

Township of Killaloe, Hagarty and Richards

Financial Report

For the year ended 31 December 2016

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS



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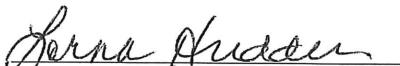
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Killaloe, Hagarty and Richards (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is contained in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, 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 the consolidated financial statements. These systems are monitored and evaluated by management.

The 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 their approval of the consolidated financial statements.

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


Lorna Hudder
CAO/Clerk Treasurer

Township of Killaloe, Hagarty and Richards

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Killaloe, Hagarty and Richards.

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Killaloe, Hagarty and Richards, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated 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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards for local governments, 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 about whether the consolidated financial statements are free from material misstatement.

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

Mackillican & Associates

RENFREW, Ontario.
14 March 2017.

Chartered Professional Accountants,
Licensed Public Accountants.

Township of Killaloe, Hagarty and Richards
Consolidated Statement of Financial Position

As at 31 December 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Financial assets:		
Cash and cash equivalents	\$ 1,480,806	\$ 1,430,867
Taxes receivable	947,081	837,031
Accounts receivable	390,082	346,042
Investment in Ottawa River Power Corporation (Note 4)	<u>343,038</u>	<u>358,895</u>
	<u>\$ 3,161,007</u>	<u>\$ 2,972,835</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 196,999	\$ 250,210
Deferred revenue - obligatory reserve funds (Note 6)	9,600	46,572
Landfill closure and post closure costs (Note 7)	<u>352,300</u>	<u>352,300</u>
	<u>\$ 558,899</u>	<u>\$ 649,082</u>
Net financial assets	<u>\$ 2,602,108</u>	<u>\$ 2,323,753</u>
Non-financial assets:		
Tangible capital assets (net)	\$ 6,638,616	\$ 6,687,398
Inventories of supplies	40,539	39,220
Prepaid expenses	<u>38,794</u>	<u>34,733</u>
	<u>\$ 6,717,949</u>	<u>\$ 6,761,351</u>
Accumulated surplus	<u>\$ 9,320,057</u>	<u>\$ 9,085,104</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets	\$ 6,366,071	\$ 6,378,205
Discretionary reserve fund	101,127	83,220
Reserves	3,130,810	2,893,617
General	56,266	55,853
Water fund operations	(21,125)	(15,190)
Killaloe & District Public Library Board	27,089	30,324
Village of Killaloe Recreation Committee	12,119	11,375
Unfunded - landfill closure and post closure costs (Note 2)	<u>(352,300)</u>	<u>(352,300)</u>
Total accumulated surplus	<u>\$ 9,320,057</u>	<u>\$ 9,085,104</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards
Consolidated Statement of Operations
For the year ended 31 December 2016
(with 2016 budget and 2015 actual figures for comparison)

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Revenue:			
Taxation and user charges	\$ 2,789,472	\$ 2,807,709	\$ 2,668,105
Government transfers:			
Ontario	1,083,719	1,079,487	849,993
Canada	137,674	123,637	76,887
Other municipalities	23,223	21,605	6,168
Other	<u>303,671</u>	<u>443,438</u>	<u>321,076</u>
	<u>\$ 4,337,759</u>	<u>\$ 4,475,876</u>	<u>\$ 3,922,229</u>
Expenses:			
General government	\$ 737,422	\$ 731,759	\$ 661,641
Protection to persons and property	949,559	862,074	761,348
Transportation services	1,772,147	1,368,250	1,477,889
Environmental services	905,689	806,795	819,981
Health services	21,000	21,000	21,000
Recreation and cultural services	439,861	438,300	360,965
Planning and development	<u>9,300</u>	<u>12,745</u>	<u>605</u>
	<u>\$ 4,834,978</u>	<u>\$ 4,240,923</u>	<u>\$ 4,103,429</u>
Excess (shortfall) of revenue over expenses	\$ (497,219)	\$ 234,953	\$ (181,200)
Accumulated surplus at the beginning of the year	<u>9,085,104</u>	<u>9,085,104</u>	<u>9,266,304</u>
Accumulated surplus at the end of the year	<u>\$ 8,587,885</u>	<u>\$ 9,320,057</u>	<u>\$ 9,085,104</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards
Consolidated Statement of Changes in Net Financial Assets
For the year ended 31 December 2016
(with 2016 budget and 2015 actual figures for comparison)

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Excess (shortfall) of revenue over expenses	\$ (497,219)	\$ 234,953	\$ (181,200)
Amortization of tangible capital assets	775,276	775,276	807,650
Acquisition of tangible capital assets	(906,831)	(736,335)	(924,198)
Gain on sale of tangible capital assets	(50,000)	(44,917)	
Proceeds on sale of tangible capital assets	50,000	54,758	
Use of (acquisition of) inventory		(1,319)	(815)
Use of (acquisition of) prepaid expenses	<u> </u>	<u>(4,061)</u>	<u>138,538</u>
Increase (decrease) in net financial assets	\$ (628,774)	\$ 278,355	\$ (160,025)
Net financial assets, beginning of year	<u>2,323,753</u>	<u>2,323,753</u>	<u>2,483,778</u>
Net financial assets, end of year	<u>\$ 1,694,979</u>	<u>\$ 2,602,108</u>	<u>\$ 2,323,753</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Excess (shortfall) of revenue over expenses	\$ 234,953	\$ (181,200)
Add (deduct) items which do not involve cash:		
- amortization	775,276	807,650
- gain on sale of tangible capital assets	<u>(44,917)</u>	<u> </u>
	\$ <u>965,312</u>	\$ <u>626,450</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ (110,050)	\$ (49,349)
- decrease (increase) in accounts receivable	(44,040)	(62,894)
- decrease (increase) in investment in Ottawa River Power Corporation	15,857	
- decrease (increase) in inventories of supplies	(1,319)	(815)
- decrease (increase) in prepaid expenses	(4,061)	138,538
- increase (decrease) in accounts payable and accrued liabilities	(53,211)	(36,550)
- increase (decrease) in deferred revenue - obligatory reserve funds	<u>(36,972)</u>	<u>(2,486)</u>
	\$ <u>(233,796)</u>	\$ <u>(13,556)</u>
Cash flows from operating activities	\$ <u>731,516</u>	\$ <u>612,894</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government	\$ (149,194)	\$ (5,597)
Protection services	(19,774)	(402,210)
Transportation services	(567,367)	(516,391)
Environmental services		
Proceeds on sale of tangible capital assets	<u>54,758</u>	<u> </u>
Cash flows used for capital activities	\$ <u>(681,577)</u>	\$ <u>(924,198)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ 49,939	\$ (311,304)
Cash and cash equivalents at the beginning of the year	<u>1,430,867</u>	<u>1,742,171</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,480,806</u>	<u>\$ 1,430,867</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Killaloe, Hagarty and Richards are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) 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 organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

- Village of Killaloe Recreation Committee
- Killaloe & District Public Library Board

- (ii) Accounting for County and School Board Transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the county and school boards are not reflected in the municipal fund balances of these financial statements.

- (iii) Trust fund and its related operations administered by the Township are not included in these financial statements but are reported separately.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

Township of Killaloe, Hagarty and Richards
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

(c) Non-financial Assets

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.

(d) Tangible Capital Assets

(i) Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Non-Residential Building Construction Price Index (NRBCPI) for infrastructure, storm sewers and sanitary sewers and using the Consumer Price Index (CPI) for all other assets. Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. 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 improvements	15 - 25 years
Buildings	15 - 30 years
Machinery and equipment	5 - 10 years
Vehicles	5 - 20 years
Linear assets	10 - 40 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

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 the assets as of the date of transfer.

(iii) 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.

(e) Inventory

Inventory held for consumption is recorded at the lower of cost or replacement cost on a specific item basis.

(f) Investment Income

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

Township of Killaloe, Hagarty and Richards
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

- (g) **Government Transfers**
 Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.
- Government transfers are recognized in the financial statements in the period in which the 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.
- (h) **Deferred Revenue**
 Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.
- (i) **Deferred Revenue - Obligatory Reserve Funds**
 The Township receives restricted contributions under the authority of provincial and federal legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.
- (j) **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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Estimates include the allowance for doubtful taxes, landfill closure and post closure costs and amortization.
- (k) **Cash and Cash Equivalents**
 Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.
- (l) **Revenue Recognition**
 Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Fees and user charges relate to utility charges (water, wastewater, and solid waste) licensing fees, fees for use of various programming, and fees imposed based on specific activities, is recognized when the activity is performed or when the services are rendered.
- (m) **Financial Instruments**
 Financial instruments include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.
- The carrying amounts reported on the statement of financial position for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximate their fair values, due to the immediate and short term maturities of these financial instruments.

2. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the Township to raise funds in subsequent periods to finance unfunded liabilities, comprised of the landfill closure and post closure liabilities.

Township of Killaloe, Hagarty and Richards
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

3. TRUST FUND

Trust fund administered by the Township, totaling \$ Nil (2015 - \$ 2,410) is presented in a separate financial statement of trust fund financial position and operations. As such, balances held in trust by the Township for the benefit of others have not been included in the Consolidated Statement of Financial Position nor have its operations been included in the Consolidated Statement of Operations.

4. INVESTMENT IN OTTAWA RIVER POWER CORPORATION

The investment in Ottawa River Power Corporation (ORPC) and Ottawa River Solutions Inc. (ORSI) is carried at cost and is comprised as follows:

	<u>2016</u>	<u>2015</u>
169 Common shares (2015 - 179) of ORPC	\$ 169,507	\$ 179,000
169 Special shares of ORPC	169	
169 Common shares (2015 - 179) of ORSI	845	895
169 Common shares of ORSI	169	
Promissory Note from ORPC 5.37% (2015 - 7.25%)	<u>172,348</u>	<u>179,000</u>
	<u>\$ 343,038</u>	<u>\$ 358,895</u>

5. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

Requisitions were made by the School Boards and County of Renfrew 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:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 701,620	\$ 1,179,181
Payments in lieu	<u>362</u>	<u>29,565</u>
	<u>\$ 701,982</u>	<u>\$ 1,208,746</u>

6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting standards of the Canadian Institute of Chartered Professional Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

- (a) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2016</u>	<u>2015</u>
Shoreline	\$ 4,467	\$ 4,467
Gasoline Tax - Federal	<u>5,133</u>	<u>42,105</u>
	<u>\$ 9,600</u>	<u>\$ 46,572</u>

Township of Killaloe, Hagarty and Richards
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

(b) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	\$ 46,572	\$ 49,058
Gas tax revenue received	<u>73,028</u>	<u>69,551</u>
	\$ 119,600	\$ 118,609
Used to purchase tangible capital assets	<u>(110,000)</u>	<u>(72,037)</u>
Balance at the end of the year	<u>\$ 9,600</u>	<u>\$ 46,572</u>

7. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

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

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation. There is currently \$ 740,708 in reserves set aside for either closure or post closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the useful life and estimated post closure care period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

	<u>Killaloe</u>	<u>Red Rock</u>	<u>Round Lake</u>
Landfill sites' estimated remaining capacity in cubic metres	1,007	6,438	77,305
Landfill sites' remaining useful life in years	Indefinite	12	5
Expected years of post closure care	25	25	25

The estimated total undiscounted expenses over the 25 year post closure period amount to approximately \$ 1,554,000.

8. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The Township is not aware of any claims or possible claims as at 31 December 2016.

9. BUDGET FIGURES

The operating budget approved by the Township of Killaloe, Hagarty and Richards for 2016 is reflected on the Consolidated Statement of Operations. The budget established for capital investment in tangible capital assets is 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 purpose of these financial statements to comply with PSAB reporting requirements. The budget has not been audited.

Township of Killaloe, Hagarty and Richards
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

10. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. There were no such transfers in 2016.

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances. The 2016 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

11. CONTRACTUAL OBLIGATIONS

In 2014, the Township entered into a 5 year contract with Ontario Clean Water Agency. The fixed price contract was established for water and sewage treatment. The annual cost of this contract was \$ 244,429 (2015 - \$ 240,585) and is adjusted annually for inflation and insurance.

The Township has not negotiated a contract with the Ontario Provincial Police for the provision of policing services, however, the Ontario Provincial Police provide policing services on an annual basis. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The amount for 2016 was \$ 508,639 (2015 - \$ 467,846).

The Township has negotiated a contract with Beaumen Waste Management for the collection and disposal of recycled materials at the Killaloe Waste Site. Annual charges are determined based on the number of cubic yard bins. The contract for 2016 was \$ 14,552 (2015 - \$ 18,419). The Township has negotiated a 10 year contract with Lafleche for the collection and disposal of compacted household waste. The contract runs from May 2013 to May 2023. Annual charges are determined by the ton. The contract for 2016 was \$ 43,821 (2015 - \$ 35,531).

The Township has entered into a commercial lease agreement with John Deere. The lease obligation runs until April 2018. Monthly payments of \$ 5,814 include HST. The cost of the lease agreement in 2016 was \$ 73,332 (2015 - \$ 73,332).

12. SEGMENTED INFORMATION

- (a) The Township is responsible for providing a wide range of services to its citizens. The Township reports on functional areas and programs in its consolidated financial statements. A brief description of each segment follows:
- i) General government is comprised of Council and administration and is responsible for the overall governance and management of the Municipality.
 - ii) Protection is comprised of police, fire, and other protective services.

Township of Killaloe, Hagarty and Richards
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

- iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
- iv) Environmental services include water supply and distribution, wastewater treatment, and solid waste and recycling services.
- v) Recreation and cultural services include parks, recreation and libraries.
- vi) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.
- (b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2016 are as follows:

	<u>Salaries and benefits</u>	<u>Interest on long term debt</u>	<u>Materials and contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 447,063	\$ -	\$ 259,686	\$ 6,990	\$ 18,020	\$ 731,759
Protection services	183,414		634,263		44,397	862,074
Transportation services	363,413		512,950		491,887	1,368,250
Environmental services	117,511		495,414		193,870	806,795
Health services				21,000		21,000
Recreation	201,992		209,206		27,102	438,300
Planning and development			12,745			12,745
	<u>\$ 1,313,393</u>	<u>\$ -</u>	<u>\$ 2,124,264</u>	<u>\$ 27,990</u>	<u>\$ 775,276</u>	<u>\$ 4,240,923</u>

- (c) The expenditures for 31 December 2015 are as follows:

	<u>Salaries and benefits</u>	<u>Interest on long term debt</u>	<u>Materials and contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 414,222	\$ -	\$ 220,906	\$ 9,612	\$ 16,901	\$ 661,641
Protection services	148,895		579,103		33,350	761,348
Transportation services	380,577		561,113		536,199	1,477,889
Environmental services	114,479		511,632		193,870	819,981
Health services				21,000		21,000
Recreation	184,085		149,550		27,330	360,965
Planning and development			605			605
	<u>\$ 1,242,258</u>	<u>\$ -</u>	<u>\$ 2,022,909</u>	<u>\$ 30,612</u>	<u>\$ 807,650</u>	<u>\$ 4,103,429</u>

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

Township of Killaloe, Hagarty and Richards
Schedule of General Operations
For the year ended 31 December 2016
(with 2016 budget and 2015 actual figures for comparison)

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 2,512,573	\$ 2,509,601	\$ 2,383,434
Government transfers:			
Ontario	1,068,014	1,063,688	825,711
Canada	136,325	122,285	75,567
Other municipalities	18,575	16,957	1,520
Other	<u>283,531</u>	<u>421,517</u>	<u>296,210</u>
	<u>\$ 4,019,018</u>	<u>\$ 4,134,048</u>	<u>\$ 3,582,442</u>
Expenses:			
General government	\$ 737,422	\$ 731,759	\$ 661,641
Protection to persons and property	949,559	862,074	761,348
Transportation services	1,772,147	1,368,250	1,477,889
Environmental services	628,790	502,865	530,535
Health services	21,000	21,000	21,000
Recreation and cultural services	329,028	320,072	250,179
Planning and development	<u>9,300</u>	<u>12,745</u>	<u>605</u>
	<u>\$ 4,447,246</u>	<u>\$ 3,818,765</u>	<u>\$ 3,703,197</u>
Excess (shortfall) of revenue over expenses	<u>\$ (428,228)</u>	<u>\$ 315,283</u>	<u>\$ (120,755)</u>
Transfers:			
Transfer to library	\$ (90,669)	\$ (72,017)	\$ (64,761)
Transfer to discretionary reserve fund	(11,000)	(17,907)	(10,952)
Transfer from (to) reserves	605,600	(237,080)	5,966
Transfer from (to) equity in tangible capital assets	<u>(131,556)</u>	<u>12,134</u>	<u>192,645</u>
Net transfers	<u>\$ 372,375</u>	<u>\$ (314,870)</u>	<u>\$ 122,898</u>
Change in general surplus (deficit) for the year	\$ (55,853)	\$ 413	\$ 2,143
General surplus at the beginning of the year	<u>55,853</u>	<u>55,853</u>	<u>53,710</u>
General surplus at the end of the year	<u>\$ -</u>	<u>\$ 56,266</u>	<u>\$ 55,853</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards

Schedule of Water Fund Operations

For the year ended 31 December 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Revenue:		
User charges	\$ <u>145,465</u>	\$ <u>135,191</u>
Expenses:		
Ontario Clean Water Agency billings	\$ 133,206	\$ 132,089
Hydro	<u>18,194</u>	<u>15,362</u>
	\$ <u>151,400</u>	\$ <u>147,451</u>
Shortfall of revenue over expenses	\$ (5,935)	\$ (12,260)
Water fund surplus (deficit) at the beginning of the year	<u>(15,190)</u>	<u>(2,930)</u>
Water fund surplus (deficit) at the end of the year	<u><u>(21,125)</u></u>	<u><u>(15,190)</u></u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards
Schedule of Sewage Fund Operations
For the year ended 31 December 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Revenue:		
User charges	\$ <u>152,643</u>	\$ <u>149,480</u>
Expenses:		
Grant in lieu	\$ 864	\$ 849
Hydro	38,553	30,441
Materials	1,852	1,723
Ontario Clean Water Agency billings	111,223	108,496
Wages	<u>38</u>	<u>486</u>
	\$ <u>152,530</u>	\$ <u>141,995</u>
Excess of revenue over expenses	\$ 113	\$ 7,485
Transfers:		
Transfer to reserves	<u>(113)</u>	<u>(7,485)</u>
Change in sewage fund surplus	\$ -	\$ -
Sewage fund surplus at the beginning of the year	<u>-</u>	<u>-</u>
Sewage fund surplus at the end of the year	<u><u>-</u></u>	<u><u>-</u></u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards

Schedule of Reserves and Reserve Funds

For the year ended 31 December 2016

(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Contributions:		
From operations	\$ <u>520,489</u>	\$ <u>212,071</u>
Transfers:		
Transfer to operations	\$ 16,195	
Transfer to tangible capital asset acquisitions	<u>249,194</u>	\$ <u>199,600</u>
	<u>\$ 265,389</u>	<u>\$ 199,600</u>
Change in reserves and reserve funds balance	\$ 255,100	\$ 12,471
Reserves and reserve funds at the beginning of the year	<u>2,976,837</u>	<u>2,964,366</u>
Reserves and reserve funds at the end of the year	<u>\$ 3,231,937</u>	<u>\$ 2,976,837</u>
Reserves:		
Working funds	\$ 1,721,356	\$ 1,698,893
Protection services	106,789	26,789
Roadways	537,294	436,482
Wastewater system	15,779	15,666
Waterworks system	21,290	21,290
Solid waste disposal	328,350	278,350
Hydro Reserve Killaloe	<u>399,952</u>	<u>416,147</u>
Total reserves	\$ 3,130,810	\$ 2,893,617
Discretionary reserve fund set aside for specific purpose:		
Environmental	<u>101,127</u>	<u>83,220</u>
Total reserves and reserve funds	<u>\$ 3,231,937</u>	<u>\$ 2,976,837</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards

Schedule of Tangible Capital Assets

For the year ended 31 December 2016
(with 2015 figures for comparison)

Segmented by asset class: Cost	Balance at 31 December 2015	Additions	Disposals, write-offs and adjustments	Balance at 31 December 2016
Land	\$ 342,666			\$ 342,666
Land improvements	348,038			348,038
Buildings	4,281,565			4,281,565
Machinery and equipment	756,143	\$ 84,298	\$ 158,736	999,177
Vehicles	2,460,628	21,975	(85,916)	2,396,687
Linear assets	19,668,903	132,932		19,801,835
Capital work in progress	177,612	497,130	(158,736)	516,006
Total	<u>\$ 28,035,555</u>	<u>\$ 736,335</u>	<u>\$ (85,916)</u>	<u>\$ 28,685,974</u>

Accumulated amortization	Balance at 31 December 2015	Amortization	Disposals, write-offs and adjustments	Balance at 31 December 2016
Land	\$ 97,921	\$ 8,710		\$ 106,631
Land improvements	219,092	9,344		228,436
Buildings	3,422,517	104,131		3,526,648
Machinery and equipment	365,749	58,280		424,029
Vehicles	1,583,631	126,922	\$ (76,075)	1,634,478
Linear assets	15,659,247	467,889		16,127,136
Total	<u>\$ 21,348,157</u>	<u>\$ 775,276</u>	<u>\$ (76,075)</u>	<u>\$ 22,047,358</u>

Net book value	Balance at 31 December 2015	Balance at 31 December 2016
Land	\$ 244,745	\$ 236,035
Land improvements	128,946	119,602
Buildings	859,048	754,917
Machinery and equipment	390,394	575,148
Vehicles	876,997	762,209
Linear assets	4,009,656	3,674,699
Capital work in progress	177,612	516,006
Total	<u>\$ 6,687,398</u>	<u>\$ 6,638,616</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards

Schedule of Tangible Capital Assets

For the year ended 31 December 2016
(with 2015 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2015</u>	<u>Additions</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2016</u>
General government	\$ 519,803	\$ 149,194		\$ 668,997
Protection services	1,565,273	19,774		1,585,047
Transportation services	18,395,078	567,367	\$ (85,916)	18,876,529
Environmental services - waste sites	731,641			731,641
Environmental services - water	3,786,120			3,786,120
Environmental services - sewage	2,237,101			2,237,101
Recreation services	<u>800,539</u>			<u>800,539</u>
Total	<u>\$ 28,035,555</u>	<u>\$ 736,335</u>	<u>\$ (85,916)</u>	<u>\$ 28,685,974</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2015</u>	<u>Amortization</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2016</u>
General government	\$ 356,020	\$ 18,020		\$ 374,040
Protection services	837,838	44,397		882,235
Transportation services	14,424,387	491,887	\$ (76,075)	14,840,199
Environmental services - waste sites	343,821	51,877		395,698
Environmental services - water	2,640,737	141,993		2,782,730
Environmental services - sewage	2,235,101			2,235,101
Recreation services	<u>510,253</u>	<u>27,102</u>		<u>537,355</u>
Total	<u>\$ 21,348,157</u>	<u>\$ 775,276</u>	<u>\$ (76,075)</u>	<u>\$ 22,047,358</u>

<u>Net book value</u>	Balance at 31 December <u>2015</u>	Balance at 31 December <u>2016</u>
General government	\$ 163,783	\$ 294,957
Protection services	727,435	702,812
Transportation services	3,970,691	4,036,330
Environmental services - waste sites	387,820	335,943
Environmental services - water	1,145,383	1,003,390
Environmental services - sewage	2,000	2,000
Recreation services	<u>290,286</u>	<u>263,184</u>
Total	<u>\$ 6,687,398</u>	<u>\$ 6,638,616</u>

(See accompanying notes)



INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Killaloe, Hagarty and Richards.

We have audited the accompanying financial statements of the trust fund of the Corporation of the Township of Killaloe, Hagarty and Richards, which comprise the statement of financial position as at 31 December 2016, and the statement of operations 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 for local governments, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Mackillican & Associates

RENFREW, Ontario.
14 March 2017.

Chartered Professional Accountants,
Licensed Public Accountants.

Township of Killaloe, Hagarty and Richards

Trust Fund

Statement of Financial Position

As at 31 December 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Loan receivable (Note 2)		\$ 2,410
Due from Municipality	\$ 1,500	_____
	<u>\$ 1,500</u>	<u>\$ 2,410</u>
 <u>LIABILITY AND FUND BALANCE</u>		
Due to Province	\$ 1,500	
Fund balance	_____	\$ 2,410
	<u>\$ 1,500</u>	<u>\$ 2,410</u>

Township of Killaloe, Hagarty and Richards

Trust Fund

Statement of Operations

For the year ended 31 December 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	\$ 2,410	\$ 2,410
Revenue:		
Interest	\$ 19	\$ -
Expenses:		
Administration	\$ 79	\$ -
Loan forgiven	850	
Repayment to the Province of Ontario	1,500	
	<u>\$ 2,429</u>	<u>\$ -</u>
Balance at the end of the year	<u>\$ -</u>	<u>\$ 2,410</u>

(See accompanying notes)

Township of Killaloe, Hagarty and Richards

Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administration 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.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

2. ONTARIO HOME RENEWAL PROGRAM

Ontario Home Renewal Program loan receivable at 31 December 2016 comprise repayable loan of Nil (2015 - \$ 1,560) and forgivable loan of Nil (2015 - \$ 850). Loan forgiveness is earned and recorded at a rate of up to \$ 600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

In 1993, the Ministry of Housing announced that the Ontario Home Renewal Program was being discontinued and that all cash funds on hand at the end of each year are to be returned to the Province by 1 March of the next year. For the year ended 31 December 2016, the amount of \$ 1,500 must be returned to the Province by 1 March 2017.



INDEPENDENT AUDITOR'S REPORT

To the Board Members,
Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Killaloe, Hagarty and Richards.

We have audited the accompanying financial statements of the Village of Killaloe Recreation Committee which comprise the statement of financial position as at 31 December 2016, and the statement of operations 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 for local governments, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Basis for Qualified Opinion

In common with many recreation committees, the organization derives revenue from fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Village of Killaloe Recreation Committee and we were not able to determine whether any adjustments might be necessary to fundraising activities, asset and accumulated surplus.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Village of Killaloe Recreation Committee as at 31 December 2016, and the results of its operations for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.

Mackilligan & Associates

RENFREW, Ontario.
14 March 2017.

Chartered Professional Accountants,
Licensed Public Accountants.

Village of Killaloe Recreation Committee

Statement of Financial Position

As at 31 December 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
<u>ASSET</u>		
Cash in bank	\$ <u>12,119</u>	\$ <u>11,375</u>
<u>ACCUMULATED SURPLUS</u>		
Accumulated surplus	\$ <u>12,119</u>	\$ <u>11,375</u>

(See accompanying notes)

Village of Killaloe Recreation Committee

Statement of Operations

For the year ended 31 December 2016

(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Revenue:		
Fundraising	\$ 8,044	\$ 9,907
Interest	<u>85</u>	<u>81</u>
	<u>\$ 8,129</u>	<u>\$ 9,988</u>
Expenses:		
Fundraising	<u>\$ 7,385</u>	<u>\$ 7,296</u>
Excess of revenue over expenses	\$ 744	\$ 2,692
Accumulated surplus at the beginning of the year	<u>11,375</u>	<u>8,683</u>
Accumulated surplus at the end of the year	<u><u>\$ 12,119</u></u>	<u><u>\$ 11,375</u></u>

(See accompanying notes)

Village of Killaloe Recreation Committee

Notes to the Financial Statements

For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Killaloe Recreation Committee are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

(a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(b) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements in the period in which the 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.

(c) 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(e) Investment Income

Investment income earned on current funds are reported as revenue in the period earned.

(f) Financial Instruments

Financial instruments include cash in bank. Unless otherwise noted, it is management's opinion that the Committee is not exposed to significant interest, currency or credit risks arising from the financial instruments. The carrying amounts reported on the statement of financial position for cash in bank, approximates the fair value, due to the immediate and short term maturity of the financial instruments.

2. CONTINGENT LIABILITIES

The nature of Committee activities is such that there may be litigation pending or in prospect at any time. The Committee is not aware of any claims or possible claims as at 31 December 2016.



**MACKILLICAN
& ASSOCIATES**
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board Members,
Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Killaloe, Hagarty and Richards.

We have audited the accompanying financial statements of the Killaloe & District Public Library Board which comprise the statement of financial position as at 31 December 2016, the statement of operations 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 for local governments, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Basis for Qualified Opinion

In common with many library boards, the organization derives revenue from fines, donations, fundraising and sundry, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Killaloe & District Public Library Board and we were not able to determine whether any adjustments might be necessary to fines, donations, fundraising and sundry, assets and accumulated surplus.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Killaloe & District Public Library Board as at 31 December 2016, and the results of its operations for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.

MacKilligan & Associates

RENFREW, Ontario.
14 March 2017.

Chartered Professional Accountants,
Licensed Public Accountants.

Killaloe & District Public Library Board

Statement of Financial Position

As at 31 December 2016

(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash on hand and in bank	\$ 25,637	\$ 28,712
Accounts receivable		202
Due from Canada	3,652	2,162
Due from Ontario - SOLS Connectivity		283
Due from Canada - Youth Intern Program		1,446
	<u>\$ 29,289</u>	<u>\$ 32,805</u>
<u>LIABILITIES AND ACCUMULATED SURPLUS</u>		
Liabilities:		
Accounts payable	\$ 2,200	\$ 2,200
Due to Canada		281
	<u>\$ 2,200</u>	<u>\$ 2,481</u>
Accumulated surplus	<u>27,089</u>	<u>30,324</u>
	<u>\$ 29,289</u>	<u>\$ 32,805</u>

(See accompanying notes)

Killaloe & District Public Library Board

Statement of Operations

For the year ended 31 December 2016

(with 2016 budget and 2015 actual figures for comparison)

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Accumulated surplus at the beginning of the year	\$ <u>30,324</u>	\$ <u>30,324</u>	\$ <u>23,925</u>
Revenue:			
Canada grants - Summer Jobs Service Grant	\$ 1,349	\$ 1,352	\$ 1,320
Province of Ontario grants - Ontario Library	6,824	6,824	6,824
- Pay Equity Grant	1,312	1,312	1,312
- Youth Internship Grant	3,130	3,130	7,408
- Connectivity Grant	1,000	1,057	1,127
- Capacity Building Grant	3,439	3,476	7,611
Services sold to other library boards	4,648	4,648	4,648
Fines, donations, fundraising and sundry	<u>12,140</u>	<u>13,792</u>	<u>14,878</u>
	\$ <u>33,842</u>	\$ <u>35,591</u>	\$ <u>45,128</u>
Expenses:			
Advertising	\$ 850	\$ 789	\$ 753
Audit and legal	3,300	8,652	3,256
Books	10,150	9,971	9,905
Capacity Building Fund	3,439	2,937	4,897
Connectivity - SOLS	1,000	1,063	1,003
Insurance	3,500	3,604	3,505
Integrated library system	800	501	
Licenses	260	280	260
New Horizons wages			928
Postage and office	1,555	1,505	1,628
Programs and sundry	700	3,021	1,575
Summer Jobs Service Grant	1,349	1,352	1,320
Supplies and furniture	4,700	2,019	7,048
Training and development	2,500	1,819	1,559
Wages	65,600	70,200	58,445
Youth Internship Grant	<u>3,130</u>	<u>3,130</u>	<u>7,408</u>
	\$ <u>102,833</u>	\$ <u>110,843</u>	\$ <u>103,490</u>
Shortfall of revenue over expenses before transfers	\$ (68,991)	\$ (75,252)	\$ (58,362)
Transfers:			
Transfers from general fund	<u>65,969</u>	<u>72,017</u>	<u>64,761</u>
Excess (shortfall) of revenue over expenses for the year	\$ <u>(3,022)</u>	\$ <u>(3,235)</u>	\$ <u>6,399</u>
Accumulated surplus at the end of the year	\$ <u><u>27,302</u></u>	\$ <u><u>27,089</u></u>	\$ <u><u>30,324</u></u>

(See accompanying notes)

Killaloe & District Public Library Board

Statement of Cash Flows

For the year ended 31 December 2016

(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Excess (shortfall) of revenue over expenses for the year	\$ <u>(3,235)</u>	\$ <u>6,399</u>
Net change in non cash working capital balance related to operations:		
- decrease (increase) in accounts receivable	\$ 202	\$ (202)
- decrease (increase) in due from Canada	(1,490)	(382)
- decrease (increase) in due from Ontario - SOLS Connectivity	283	155
- decrease (increase) in due from Canada - Youth Intern Program	1,446	(601)
- increase (decrease) in due to Canada	<u>(281)</u>	<u>281</u>
	<u>\$ 160</u>	<u>\$ (749)</u>
Cash flows from (used for) operating activities	\$ <u>(3,075)</u>	\$ <u>5,650</u>
Increase (decrease) in cash and cash equivalents during the year	\$ (3,075)	\$ 5,650
Cash and cash equivalents at the beginning of the year	<u>28,712</u>	<u>23,062</u>
Cash and cash equivalents at the end of the year	<u>\$ 25,637</u>	<u>\$ 28,712</u>

(See accompanying notes)

Killaloe & District Public Library Board

Notes to the Financial Statements

For the year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Killaloe & District Public Library Board are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

(a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(b) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements in the period in which the 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.

(c) 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

2. FINANCIAL INSTRUMENTS

Financial instruments include cash on hand and in bank, accounts receivable, due from Canada, due from Ontario, due to Canada and accounts payable. Unless otherwise noted, it is management's opinion that the Library Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash on hand and in bank, accounts receivable, due from Canada, due from Ontario, due to Canada and accounts payable, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

Killaloe & District Public Library Board

Notes to the Financial Statements

For the year ended 31 December 2016

3. CONTINGENT LIABILITIES

The nature of Board activities is such that there may be litigation pending or in prospect at any time. The Library Board is not aware of any claims or possible claims as at 31 December 2016.

4. BUDGET

The operating budget for 2016 is approved by the Killaloe & District Public Library Board. The Board 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 purpose of these financial statements to comply with PSAB reporting requirements. The budget is not audited.