

Township of Greater Madawaska

Financial Statements

For the year ended 31 December 2017

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS



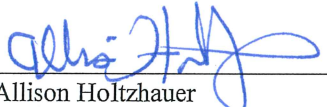
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Greater Madawaska (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.


Allison Holtzhauer
CAO Clerk-Treasurer

Township of Greater Madawaska
Consolidated Financial Statements Index
For the year ended 31 December 2017

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Changes in Net Financial Assets (Liabilities)	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 13
Schedule of General Operations	14
Schedules of Tangible Capital Assets	15 - 16
Schedule of Reserves and Reserve Funds	17

Trust Fund

Independent Auditor's Report	18
Statement of Financial Position	19
Statement of Operations and Change in Fund Balance	20
Notes to the Financial Statements	21

Library Board

Independent Auditor's Report	22 - 23
Statement of Financial Position	24
Statement of Operations and Accumulated Surplus	25
Notes to the Financial Statements	26



**MACKILLICAN
& ASSOCIATES**
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Greater Madawaska.

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Greater Madawaska, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (liabilities) 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 Greater Madawaska and its local boards as at 31 December 2017, and the results of their operations, changes in net financial assets (liabilities) and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.

MacKilligan & Associates

RENFREW, Ontario.
23 April 2018.

Chartered Professional Accountants,
Licensed Public Accountants.

620 Barnet Blvd.
Renfrew ON. K7V 0A8
T: 613.432.3664 | F: 613.432.8424

14 Madawaska Street – P.O. Box 94
Arnprior ON. K7S 3H2
T: 613.623.7926 | F: 613.623.7927

Email: info@mackillicans.com | Website: www.mackillicans.com

Township of Greater Madawaska
Consolidated Statement of Financial Position

As at 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Financial assets:		
Cash	\$ 906,830	\$ 1,014,712
Taxes receivable	476,466	564,235
Accounts receivable	<u>168,249</u>	<u>205,284</u>
	<u>\$ 1,551,545</u>	<u>\$ 1,784,231</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 366,129	\$ 918,003
Deferred revenue - obligatory reserve funds (Note 7)	80,624	41,614
- other (Note 8)	13,614	11,966
Net long term liabilities (Note 5)	1,148,795	1,390,665
Employee future benefits (Note 2)	29,365	26,326
Landfill closure and post closure costs (Notes 2 and 9)	<u>1,713,800</u>	<u>1,751,500</u>
	<u>\$ 3,352,327</u>	<u>\$ 4,140,074</u>
Net financial assets (liabilities)	<u>\$ (1,800,782)</u>	<u>\$ (2,355,843)</u>
Non-financial assets:		
Tangible capital assets (net)	\$ 11,688,691	\$ 10,098,711
Construction in progress	190,629	127,987
Inventories of supplies	100,412	73,667
Prepaid expenses	<u>12,007</u>	<u>11,489</u>
	<u>\$ 11,991,739</u>	<u>\$ 10,311,854</u>
Accumulated surplus	<u>\$ 10,190,957</u>	<u>\$ 7,956,011</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 13)	\$ 10,422,341	\$ 8,470,456
Reserve and reserve funds	1,447,675	1,205,853
Library Board	64,106	57,528
Unfunded - employee future benefits (Note 2)	(29,365)	(26,326)
Unfunded - landfill closure and post closure costs (Note 2)	<u>(1,713,800)</u>	<u>(1,751,500)</u>
Total accumulated surplus	<u>\$ 10,190,957</u>	<u>\$ 7,956,011</u>

(See accompanying notes)

Township of Greater Madawaska
Consolidated Statement of Operations and Accumulated Surplus
For the year ended 31 December 2017
(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Taxation and user charges	\$ 3,654,610	\$ 3,698,628	\$ 3,411,064
Government transfers:			
Ontario	587,980	600,905	714,496
Canada	75,180	83,283	127,105
Other municipalities	22,300	23,695	36,843
Other	231,820	2,428,653	425,662
Change in post closure costs	<u> </u>	<u>37,700</u>	<u>386,000</u>
	<u>\$ 4,571,890</u>	<u>\$ 6,872,864</u>	<u>\$ 5,101,170</u>
Expenses:			
General government	\$ 813,367	\$ 805,913	\$ 830,846
Protection to persons and property	1,160,711	1,140,994	996,763
Transportation services	1,754,137	1,780,701	1,673,666
Environmental services	464,378	423,812	447,971
Health services	28,800	28,717	28,154
Recreation and cultural services	414,711	319,447	369,270
Planning and development	<u>133,690</u>	<u>138,334</u>	<u>162,659</u>
	<u>\$ 4,769,794</u>	<u>\$ 4,637,918</u>	<u>\$ 4,509,329</u>
Excess (shortfall) of revenue over expenses	\$ (197,904)	\$ 2,234,946	\$ 591,841
Accumulated surplus at the beginning of the year	<u>7,956,011</u>	<u>7,956,011</u>	<u>7,364,170</u>
Accumulated surplus at the end of the year	<u>\$ 7,758,107</u>	<u>\$ 10,190,957</u>	<u>\$ 7,956,011</u>

(See accompanying notes)

Township of Greater Madawaska
Consolidated Statement of Changes in Net Financial Assets (Liabilities)
For the year ended 31 December 2017
(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Excess (shortfall) of revenue over expenses	\$ (197,904)	\$ 2,234,946	\$ 591,841
Amortization of tangible capital assets	673,844	673,844	653,161
Acquisition of tangible capital assets	(440,880)	(327,253)	(751,000)
Contributed tangible capital assets		(2,002,000)	
Gain on disposal of capital assets		2,787	(13,205)
Proceeds of disposition of capital assets			11,459
Use of (acquisition of) prepaid expenses		(518)	(5,736)
Use of (acquisition of) inventory		(26,745)	25,587
Increase in net financial assets	\$ 35,060	\$ 555,061	\$ 512,107
Net financial assets (liabilities) at the beginning of the year	<u>(2,355,843)</u>	<u>(2,355,843)</u>	<u>(2,867,950)</u>
Net financial assets (liabilities) at the end of the year	<u>\$ (2,320,783)</u>	<u>\$ (1,800,782)</u>	<u>\$ (2,355,843)</u>

(See accompanying notes)

Township of Greater Madawaska
Consolidated Statement of Cash Flows
For the year ended 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 2,234,946	\$ 591,841
Add (deduct) items which do not involve cash:		
- amortization	673,844	653,161
- gain (loss) on disposal of capital assets	2,787	(1,746)
- deferred revenue	40,658	(25,916)
- employee future benefits	3,039	7,334
- landfill closure and post closure costs	(37,700)	(386,000)
- contributed tangible capital assets	<u>(2,002,000)</u>	<u> </u>
	<u>\$ 915,574</u>	<u>\$ 838,674</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ 87,769	\$ 70,199
- decrease (increase) in accounts receivable	37,035	52,476
- decrease (increase) in inventories of supplies	(26,745)	25,587
- increase (decrease) in accounts payable and accrued liabilities	(551,874)	236,242
- decrease (increase) in prepaid expenses	<u>(518)</u>	<u>(5,736)</u>
	<u>\$ (454,333)</u>	<u>\$ 378,768</u>
Cash flows from operating activities	<u>\$ 461,241</u>	<u>\$ 1,217,442</u>
Cash flows from financing activities:		
Decrease in long term liabilities	\$ (241,870)	\$ (193,846)
Proceeds from long term debt	<u> </u>	<u>673,423</u>
Cash flows from (used for) financing activities	<u>\$ (241,870)</u>	<u>\$ 479,577</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
Transportation services	\$ (264,425)	\$ (470,727)
Environmental services	(62,828)	<u> </u>
Recreation and cultural services	<u> </u>	<u>(280,273)</u>
Cash flows used for capital activities	<u>\$ (327,253)</u>	<u>\$ (751,000)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ (107,882)	\$ 946,019
Cash and cash equivalents at the beginning of the year	<u>1,014,712</u>	<u>68,693</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 906,830</u></u>	<u><u>\$ 1,014,712</u></u>

(See accompanying notes)

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Greater Madawaska are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

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:

- Township of Greater Madawaska Library Board

- (ii) Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, 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 is not included in these financial statements but is 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.

(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 revenue over expenditure, provides the change in net financial assets for the year.

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

(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 buildings 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	20 - 50 years
Buildings	20 - 50 years
Machinery and equipment	5 - 50 years
Vehicles	7 - 15 years
Linear assets	10 - 45 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 expenditure 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 expenditure as incurred.

(e) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost on an individual basis.

(f) Investment Income

Investment income earned on current funds (other than obligatory reserve funds) is 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.

(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 are 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.

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

- (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 generally accepted accounting principles 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. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs, employee future benefits and amortization.
- (k) **Cash and Cash Equivalents**
 Cash and cash equivalents are comprised of cash 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 licensing fees, fees for use of various programming, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.
- (m) **Financial Instruments**
 Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and net long term 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, accounts receivable and accounts payable and accrued liabilities, approximates their fair values due to the immediate and short term maturities of these financial instruments.
- The fair value of net long term liabilities, including the current portion, is based on rates currently available to the Township with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

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 costs of \$ 250,000 (2016 - \$ 250,000), post closure costs of \$ 1,463,800 (2016 - \$ 1,501,500) and employee future benefits of \$ 29,365 (2016 - \$ 26,326).

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

3. TRUST FUND

Trust fund administered by the Township, totaling \$ 3,467 (2016 - \$ 3,467) are 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. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

During 2017, the Township levied property taxes and payments in lieu of property taxes on behalf of the School Boards and County of Renfrew as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 1,459,515	\$ 2,723,487
Payments in lieu	<u>5,564</u>	<u>46,398</u>
	<u>\$ 1,465,079</u>	<u>\$ 2,769,885</u>

5. NET LONG TERM LIABILITIES

- (a) The balance of net long term liabilities of \$ 1,148,795 (2016 - \$ 1,390,665) reported on the "Consolidated Statement of Financial Position" is made up of long term liabilities incurred by the Township and includes those incurred on behalf of municipal enterprises.

	<u>2017</u>	<u>2016</u>
(b) Ontario Infrastructure and Lands Corporation debenture payable, interest at 2.31%, \$ 28,850 plus interest payable semi-annually, maturing August 2025	\$ 461,600	\$ 519,300
Ontario Infrastructure and Lands Corporation debenture payable, interest at 1.56%, \$ 24,743 plus interest payable semi-annually, maturing August 2020	148,457	197,942
Ontario Infrastructure and Lands Corporation debenture payable, interest at 1.63%, \$ 67,342 plus interest payable semi-annually, maturing December 2021	<u>538,738</u>	<u>673,423</u>
Net long term liabilities at the end of the year	<u>\$ 1,148,795</u>	<u>\$ 1,390,665</u>

- (c) Principal and interest payments required on the long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 241,870	\$ 20,689	\$ 262,559
2019	241,870	16,387	258,257
2020	241,871	12,121	253,992
2021	192,384	7,077	199,461
2022	57,700	5,001	62,701
2023 to 2026	<u>173,100</u>	<u>7,011</u>	<u>180,111</u>
	<u>\$ 1,148,795</u>	<u>\$ 68,286</u>	<u>\$ 1,217,081</u>

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

6. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2017</u>	<u>2016</u>
Principal	\$ 241,870	\$ 193,846
Interest	<u>23,973</u>	<u>17,552</u>
	<u>\$ 265,843</u>	<u>\$ 211,398</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Consolidated Statement of Operations under the appropriate functional expenditure heading.

7. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada 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>2017</u>	<u>2016</u>
Park development	\$ 22,399	\$ 22,204
Development charges	53,945	15,130
Shoreline	<u>4,280</u>	<u>4,280</u>
	<u>\$ 80,624</u>	<u>\$ 41,614</u>

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

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	\$ 41,614	\$ 30,801
Gas tax revenue received	76,889	75,552
Development charges	67,966	49,998
Interest earned	<u>1,044</u>	<u>823</u>
	\$ 187,513	\$ 157,174
Utilized during the year	<u>(106,889)</u>	<u>(115,560)</u>
Balance at the end of the year	<u>\$ 80,624</u>	<u>\$ 41,614</u>

8. DEFERRED REVENUE - OTHER

	<u>2017</u>	<u>2016</u>
Recreation	<u>\$ 13,614</u>	<u>\$ 11,966</u>

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

9. 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 \$ 340,000 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.

Landfill sites' estimated remaining capacity in cubic metres	45,884
Landfill sites' remaining useful life in years	29
Expected years of post closure care	25

The estimated total undiscounted expenses over the 25 year post closure period amount to approximately \$ 1,463,800.

10. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The Township of Greater Madawaska is not aware of any claims or possible claims as at 31 December 2017.

11. BUDGET FIGURES

The operating budget approved by the Township of Greater Madawaska for 2017 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 budgeted figures are unaudited.

12. 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 functional classification, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

(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. During the year, roadways with a fair market value of \$ 2,002,000 were transferred by a developer.

(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 2017 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets - net	\$ 11,688,691	\$ 10,098,711
Construction in progress	190,629	127,987
Net long term liabilities	(1,148,795)	(1,390,665)
Amounts to be funded in future years	<u>(308,184)</u>	<u>(365,577)</u>
Equity in tangible capital assets	<u>\$ 10,422,341</u>	<u>\$ 8,470,456</u>

14. PENSION CONTRIBUTIONS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2017, the Municipality contributed \$ 207,247 (2016 - \$ 98,251) to the plan and is included as an expense in the consolidated statement of operations. The Township does not recognize in its consolidated financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan surplus (deficit) for 2017 is \$ 605,000,000 (2016 - (\$ 2,341,000,000)) based on the fair market value of the Plan's assets.

15. CONTRACTUAL OBLIGATIONS

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 cost for 2017 was \$ 675,116 (2016 - \$ 545,914).

The Township has entered into a financing agreement with three other Municipalities and the Renfrew & Area Health Services Village. This agreement provides a Line of Credit to the Renfrew & Area Health Services Village to a maximum of \$ 510,000 to be repaid in full by 31 December 2024 with no set annual repayment. Each Municipality is responsible for an equal share of the balance outstanding. As at 31 December 2017 the total outstanding balance is \$ 217,760.

16. MUNICIPALITIES BENEFIT COMMITTEE

The Township of Greater Madawaska is a member of the Municipalities Benefit Committee (MBC) which is an employee group benefits plan arranged through Manulife to share in the financial risk of extended health and dental benefits. In the event that a deficit position is incurred, the Township of Greater Madawaska must repay their pro-rata share of the deficit through a lump sum deposit or an increase in future annual premiums collected through the monthly billed rates. In the case of a surplus position, upon full funding of the claims fluctuation reserve (CFR), the surplus is transferred into a deposit account held by Manulife on the MBC's behalf. The surplus funds in the deposit account are to be used to fund premium requirements, enhancements to the benefit plan or fund future deficits. If the Township of Greater Madawaska leaves the MBC, the Township forfeits its right to any surplus.

Township of Greater Madawaska
Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

17. 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.
- iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
- iv) Environmental services include solid waste and recycling services.
- v) Recreation and cultural services include parks and 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 2017 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 512,603	\$ 12,199	\$ 242,374		\$ 38,737	\$ 805,913
Protection services	209,386	3,143	860,881	\$ 1,413	66,171	1,140,994
Transportation services	591,005	8,631	738,868		442,197	1,780,701
Environmental services	136,841		193,393		93,578	423,812
Health services				28,717		28,717
Recreation services	131,211		147,075	8,000	33,161	319,447
Planning and development	<u>93,403</u>		<u>44,931</u>			<u>138,334</u>
	<u>\$ 1,674,449</u>	<u>\$ 23,973</u>	<u>\$ 2,227,522</u>	<u>\$ 38,130</u>	<u>\$ 673,844</u>	<u>\$ 4,637,918</u>

(c) The expenditures for 31 December 2016 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 495,183	\$ 8,226	\$ 287,353	\$ 1,347	\$ 38,737	\$ 830,846
Protection services	225,723	2,549	701,058	1,263	66,170	996,763
Transportation services	635,476	6,024	608,802		423,363	1,673,665
Environmental services	139,297	753	211,711		96,210	447,971
Health services				28,154		28,154
Recreation services	115,142		217,448	8,000	28,681	369,271
Planning and development	<u>89,745</u>		<u>72,914</u>			<u>162,659</u>
	<u>\$ 1,700,566</u>	<u>\$ 17,552</u>	<u>\$ 2,099,286</u>	<u>\$ 38,764</u>	<u>\$ 653,161</u>	<u>\$ 4,509,329</u>

Township of Greater Madawaska
Schedule of General Operations
For the year ended 31 December 2017
(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 3,654,610	\$ 3,698,628	\$ 3,411,064
Government transfers:			
Ontario	574,960	586,587	699,467
Canada	75,180	83,283	127,105
Other municipalities	22,300	23,695	36,843
Other	<u>231,820</u>	<u>2,421,639</u>	<u>425,419</u>
	<u>\$ 4,558,870</u>	<u>\$ 6,813,832</u>	<u>\$ 4,699,898</u>
Expenses:			
General government	\$ 813,667	\$ 806,221	\$ 826,831
Protection to persons and property	1,159,711	1,140,049	997,718
Transportation services	1,752,537	1,779,061	1,671,857
Environmental services	464,578	424,024	448,685
Health services	28,800	28,717	28,154
Recreation and cultural services	345,761	244,858	299,238
Planning and development	<u>133,990</u>	<u>138,604</u>	<u>160,064</u>
	<u>\$ 4,699,044</u>	<u>\$ 4,561,534</u>	<u>\$ 4,432,547</u>
Excess (shortfall) of revenue over expenses	<u>\$ (140,174)</u>	<u>\$ 2,252,298</u>	<u>\$ 267,351</u>
Transfers:			
Transfer to Library Board	\$ (54,730)	\$ (58,591)	\$ (54,730)
Transfer from (to) reserves	162,800	(241,824)	84,234
Transfer from (to) equity in tangible capital assets	<u>32,104</u>	<u>(1,951,883)</u>	<u>(296,855)</u>
Net transfers	<u>\$ 140,174</u>	<u>\$ (2,252,298)</u>	<u>\$ (267,351)</u>
Change in general surplus for the year	\$ -	\$ -	\$ -
General surplus at the beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
General surplus at the end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying notes)

Township of Greater Madawaska
Schedule of Tangible Capital Assets
For the year ended 31 December 2017
(with 2016 figures for comparison)

Segmented by asset class: <u>Cost</u>	Balance at 31 December <u>2016</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
Land	\$ 511,617	\$ 9,831		\$ 521,448
Land improvements	1,461,586			1,461,586
Buildings	3,385,939	23,669		3,409,608
Machinery and equipment	1,295,567	20,978		1,316,545
Vehicles	2,760,685	35,669	\$ (12,995)	2,783,359
Linear assets	14,358,602	2,175,843		16,534,445
Capital work in progress	<u>127,987</u>	<u>63,263</u>	<u>(621)</u>	<u>190,629</u>
Total	<u>\$ 23,901,983</u>	<u>\$ 2,329,253</u>	<u>\$ (13,616)</u>	<u>\$ 26,217,620</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2016</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
Land improvements	\$ 409,369	\$ 51,011		\$ 460,380
Buildings	978,716	74,109		1,052,825
Machinery and equipment	515,894	66,404		582,298
Vehicles	1,603,781	149,127	\$ (10,829)	1,742,079
Linear assets	<u>10,167,525</u>	<u>333,193</u>		<u>10,500,718</u>
Total	<u>\$ 13,675,285</u>	<u>\$ 673,844</u>	<u>\$ (10,829)</u>	<u>\$ 14,338,300</u>

<u>Net book value</u>	Balance at 31 December <u>2016</u>	Balance at 31 December <u>2017</u>
Land	\$ 511,617	\$ 521,448
Land improvements	1,052,217	1,001,206
Buildings	2,407,223	2,356,783
Machinery and equipment	779,673	734,247
Vehicles	1,156,904	1,041,280
Linear assets	4,191,077	6,033,727
Capital work in progress	<u>127,987</u>	<u>190,629</u>
Total	<u>\$ 10,226,698</u>	<u>\$ 11,879,320</u>

(See accompanying notes)

Township of Greater Madawaska

Schedule of Tangible Capital Assets

For the year ended 31 December 2017
(with 2016 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2016</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
General government	\$ 1,718,598			\$ 1,718,598
Protection services	1,356,239		\$ (621)	1,355,618
Transportation services	16,849,394	\$ 2,266,424	(12,995)	19,102,823
Environmental services	2,237,110			2,237,110
Recreation and cultural services	<u>1,740,642</u>	<u>62,829</u>		<u>1,803,471</u>
Total	<u>\$ 23,901,983</u>	<u>\$ 2,329,253</u>	<u>\$ (13,616)</u>	<u>\$ 26,217,620</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2016</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2017</u>
General government	\$ 410,176	\$ 38,737		\$ 448,913
Protection services	639,803	66,171		705,974
Transportation services	11,520,689	442,197	\$ (10,829)	11,952,057
Environmental services	661,355	93,578		754,933
Recreation and cultural services	<u>443,262</u>	<u>33,161</u>		<u>476,423</u>
Total	<u>\$ 13,675,285</u>	<u>\$ 673,844</u>	<u>\$ (10,829)</u>	<u>\$ 14,338,300</u>

<u>Net book value</u>	Balance at 31 December <u>2016</u>	Balance at 31 December <u>2017</u>
General government	\$ 1,308,422	\$ 1,269,685
Protection services	716,436	649,644
Transportation services	5,328,705	7,150,766
Environmental services	1,575,755	1,482,177
Recreation and cultural services	<u>1,297,380</u>	<u>1,327,048</u>
Total	<u>\$ 10,226,698</u>	<u>\$ 11,879,320</u>

(See accompanying notes)

Township of Greater Madawaska
Schedule of Reserves and Reserve Funds
For the year ended 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Contributions:		
From operations	\$ <u>352,517</u>	\$ <u>161,680</u>
Transfers:		
To operations	\$ 84,312	\$ 62,694
To tangible capital acquisitions	<u>26,383</u>	<u>183,220</u>
	<u>\$ 110,695</u>	<u>\$ 245,914</u>
Change in reserves and reserve funds balance	\$ 241,822	\$ (84,234)
Reserves and reserve funds at the beginning of the year	<u>1,205,853</u>	<u>1,290,087</u>
Reserves and reserve funds at the end of the year	<u><u>\$ 1,447,675</u></u>	<u><u>\$ 1,205,853</u></u>
Reserves:		
Working funds	\$ 301,828	\$ 301,828
General government	89,159	65,211
Protection services	79,180	75,693
Roadways	81,005	81,000
Health	20,383	20,383
Environmental	371,730	365,000
Recreation and culture	128,143	117,928
Planning and development	23,730	23,730
Other	<u>352,517</u>	<u>155,080</u>
Total reserves	<u><u>\$ 1,447,675</u></u>	<u><u>\$ 1,205,853</u></u>

(See accompanying notes)



INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Greater Madawaska.

We have audited the accompanying financial statements of the trust fund of the Corporation of the Township of Greater Madawaska which comprise the statement of financial position as at 31 December 2017, and the statement of operations and change in fund balance 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, these financial statements present fairly, in all material respects, the financial position of the trust fund of the Corporation of the Township of Greater Madawaska as at 31 December 2017, 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.
23 April 2018.

**Chartered Professional Accountants,
Licensed Public Accountants.**

Township of Greater MadawaskaTrust FundStatement of Financial Position

As at 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
	<u>ASSETS</u>	
Current:		
Loan receivable (Notes 2 and 3)	\$ <u>3,467</u>	\$ <u>3,467</u>
	<u>FUND BALANCE</u>	
Fund balance	\$ <u>3,467</u>	\$ <u>3,467</u>

(See accompanying notes)

Township of Greater Madawaska
Trust Fund
Statement of Operations and Change in Fund Balance
For the year ended 31 December 2017
 (with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Fund balance at the beginning of the year	\$ <u>3,467</u>	\$ <u>3,467</u>
Revenue:		
Loan interest	\$ <u>-</u>	\$ <u>-</u>
Expenses:		
Loan forgiven	\$ <u>-</u>	\$ <u>-</u>
Excess (shortfall) of revenue over expenses	\$ <u>-</u>	\$ <u>-</u>
Fund balance at the end of the year	\$ <u><u>3,467</u></u>	\$ <u><u>3,467</u></u>

(See accompanying notes)

Township of Greater Madawaska
Trust Fund
Notes to the Financial Statements
For the year ended 31 December 2017

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 loans receivable at 31 December 2017 are comprised of repayable loans of \$ 3,467 (2016 - \$ 3,467). In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the loans immediately becomes due and payable by the homeowner.

In 1993, the Ministry of Municipal Affairs and 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 2017, there are no funds to be returned to the Province by 1 March 2018.

3. LOAN RECEIVABLE

The loan receivable is currently going through the process of being forgiven.

Township of Greater Madawaska Library Board

Financial Statements

For the year ended 31 December 2017

INDEPENDENT AUDITOR'S REPORT

To the Board Members,
Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Greater Madawaska.

We have audited the accompanying financial statements of the Township of Greater Madawaska Library Board which comprise the statement of financial position as at 31 December 2017, and the statement of operations and accumulated surplus 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 fundraising and donations, 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 Township of Greater Madawaska Library Board and we were not able to determine whether any adjustments might be necessary to fundraising and donations, 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 Township of Greater Madawaska Library Board as at 31 December 2017, and the results of its operations for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.

MacKilham + Associates

RENFREW, Ontario.

23 April 2018.

Chartered Professional Accountants,

Licensed Public Accountants.

Township of Greater Madawaska Library Board

Statement of Financial Position

As at 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current:		
Cash on hand and in bank	\$ 22,730	\$ 3,596
Short term investments	23,419	23,300
Due from Township	<u>20,957</u>	<u>30,632</u>
	<u>\$ 67,106</u>	<u>\$ 57,528</u>

LIABILITY AND ACCUMULATED SURPLUS

Liability:		
Deferred revenue	\$ 3,000	\$ -
Accumulated surplus	<u>\$ 64,106</u>	<u>\$ 57,528</u>
	<u>\$ 67,106</u>	<u>\$ 57,528</u>

(See accompanying notes)

Township of Greater Madawaska Library Board
Statement of Operations and Accumulated Surplus
For the year ended 31 December 2017
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Revenue:		
Ontario grant - operating	\$ 11,818	\$ 11,818
- other	2,500	3,211
Township grant	59,590	54,730
Fundraising and donations	6,897	127
Interest	<u>117</u>	<u>116</u>
	<u>\$ 80,922</u>	<u>\$ 70,002</u>
Expenses:		
Salaries and benefits	\$ 59,547	\$ 55,405
Books, supplies, materials and maintenance	<u>14,797</u>	<u>14,043</u>
	<u>\$ 74,344</u>	<u>\$ 69,448</u>
Change in general surplus for the year	<u>\$ 6,578</u>	<u>\$ 554</u>
Accumulated surplus at the beginning of the year	<u>\$ 57,528</u>	<u>\$ 56,974</u>
Accumulated surplus at the end of the year	<u><u>\$ 64,106</u></u>	<u><u>\$ 57,528</u></u>

(See accompanying notes)

Township of Greater Madawaska Library Board

Notes to the Financial Statements

For the year ended 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Greater Madawaska Library Board are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(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 are 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 generally accepted accounting principles 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, short term investments and due from Township. 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, short term investments and due from Township, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

3. CONTINGENT LIABILITIES

The nature of the Board's 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 2017.

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS