (2015 - \$35,033) of unrestricted operating funds, as well as \$17,186 (2015 - \$Nil) of funds that have been internally restricted for one-time projects and new initiatives as approved by the Board. Both bank accounts are held at a chartered bank.

4. DEFERRED REVENUE

Deferred revenue consists of Province of Ontario funding that relates to the next fiscal year.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

5. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

	Books and audio- visuals \$	Furniture and equipment \$	Computers and software \$	2016 Totals \$	2015 Totals \$
COST					
Balance, beginning of year	188,557	85,423	47,731	321,711	314,586
Add: additions during the year	28,389	837	3,099	32,325	33,775
Less: disposals during the year	39,713	-	-	39,713	26,650
Balance, end of year	177,233	86,260	50,830	314,323	321,711
ACCUMULATED AMORTIZATION					
Balance, beginning of year	99,475	62,629	43,966	206,070	186,153
Add: additions during the year	31,023	7,250	3,243	41,516	46,567
Less: disposals during the year	39,713	-	-	39,713	26,650
Balance, end of year	90,785	69,879	47,209	207,873	206,070
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	86,448	16,381	3,621	106,450	115,641

6. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2016 \$	2015 \$
Surplus		
Operations	14,553	21,397
Invested In Capital Assets		
Tangible capital assets - net book value	106,450	115,641
	121,003	137,038

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

7. PENSION AGREEMENTS

Certain employees of the Township are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2016 Annual Report disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

The Township's required contributions to OMERS in 2016 were \$13,068 (2015 - \$11,659).

8. BUDGET FIGURES

The operating budget, approved by the Board, for 2016 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. 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. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

The following is a reconciliation of the Board approved budget amounts to the PSA amounts:

	(Unaudited) 2016 Revenue \$	(Unaudited) 2016 Expenses \$
Board approved budget	284,542	284,542
Less: Tangible capital assets capitalized	-	(30,510)
Add: Amortization of tangible capital assets	-	46,567
Less: Reserve transfers	(1,169)	-
	<u>283,373</u>	<u>300,599</u>

9. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

**CORPORATION OF THE
TOWNSHIP OF CAVAN MONAGHAN**

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2016

INDEPENDENT AUDITOR'S REPORT

**To the Members of the Millbrook Business Improvement Area Board, the Members of Council,
Inhabitants and Ratepayers of the Township of Cavan Monaghan**

Report on the Financial Statements

We have audited the accompanying financial statements of the Millbrook Business Improvement Area Board of the Corporation of the Township of Cavan Monaghan, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, 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 Financial Statements

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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the 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 controls 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 controls. 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many non-profit organization, the Millbrook Business Improvement Area derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Millbrook Business Improvement Area and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, assets and fund balances.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Millbrook Business Improvement Area Board as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

The financial statements of the Millbrook Business Improvement Area Board for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on July 4, 2016.

Collins Barrow Kawartha LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
December 4, 2017

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD STATEMENT OF FINANCIAL POSITION At December 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	28,724	24,399
Due from Township of Cavan Monaghan	10,124	6,516
TOTAL FINANCIAL ASSETS	38,848	30,915
LIABILITIES		
Accounts payable and accrued liabilities	4,422	5,196
NET FINANCIAL ASSETS	34,426	25,719
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	6,232	7,151
ACCUMULATED SURPLUS (note 4)	40,658	32,870

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
REVENUES			
Township of Cavan Monaghan tax levy	14,000	14,000	14,000
Donations and fundraising	7,600	8,890	9,128
User fees	-	5,470	-
Other grants	2,500	-	2,500
TOTAL REVENUES	24,100	28,360	25,628
EXPENSES			
Administration	10,330	6,079	4,813
Christmas in the Village	3,700	3,523	3,824
BIA dinner	1,100	2,456	1,114
Ladies night	1,800	2,286	1,415
Professional fees	2,200	2,035	2,412
Donations and honoraria	500	1,500	92
Car show	1,000	1,347	722
Amortization	918	919	918
Advertising and promotion	200	223	177
Flowers and other	2,500	204	4,307
Fallfest scarecrow festival	500	-	40
TOTAL EXPENSES	24,748	20,572	19,834
ANNUAL SURPLUS/(DEFICIT)	<u>(648)</u>	7,788	5,794
ACCUMULATED SURPLUS - beginning of year		32,870	27,076
ACCUMULATED SURPLUS - end of year		40,658	32,870

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
ANNUAL SURPLUS/(DEFICIT)	(648)	7,788	5,794
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	918	919	918
ACQUISITION OF TANGIBLE CAPITAL ASSETS	-	-	(2,193)
INCREASE IN NET FINANCIAL ASSETS	270	8,707	4,519
NET FINANCIAL ASSETS - beginning of year	25,719	25,719	21,200
NET FINANCIAL ASSETS - end of year	25,989	34,426	25,719

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	7,788	5,794
Items not involving cash		
Amortization of tangible capital assets	919	918
Change in non-cash assets and liabilities		
Due from Township of Cavan Monaghan	(3,608)	(1,844)
Accounts payable and accrued liabilities	(774)	2,379
Net change in cash from operating activities	4,325	7,247
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	-	(2,193)
NET CHANGE IN CASH	4,325	5,054
CASH - beginning of year	24,399	19,345
CASH - end of year	28,724	24,399

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN
MILLBROOK BUSINESS IMPROVEMENT AREA BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

1. NATURE OF OPERATIONS

The Millbrook Business Improvement Area Board (the "Board") is controlled by the Council of the Township of Cavan Monaghan. The Board's goal is promoting the downtown business area.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Millbrook Business Improvement Area are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

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

User fees are recognized as revenue in the year the goods and services are provided.

Donations and fundraising revenue is recognized when the amounts are received.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Board's best information and judgment. Actual results could differ from these estimates.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Signs	4 years
Benches	20 years
Bike racks	15 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN
MILLBROOK BUSINESS IMPROVEMENT AREA BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

3. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

	Signs \$	Benches \$	Bike racks \$	2016 Totals \$	2015 Totals \$
COST					
Balance, beginning of year	4,322	4,642	2,193	11,157	8,964
Add: additions during the year	-	-	-	-	2,193
Balance, end of year	4,322	4,642	2,193	11,157	11,157
ACCUMULATED AMORTIZATION					
Balance, beginning of year	2,700	1,160	146	4,006	3,088
Add: additions during the year	541	232	146	919	918
Balance, end of year	3,241	1,392	292	4,925	4,006
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,081	3,250	1,901	6,232	7,151

4. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2016 \$	2015 \$
Surplus/(Deficit)		
Operations	34,426	25,719
Invested In Capital Assets		
Tangible capital assets - net book value	6,232	7,151
	40,658	32,870

5. BUDGET FIGURES

The operating budget, approved by the Millbrook Business Improvement Area, for 2016 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. 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. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.