

**The Corporation of the
Municipality of Arran-Elderslie
Financial Information
December 31, 2017**

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Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Arran-Elderslie**

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Arran-Elderslie, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, 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 Consolidated 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 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 Municipality of Arran-Elderslie as at December 31, 2017 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 3, 2018

The Corporation of the Municipality of Arran-Elderslie
Consolidated Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash and temporary investments (Note 1)	\$ 16,173,160	\$ 14,793,202
Taxes receivable	1,063,551	1,223,700
Trade and other receivables	925,075	790,031
Inventory held for resale	8,120	6,512
Long-term receivables (Note 2)	530,801	604,660
	<u>18,700,707</u>	<u>17,418,105</u>
Liabilities		
Accounts payable and accrued liabilities	1,147,632	842,492
Solid waste closure and post-closure liabilities (Note 4)	330,818	335,155
Post-employment benefits liabilities (Note 10)	340,117	317,266
Deferred revenue (Page 28)	428,934	426,132
Net long-term liabilities (Note 5)	514,461	581,972
	<u>2,761,962</u>	<u>2,503,017</u>
Net financial assets	<u>15,938,745</u>	<u>14,915,088</u>
Non-financial assets		
Prepaid expenses	26,806	38,247
Tangible capital assets (Note 6)	31,885,729	30,928,548
	<u>31,912,535</u>	<u>30,966,795</u>
Accumulated surplus (Note 7)	<u>\$ 47,851,280</u>	<u>\$ 45,881,883</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of Arran-Elderslie
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2017	2017	2016
	Budget (Note 9)	Actual	Actual
Revenue			
Taxation	\$ 4,679,609	\$ 4,676,739	\$ 4,472,980
Fees and user charges	3,516,586	3,631,950	3,680,852
Government transfers (Note 11)	3,263,820	2,338,972	1,889,082
Other income (Note 12)	774,485	913,074	1,053,136
	<u>12,234,500</u>	<u>11,560,735</u>	<u>11,096,050</u>
Expenses			
General government	806,946	873,324	853,907
Protection services	1,920,975	1,980,366	1,877,962
Transportation services	1,920,757	2,821,954	2,857,098
Environmental services	1,260,157	2,118,422	2,182,502
Health services	149,408	163,023	220,993
Recreation and cultural services	1,337,820	1,452,395	1,487,497
Planning and development	216,462	181,854	295,070
	<u>7,612,525</u>	<u>9,591,338</u>	<u>9,775,029</u>
Annual surplus (Note 9)	4,621,975	1,969,397	1,321,021
Accumulated surplus, beginning of the year	43,066,301	45,881,883	44,560,862
Accumulated surplus, end of the year	<u>\$ 47,688,276</u>	<u>\$ 47,851,280</u>	<u>\$ 45,881,883</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of Arran-Elderslie
Consolidated Statement of Changes in Net Financial Assets

<u>For the year ended December 31</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
	Budget (Note 9)	Actual	Actual
Annual surplus (Page 5)	\$ 4,621,975	\$ 1,969,397	\$ 1,321,021
Acquisition of tangible capital assets	(5,470,695)	(2,915,573)	(1,888,891)
Amortization of tangible capital assets	-	1,917,559	1,957,128
Gain on sale of tangible capital assets	-	(95,859)	(31,882)
Proceeds on disposal of capital assets	-	136,692	43,582
	<u>(5,470,695)</u>	<u>(957,181)</u>	<u>79,937</u>
Change in prepaid expenses	-	11,441	(722)
Increase (decrease) in net financial assets	(848,720)	1,023,657	1,400,236
Net financial assets, beginning of the year	14,915,088	14,915,088	13,514,852
Net financial assets, end of the year	\$ 14,066,368	\$ 15,938,745	\$ 14,915,088

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of Arran-Elderslie
Consolidated Statement of Cash Flows

<u>For the year ended December 31</u>	<u>2017</u>	<u>2016</u>
Cash provided by (used in)		
Operating activities		
Annual surplus (Page 5)	\$ 1,969,397	\$ 1,321,021
Items not involving cash		
Solid waste closure and post-closure liabilities	(4,337)	4,596
Amortization	1,917,559	1,957,128
Post-employment benefits liabilities	22,851	60,802
Deferred revenue recognized	(208,167)	(276,088)
Change in prepaid expenses	11,441	(722)
Gain on sale of capital assets	(95,859)	(31,882)
	<u>3,612,885</u>	<u>3,034,855</u>
Changes in non-cash working capital balances		
Taxes receivable	160,149	(26,354)
Trade and other receivables	(135,044)	21,997
Inventory held for resale	(1,608)	(1,944)
Accounts payable and accrued liabilities	305,140	(175,820)
Deferred revenue received	210,969	209,096
	<u>4,152,491</u>	<u>3,061,830</u>
Capital transactions		
Cash used to acquire capital assets	(2,915,573)	(1,888,891)
Proceeds on sale of capital assets	136,692	43,582
	<u>(2,778,881)</u>	<u>(1,845,309)</u>
Investing activities		
Increase in long-term receivables	(45,600)	(95,600)
Repayment of long-term receivables	119,459	129,036
	<u>73,859</u>	<u>33,436</u>
Financing activities		
Additions to long-term liabilities	45,600	95,600
Repayment of long-term liabilities	(113,111)	(124,143)
	<u>(67,511)</u>	<u>(28,543)</u>
Net change in cash and cash equivalents	1,379,958	1,221,414
Cash and cash equivalents, beginning of the year	14,793,202	13,571,788
Cash and cash equivalents, end of the year	\$16,173,160	\$ 14,793,202

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2017

Management Responsibility Management of the Corporation of the Municipality of Arran-Elderslie has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. Council reviews and approves the consolidated financial statements.

Basis of Accounting The consolidated financial statements of the Corporation of the Municipality of Arran-Elderslie have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting 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.

Basis of Consolidation The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Paisley Local Architectural Conservation Advisory Committee

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The municipality's proportionate interest of the following government partnerships are reflected in the consolidated financial statements:

Chesley and District Fire Board	65.70%
Bruce Area Solid Waste Recycling Association	8.91%
Saugeen Mobility and Regional Transit	7.70%

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2017

Revenue Recognition

Revenues are recognized as follows:

- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- b) Other revenues and user fees are recorded upon sale of goods or provision of service when collection is reasonably assured.
- c) Investment income earned on surplus funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is recorded directly to each fund balance and forms part of the respective deferred revenue balances.
- d) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
- e) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2017

Cash and Cash Equivalents	Cash and cash equivalents include all cash balances and short- term highly liquid investments that are readily converted into cash.
Temporary Investments	Temporary investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market.
Inventory	Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.
Post-Employment Benefits	<p>The municipality provides post-employment health, dental, travel, and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.</p> <p>The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.</p>
Solid Waste Landfill Closure and Post-Closure Costs	Site closure and post-closure care costs are recognized over the operating life of the landfill based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.
Liability for Contaminated Sites	A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. A liability of \$30,000 has been accrued.

The Corporation of the Municipality of Arran-Elderslie

Summary of Significant Accounting Policies

December 31, 2017

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. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by management. The following useful lives are used:

Land improvements	40 years
Buildings	40 years
Equipment	5 to 15 years
Roads - paved	15 - 20 years
Roads - gravel	10 years
Water and other utility systems	30 - 80 years
Bridges and culverts	20 - 50 years
Vehicles	5 to 12 years

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

County and School Board

The municipality collects taxation revenue on behalf of the school boards and the County of Bruce. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Bruce are not reflected in these financial statements.

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items such as accrued grant receivables, useful life of assets, accrued liabilities, post-employment benefits, solid waste landfill closure and post-closure costs, liabilities for contaminated sites and taxation revenue. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

The Corporation of the Municipality of Arran-Elderslie
Notes to Consolidated Financial Statements

December 31, 2017

1. Cash and Temporary Investments

	<u>2017</u>	<u>2016</u>
Cash	\$ 7,550,020	\$ 6,300,336
Temporary investments - GIC's	8,551,429	8,362,307
Temporary investments - Restricted	47,954	47,847
Accrued interest	23,757	82,712
	<u>\$16,173,160</u>	<u>\$ 14,793,202</u>

On December 31, 2017, the Municipality had bank accounts of \$7,436,783 and GIC's of \$8,581,524 in one chartered bank. The Canadian Deposit Insurance Corporation insures deposits to a maximum of \$100,000 per depositor.

The bank account earns interest at the average prime rate less 1.75%. The GIC's have an interest rate of 1.80% and mature May 2019. The restricted investments are GIC's with interest rates between .45% and 1.80% and mature between January and November 2018.

2. Long-Term Receivables

	<u>2017</u>	<u>2016</u>
Tile drainage loans, 6%, due 2018 to 2027	\$ 514,461	\$ 581,972
Tara water system loans, 6%, due 2020	16,340	22,688
	<u>\$ 530,801</u>	<u>\$ 604,660</u>

3. Temporary Borrowings

The Municipality of Arran Elderslie has a demand operating facility with interest charged at prime plus 0.5% per annum. This facility is secured by a current borrowing by-law. At December 31, 2017, the municipality had a \$2,000,000 unused operating facility.

The Corporation of the Municipality of Arran-Elderslie
Notes to Consolidated Financial Statements

December 31, 2017

4. Solid Waste Closure and Post-Closure Liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the Chesley Landfill site is recorded at \$281,620 and represents the present value of estimated post-closure costs using a discount rate of 3.64%. There is no remaining fill capacity available and the Chesley Landfill was closed to the public in 2012. Post-closure care is estimated to continue for a period of 20 years.

The Arran Landfill site was expanded and assumed landfilling operations for the entire Municipality on October 1, 2012. The useable area was divided into five phases, each requiring separate approval with Plans of Development for each phase. Currently, only Phases I and II have a Plan of Development and Operation (PDO). The liability for Phase I and II of the Arran Landfill site is recorded at \$49,198 and represents the present value of closure and post-closure costs for 24% of the current site's capacity, using the municipality's average long-term borrowing rate of 3.64%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenditures for closure and post-closure care are \$418,600. The estimated remaining open capacity of Phases I and II is approximately 213,535 cubic meters, which will be filled in 7 years. Post-closure care is estimated to continue for a period of 25 years.

The liabilities have been partially funded through budget allocations.

5. Long-Term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2017	2016
Tile drainage loans, 6%, due 2018 to 2027	\$ 514,461	\$ 581,972

Principal payments for the next five fiscal years and thereafter are as follows:

2018	\$	92,638
2019		86,810
2020		74,981
2021		67,429
2022		53,485
Thereafter		139,118
	\$	514,461

Interest paid during the year totalled \$34,945.

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

6. Tangible Capital Assets

								2017
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 868,659	\$ 6,565,746	\$ 2,415,908	\$ 43,612,063	\$ 25,705,292	\$ 7,514,024	\$ 5,288,381	\$ 91,970,073
Additions	13,074	216,277	166,064	560,156	1,610,212	264,799	84,991	2,915,573
Disposals	(40,000)	-	(970)	(25,086)	(4,578)	(28,710)	(7,003)	(106,347)
Cost, end of the year	841,733	6,782,023	2,581,002	44,147,133	27,310,926	7,750,113	5,366,369	94,779,299
Accumulated amortization, beginning of the year	112,867	3,924,070	1,324,645	38,701,119	9,144,292	4,061,213	3,773,319	61,041,525
Amortization	25,291	138,944	194,662	554,048	625,239	145,917	233,458	1,917,559
Disposals	-	-	(914)	(25,086)	(3,919)	(28,710)	(6,885)	(65,514)
Accumulated amortization, end of the year	138,158	4,063,014	1,518,393	39,230,081	9,765,612	4,178,420	3,999,892	62,893,570
Net carrying amount, end of the year	\$ 703,575	\$ 2,719,009	\$ 1,062,609	\$ 4,917,052	\$ 17,545,314	\$ 3,571,693	\$ 1,366,477	\$ 31,885,729

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

6. Tangible Capital Assets - (continued)

								2016
	Land and Land Improvements	Buildings	Equipment	Roads	Water and Other Utility Systems	Bridges and Culverts	Vehicles	Total
Cost, beginning of the year	\$ 758,489	\$ 6,349,744	\$ 2,211,059	\$ 42,956,084	\$ 25,149,438	\$ 7,391,043	\$ 5,279,355	\$ 90,095,212
Additions	118,170	216,002	210,879	655,979	555,854	122,981	9,026	1,888,891
Disposals	(8,000)	-	(6,030)	-	-	-	-	(14,030)
Cost, end of the year	868,659	6,565,746	2,415,908	43,612,063	25,705,292	7,514,024	5,288,381	91,970,073
Accumulated amortization, beginning of the year	90,248	3,802,647	1,136,071	38,096,877	8,527,789	3,924,280	3,508,815	59,086,727
Amortization	22,619	121,423	190,904	604,242	616,503	136,933	264,504	1,957,128
Disposals	-	-	(2,330)	-	-	-	-	(2,330)
Accumulated amortization, end of the year	112,867	3,924,070	1,324,645	38,701,119	9,144,292	4,061,213	3,773,319	61,041,525
Net carrying amount, end of the year	\$ 755,792	\$ 2,641,676	\$ 1,091,263	\$ 4,910,944	\$ 16,561,000	\$ 3,452,811	\$ 1,515,062	\$ 30,928,548

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

6. Tangible Capital Assets - (continued)

The net book value of tangible capital assets not being amortized because they are under construction or development is \$962,971 (2016 - \$271,592).

7. Accumulated Surplus

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

	2017	2016
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 31,885,729	\$ 30,928,548
Unfinanced capital assets	(26,735)	(70,457)
	31,858,994	30,858,091
Total invested in capital assets		
Unfunded post-employment benefits	(340,117)	(317,266)
Unfunded solid waste closure and post-closure costs	(165,780)	(170,117)
Unfunded Grey Bruce Health Services contribution	(5,000)	(10,000)
Operating surplus (Note 9)	167,112	233,544
Fire surplus	277	277
Saugeen Mobility and Regional Transit (S.M.A.R.T.)	202	202
	31,515,688	30,594,731
Reserves and reserve funds (Note 8)	16,335,592	15,287,152
Accumulated surplus	\$47,851,280	\$ 45,881,883

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

8. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	2017	2016
Reserves		
Working funds	\$ 922,623	\$ 702,203
Sick leave	433,565	382,486
Capital purposes	<u>14,582,418</u>	<u>13,763,548</u>
	15,938,606	14,848,237
Reserve funds		
Capital purposes	<u>396,986</u>	<u>438,915</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$ 16,335,592</u>	<u>\$ 15,287,152</u>

9. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2017 budget amounts for the Corporation of the Municipality of Arran-Elderslie approved by Council have been restated to conform to the presentation of the consolidated statements of operations and accumulated surplus and changes in net financial assets. The following is a reconciliation of the budget approved by Council.

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (Page 6)	\$ 4,621,975	\$ 1,969,397	\$ 1,321,021
Amortization	-	1,917,559	1,957,128
Change in other surpluses	-	-	1,750
Change in unfunded liabilities	<u>(29,522)</u>	<u>18,514</u>	<u>65,398</u>
	4,592,453	3,905,470	3,345,297
Prior year general surplus	-	233,544	101,385
Net transfers (to) from reserves	878,242	(1,048,440)	(1,314,830)
Capital acquisitions, disposals and write-down	(5,470,695)	(2,874,740)	(1,877,191)
Prior year capital projects funded	-	(43,722)	(16,117)
Unfunded Grey Bruce Health Services	-	(5,000)	(5,000)
Operating surplus (Note 7)	<u>\$ -</u>	<u>\$ 167,112</u>	<u>\$ 233,544</u>

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

10. Post-Employment Benefit

	2017	2016
Accumulating sick leave (unamortized gain \$10,129)	\$ 220,010	\$ 198,989
Post-employment benefits (unamortized gain \$22,081)	120,107	118,277
	\$ 340,117	\$ 317,266

- a) The municipality provides its employees with an accumulating sick leave plan which allows employees to use days accumulated in prior years, and allows for partial payout upon death, termination or retirement.

	2017	2016
Sick leave liability, beginning of the year	\$ 198,989	\$ 179,971
Amortization of actuarial gain	(1,126)	(1,126)
Current year benefit expense	17,399	16,324
Interest accrued	8,750	7,819
Benefits paid	(4,002)	(3,999)
	\$ 220,010	\$ 198,989

As per the collective agreement, the unused portion of annual earned sick leave days plus interest, is accumulated in a reserve account. The reserve tracks the number and dollar value of the unused days for each employee. When an employee ceases to work for the municipality, the employee receives 50% of the value credited in the reserve for that employee. The estimated liability at December 31, 2017 is \$220,010. The reserve account maintained by the municipality at December 31, 2017 per the agreement is \$433,565 and any future sick leave payouts will be funded from the reserve.

- b) The municipality pays certain health, dental, travel and life insurance benefits on behalf of its retired members to the age of 70. The municipality recognizes these post-employment costs in the period in which the employees rendered the services. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 4.50%. For future salaries, a 3% annual rate of increase was used for 2015 and forward. For dental and travel premiums, a 4% annual rate of increase was assumed for 2015 and forward. For health care premiums, a 5.33% increase was used for 2016 and decreasing .33% until 2020 where 4% was used thereafter.

	2017	2016
Accrued benefit liability, beginning of the year	\$ 118,277	\$ 76,493
Amortization of actuarial gain	(2,454)	(2,454)
Current year benefit expense	3,127	42,933
Interest accrued	2,459	2,272
Benefit payments	(1,302)	(967)
	\$ 120,107	\$ 118,277

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

11. Government Transfers

	2015	2017	2016
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 1,507,300	\$ 1,507,300	\$ 1,360,600
Conditional - Roads	30,700	14,433	9,266
- Sewer and water	26,907	-	39,874
- Other	32,475	130,291	86,459
	<u>1,597,382</u>	<u>1,652,024</u>	<u>1,496,199</u>
Government of Canada			
Conditional - Other	20,500	27,563	-
	<u>1,617,882</u>	<u>1,679,587</u>	<u>1,496,199</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	251,477	154,878	92,792
- Sewer and water	1,143,461	87,154	-
- Other	57,000	36,000	111,474
	<u>1,451,938</u>	<u>278,032</u>	<u>204,266</u>
Government of Canada			
Conditional - Roads	194,000	207,046	188,617
- Sewer and water	-	174,307	-
	<u>194,000</u>	<u>381,353</u>	<u>188,617</u>
Total tangible capital asset transfers	<u>1,645,938</u>	<u>659,385</u>	<u>392,883</u>
Total Transfers	<u>\$ 3,263,820</u>	<u>\$ 2,338,972</u>	<u>\$ 1,889,082</u>

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

12. Other Income

	2017	2017	2016
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 168,420	\$ 178,320	\$ 171,695
Other fines and penalties	2,140	1,562	813
Investment income	144,827	212,746	167,444
Licenses, permits and rents	313,826	350,018	317,190
Donations	116,620	60,442	60,501
Local improvement special charges	7,255	11,151	7,163
Gain on disposal of capital assets	-	95,859	31,882
Other	21,397	2,976	296,448
	<u>\$ 774,485</u>	<u>\$ 913,074</u>	<u>\$ 1,053,136</u>

13. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 35 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2017 by the municipality was \$190,451 (2016 - \$181,003). The contribution rate for 2017 was 9.0% to 15.8% depending on age and income level (2016 - 9.0% to 15.8%).

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2017. At that time the plan reported a \$5.40 billion actuarial deficit (2016 - \$5.72 billion actuarial deficit), based on actuarial liabilities of \$93.61 billion (2016 - \$86.96 billion) and actuarial assets of \$88.21 billion (2016 - \$81.24 billion). Ongoing adequacy of the current contribution rates will need to be monitored as fluctuations in financial markets may lead to increased future funding requirements.

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

14. Operations of School Boards and the County of Bruce

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Bruce:

	2017	2016
School boards	\$ 1,468,577	\$ 1,514,068
County of Bruce	2,443,897	2,317,209
	<u>\$ 3,912,474</u>	<u>\$ 3,831,277</u>

15. Contingencies

- (a) The Municipality of Arran-Elderslie has been named as a defendant in a legal action for damages arising from an alleged breach of contract in the amount of \$1,100,000 plus costs. The municipality's liability with respect to this action is not determinable at the present time. Amounts owing by the municipality, if any, pursuant to this claim will be recorded when they are determinable.

 - (b) The Municipality of Arran-Elderslie has been named as a defendant in a legal action for damages arising from negligence in the amount of \$400,000 plus costs. The municipality's liability with respect to this action is not determinable at the present time. Amounts owing by the municipality, if any, pursuant to this claim will be recorded when they are determinable.
-

16. Commitments

Arran-Elderslie has signed an agreement committing to payment of approximately \$436,865 for their portion of a bridge replacement.

17. Trust Funds

The trust funds administered by the municipality amounting to \$504,607 (2016 - \$491,743) have not been included in the consolidated statement of financial position, nor have the operations been included in the consolidated statement of financial activities.

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

18. Bruce Area Solid Waste Recycling

The following summarizes the financial position and operations of Bruce Area Solid Waste Recycling, which is a Joint Board of Management of which Arran-Elderslie has a 8.87% interest. The Bruce Area Solid Waste Recycling has been consolidated into these financial statements.

	<u>2017</u>	<u>2016</u>
Financial assets	\$ 2,893,033	\$ 2,524,184
Liabilities	169,417	125,953
Net financial assets	2,723,616	2,398,231
Non-financial assets	1,585,072	1,746,705
Accumulated surplus	<u>\$ 4,308,688</u>	<u>\$ 4,144,936</u>
Revenues	\$ 3,047,316	\$ 2,960,015
Expenses	2,883,564	2,801,970
Annual surplus	<u>\$ 163,752</u>	<u>\$ 158,045</u>

19. Chesley and District Fire Board

The following summarizes the financial position and operations of the Chesley and District Fire Board, which the municipality funds through a service agreement. The Chesley District Fire Board has been consolidated into these financial statements. The municipality's proportionate share is 65.70%.

	<u>2017</u>	<u>2016</u>
Financial assets	\$ 25,066	\$ 46,290
Liabilities	25,066	46,290
Net financial assets	-	-
Non-financial assets	157,712	169,144
Accumulated surplus	<u>\$ 157,712</u>	<u>\$ 169,144</u>
Revenues	\$ 195,752	\$ 173,783
Expenses	180,117	208,313
Annual surplus (deficit)	<u>\$ 15,635</u>	<u>\$ (34,530)</u>

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

20. Saugeen Mobility and Regional Transit (S.M.A.R.T.)

The following summarizes the financial position and operations of the Saugeen Mobility and Regional Transit non-profit organization, which the municipality funds through a service agreement. The Saugeen Mobility and Regional Transit organization has been consolidated into these financial statements. The municipality's proportionate share is 6.8%.

	<u>2017</u>	<u>2016</u>
Financial assets	\$ 228,488	\$ 267,275
Liabilities	<u>269,011</u>	<u>294,462</u>
Net financial debt	(40,523)	(27,187)
Non-financial assets	<u>546,876</u>	<u>427,623</u>
Accumulated surplus	<u>\$ 506,353</u>	<u>\$ 400,436</u>
Revenues	\$ 1,758,577	\$ 1,367,973
Expenses	<u>1,652,660</u>	<u>1,534,436</u>
Annual surplus (deficit)	<u>\$ 105,917</u>	<u>\$ (166,463)</u>

On November 27, 2017 Council passed a resolution to exercise their right to provide written notice of their withdrawal from Saugeen Mobility and Regional Transit effective December 31, 2018.

21. Comparative Balances

Comparative balances have been reclassified to conform to the current year's financial statement presentation.

The Corporation of the Municipality of Arran-Elderslie

Notes to Financial Statements

December 31, 2017

22. Segmented Information

The Municipality of Arran-Elderslie is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste, collection, disposal and recycling, recreational, library and planning. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item includes revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services work 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, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Transportation

Transportation is responsible for construction and maintenance of the municipality's roadways, bridges, storm sewers, parking areas, and streetlighting.

Sewer and Water

This service provides the municipality's drinking water. The municipality also processes and cleans sewage and ensures sewer and water systems meet all Provincial standards.

Environmental

Environmental services consists of providing waste collection, disposal and recycling to its citizens.

Health

Health services include contributions to support local Hospitals. Health services also includes the operations of local cemeteries.

The Corporation of the Municipality of Arran-Elderslie
Notes to Financial Statements

December 31, 2017

22. Segmented Information - (continued)

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the municipality's citizens. The municipality operates and maintains or contributes to parks, arenas, community centres, a campground, and museums. The municipality also provides library services and recreational programs.

Planning and Development

This department is responsible for planning and zoning and downtown revitalization. This service area also includes municipal and tile drainage.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, payments-in-lieu and penalties and interest	Allocated to those segments that are funded by these amounts based on the budget for the year.
OMPF grants	Allocated to segments based on the budget for the year.

The Corporation of the Municipality of Arran-Elderslie
Notes to the Financial Statements

December 31, 2017

For the year ended December 31, 2017	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue									
Taxation	\$ 374,139	\$ 1,356,254	\$ 2,104,533	\$ -	\$ -	\$ -	\$ 841,813	\$ -	\$ 4,676,739
Fees and user charges	30,110	123,680	63,748	2,255,716	602,476	56,568	464,707	34,945	3,631,950
Specific grants	63,562	-	431,020	261,461	47,948	-	14,831	12,850	831,672
OMPF grant	120,584	437,117	678,285	-	-	-	271,314	-	1,507,300
Other revenue	489,127	219,543	529	11,150	4,409	107,852	80,464	-	913,074
	<u>1,077,522</u>	<u>2,136,594</u>	<u>3,278,115</u>	<u>2,528,327</u>	<u>654,833</u>	<u>164,420</u>	<u>1,673,129</u>	<u>47,795</u>	<u>11,560,735</u>
Expenses									
Salaries and benefits	613,387	385,360	938,413	389,559	202,329	68,521	713,605	45,055	3,356,229
Interest on debt	-	-	-	-	-	-	-	34,945	34,945
Materials and supplies	114,500	202,240	596,001	293,466	109,095	46,702	538,295	3,071	1,903,370
Contracted services	86,228	1,178,479	384,017	152,651	274,835	4,095	85,952	98,783	2,265,040
Other transfers	28,979	74,680	-	-	-	-	-	-	103,659
Rents and financial expenses	5,367	-	-	139	549	3,315	1,166	-	10,536
Amortization	24,863	139,607	903,523	672,669	23,130	40,390	113,377	-	1,917,559
	<u>873,324</u>	<u>1,980,366</u>	<u>2,821,954</u>	<u>1,508,484</u>	<u>609,938</u>	<u>163,023</u>	<u>1,452,395</u>	<u>181,854</u>	<u>9,591,338</u>
Annual surplus (deficit)	<u>\$ 204,198</u>	<u>\$ 156,228</u>	<u>\$ 456,161</u>	<u>\$ 1,019,843</u>	<u>\$ 44,895</u>	<u>\$ 1,397</u>	<u>\$ 220,734</u>	<u>\$ (134,059)</u>	<u>\$ 1,969,397</u>

The Corporation of the Municipality of Arran-Elderslie
Notes to the Financial Statements

December 31, 2017

For the year ended December 31, 2016	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenue									
Taxation	\$ 447,297	\$ 1,252,435	\$ 2,147,031	\$ -	\$ -	\$ -	\$ 626,217	\$ -	\$ 4,472,980
Fees and user charges	20,912	170,213	60,653	2,239,978	610,829	60,220	456,111	61,936	3,680,852
Specific grants	9,272	-	319,103	39,874	42,548	-	112,870	4,815	528,482
OMPF grant	136,060	380,968	653,088	-	-	-	190,484	-	1,360,600
Other revenue	614,177	169,373	442	-	7,162	143,112	118,870	-	1,053,136
	<u>1,227,718</u>	<u>1,972,989</u>	<u>3,180,317</u>	<u>2,279,852</u>	<u>660,539</u>	<u>203,332</u>	<u>1,504,552</u>	<u>66,751</u>	<u>11,096,050</u>
Expenses									
Salaries and benefits	623,782	324,228	957,172	375,422	209,093	74,876	705,200	40,490	3,310,263
Interest on debt	-	-	-	-	-	-	-	36,308	36,308
Materials and supplies	100,748	184,105	560,209	369,545	125,770	71,181	603,848	5,141	2,020,547
Contracted services	70,411	1,138,523	369,374	149,855	268,768	33,549	84,195	213,131	2,327,806
Other transfers	29,360	73,426	-	-	-	-	-	-	102,786
Rents and financial expenses	5,218	-	10,534	1,198	737	917	1,587	-	20,191
Amortization	24,388	157,680	959,809	660,673	21,441	40,470	92,667	-	1,957,128
	<u>853,907</u>	<u>1,877,962</u>	<u>2,857,098</u>	<u>1,556,693</u>	<u>625,809</u>	<u>220,993</u>	<u>1,487,497</u>	<u>295,070</u>	<u>9,775,029</u>
Annual surplus (deficit)	\$ 373,811	\$ 95,027	\$ 323,219	\$ 723,159	\$ 34,730	\$ (17,661)	\$ 17,055	\$ (228,319)	\$ 1,321,021

The Corporation of the Municipality of Arran-Elderslie
Schedule of Deferred Revenue

For the year ended December 31, 2017

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
In lieu of parkland	\$ 2,946	\$ -	\$ 28	\$ -	\$ 2,974
Federal gas tax	397,846	207,046	3,691	(207,046)	401,537
Subdivider contributions	21,366	-	204	-	21,570
	<u>422,158</u>	<u>207,046</u>	<u>3,923</u>	<u>(207,046)</u>	<u>426,081</u>
Other					
RBC Learn to Play grant	3,974	-	-	(1,121)	2,853
	<u>\$ 426,132</u>	<u>\$ 207,046</u>	<u>\$ 3,923</u>	<u>\$ (208,167)</u>	<u>\$ 428,934</u>

**The Corporation of the
Municipality of Arran-Elderslie
Trust Funds
For the year ended December 31, 2017**

**The Corporation of the Municipality of Arran-Elderslie
Trust Funds**
For the year ended December 31, 2017

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The Corporation of the Municipality of Arran-Elderslie Trust Funds

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Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Arran-Elderslie
Trust Funds**

We have audited the accompanying financial information for the trust funds of the Municipality of Arran-Elderslie, which comprise the balance sheet as at December 31, 2017, 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 Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, 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 information 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 information.

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 information presents fairly, in all material respects, the balance sheet for the trust funds of the Municipality of Arran-Elderslie as at December 31, 2017 and the statement of continuity for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 3, 2018

The Corporation of the Municipality of Arran-Elderslie
Trust Funds
Balance Sheet

December 31, 2017

	Total	Care and Maintenance	Cemetery Prepaid
Assets			
Cash	\$ 217,083	\$ 197,735	\$ 19,348
Investments	381,180	381,180	-
	598,263	578,915	19,348
Other			
Accrued interest	4,671	4,671	-
	\$ 602,934	\$ 583,586	\$ 19,348
Liabilities			
Due to the Municipality of Arran-Elderslie	\$ 98,327	\$ 98,327	\$ -
Fund balance	504,607	485,259	19,348
	\$ 602,934	\$ 583,586	\$ 19,348

Statement of Continuity

	Total	Care and Maintenance	Cemetery Prepaid
Balance, beginning of the year	\$ 491,743	\$ 472,562	\$ 19,181
Receipts			
Interest	6,804	6,637	167
Plot sales and monument fees	12,697	12,697	-
	19,501	19,334	167
Expenditures			
Transfers to General	6,637	6,637	-
Balance, end of the year	\$ 504,607	\$ 485,259	\$ 19,348

The Corporation of the Municipality of Arran-Elderslie
Trust Funds
Notes to Financial Information

December 31, 2017

1. Summary of Significant Accounting Policies

Management Responsibility	The management of the Corporation of the Municipality of Arran-Elderslie has prepared and is responsible for the integrity, objectivity and accuracy of this financial information. The Council reviews and approves the financial information.
Basis of Accounting	<p>The financial information has been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing.</p> <p>Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting 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.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires</p> <p>amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Basis of Consolidation	These trust funds have not been consolidated with the financial statements of the Corporation of the Municipality of Arran-Elderslie.

2. Investments

The total investments of \$381,180 (2016 - \$376,075) reported on the Balance Sheet at cost have a market value of \$381,180 (2016 - \$376,075) at the end of the year.

**Chesley and District Fire Board
Financial Statements
For the year ended December 31, 2017**

Chesley and District Fire Board
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

**To the Board Members, Members of Council
Inhabitants and Ratepayers of the
Participating Municipalities of the
Chesley and District Fire Board**

We have audited the accompanying financial statements of the Chesley and District Fire Board, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, changes in net debt 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 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 Chesley and District Fire Board as at December 31, 2017 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
July 3, 2018

Chesley and District Fire Board
Statement of Financial Position

<u>December 31</u>	<u>2017</u>	<u>2016</u>
Financial assets		
Due from the Township of Chatsworth	\$ 25,066	\$ 46,290
Liabilities		
Due to the Municipality of Arran-Elderslie	<u>25,066</u>	<u>46,290</u>
Net debt	-	-
Non-financial assets		
Tangible capital assets (Note 2)	<u>157,712</u>	<u>169,144</u>
Accumulated surplus (Note 3)	<u>\$ 157,712</u>	<u>\$ 169,144</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Chesley and District Fire Board
Statement of Operations and Accumulated Surplus

For the year ended December 31	2017	2017	2016
	Budget (Note 1)	Actual	Actual
Revenue			
Municipal contributions			
Municipality of Arran-Elderslie	\$ 133,585	\$ 124,569	\$ 96,303
Municipality of Arran-Elderslie reserves	-	3,503	9,910
Township of Chatsworth	53,253	60,059	46,290
Donations and other income	12,500	25,124	21,280
	<u>199,338</u>	<u>213,255</u>	<u>173,783</u>
Expenses			
Salaries and wages	86,450	103,334	74,056
Tanker expense	1,800	2,057	1,465
Materials, supplies and services	89,331	82,775	70,945
Amortization	-	36,521	61,847
	<u>177,581</u>	<u>224,687</u>	<u>208,313</u>
Annual deficit (Note 1)	21,757	(11,432)	(34,530)
Accumulated surplus, beginning of the year	169,144	169,144	203,674
Accumulated surplus, end of the year	\$ 190,901	\$ 157,712	\$ 169,144

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Chesley and District Fire Board
Statement of Changes in Net Debt

<u>For the year ended December 31</u>	2017	2017	2016
	Budget (Note 1)	Actual	Actual
Annual deficit (Page 5)	\$ 21,757	\$ (11,432)	\$ (34,530)
Acquisition of tangible capital assets	(21,757)	(25,089)	(21,714)
Amortization of tangible capital assets	-	36,521	61,847
	<u>(21,757)</u>	<u>11,432</u>	<u>40,133</u>
Decrease in net debt	-	-	5,603
Net debt, beginning of the year	-	-	(5,603)
Net debt, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Chesley and District Fire Board
Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Annual deficit (Page 5)	\$ (11,432)	\$ (34,530)
Items not involving cash		
Amortization	<u>36,521</u>	<u>61,847</u>
	25,089	27,317
Changes in non-cash working capital balances		
Due from the Township of Chatsworth	21,224	14,436
Due to the Municipality of Arran-Elderslie	<u>(21,224)</u>	<u>(20,039)</u>
	25,089	21,714
Capital transactions		
Cash used to acquire capital assets	<u>(25,089)</u>	<u>(21,714)</u>
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of the year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of the year	<u>\$ -</u>	<u>\$ -</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Chesley and District Fire Board Summary of Significant Accounting Policies

December 31, 2017

Management Responsibility The management of the Corporation of the Municipality of Arran-Elderslie is responsible for the integrity, objectivity and accuracy of the financial information presented in these consolidated financial statements. Management reviews and approves the consolidated financial statements before they are submitted to Council.

Basis of Accounting The financial statements of the Chesley and District Fire Board are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

Use of Estimates The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:

Vehicles	10 years
Equipment and clothing	12 years

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

Chesley and District Fire Board
Summary of Significant Accounting Policies

December 31, 2017

Revenue Recognition

Revenues are reported on the accrual basis of accounting. Revenues are recognized as follows:

- (a) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.

 - (b) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
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Chesley and District Fire Board
Notes to Financial Statements

December 31, 2017

1. Budgets

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net debt for comparative purposes. The following is a reconciliation of the budget approved by Council.

	<u>2017</u>	<u>2017</u>	<u>2016</u>
	Budget	Actual	Actual
Annual deficit (Page 5)	\$ 21,757	\$ (11,432)	\$ (34,530)
Capital acquisitions	(21,757)	(25,089)	(21,714)
Amortization	-	36,521	61,847
Unfinanced (funded) capital	-	-	(5,603)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2. Tangible Capital Assets

	<u>2017</u>		
	Vehicles	Equipment & Clothing	Total
Cost, beginning of the year	\$ 710,945	\$ 247,502	\$ 958,447
Additions	-	25,089	25,089
Disposals	-	-	-
Cost, end of the year	<u>710,945</u>	<u>272,591</u>	<u>983,536</u>
Accumulated amortization, beginning of the year	653,967	135,336	789,303
Amortization	-	36,521	36,521
Disposals	-	-	-
Accumulated amortization, end of the year	<u>653,967</u>	<u>171,857</u>	<u>825,824</u>
Net carrying amount, end of the year	<u>\$ 56,978</u>	<u>\$ 100,734</u>	<u>\$ 157,712</u>

Chesley and District Fire Board
Notes to Financial Statements

December 31, 2017

2. Tangible Capital Assets - (continued)

	2016		
	Vehicles	Equipment & Clothing	Total
Cost, beginning of the year	\$ 710,945	\$ 225,788	\$ 936,733
Additions	-	21,714	21,714
Disposals	-	-	-
Cost, end of the year	710,945	247,502	958,447
Accumulated amortization, beginning of the year	609,383	118,073	727,456
Amortization	44,584	17,263	61,847
Disposals	-	-	-
Accumulated amortization, end of the year	653,967	135,336	789,303
Net carrying amount, end of the year	\$ 56,978	\$ 112,166	\$ 169,144

3. Accumulated Surplus

	2017	2016
Invested in tangible assets	\$ 157,712	\$ 169,144