

**Corporation of the
Municipality of Dysart et al.
Consolidated Financial Statements
For the year ended December 31, 2016**

Corporation of the Municipality of Dysart et al.

Consolidated Financial Statements

For the year ended December 31, 2016

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Independent Auditor's Report

To the Members of Council of the
Corporation of the Municipality of Dysart et al.

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of Dysart et al., which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change 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 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 Corporation of the Municipality of Dysart et al. as at December 31, 2016, and of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario
April 24, 2017

Corporation of the Municipality of Dysart et al. Consolidated Statement of Financial Position

December 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 4)	\$ 5,173,051	\$ 4,565,134
Accounts receivable (Note 5)	551,724	663,691
Taxes receivable	1,472,011	1,622,701
Note receivable (Note 6)	-	58,175
	<u>7,196,786</u>	<u>6,909,701</u>
 Liabilities		
Accounts payable and accrued liabilities (Note 7)	1,586,317	1,658,572
Deferred revenue (Note 8)	756,939	892,011
Landfill closure and post-closure liability (Note 9)	1,659,530	1,946,042
Employee future benefits (Note 10)	412,566	427,046
Municipal debt (Note 11)	3,688,280	4,220,171
	<u>8,103,632</u>	<u>9,143,842</u>
 Net debt	<u>(906,846)</u>	<u>(2,234,141)</u>
 Contingent Liabilities and Commitments (Note 12)		
 Non-financial assets		
Tangible capital assets (Note 16)	30,848,122	31,703,089
Inventories of supplies	22,194	7,317
Prepaid expenses	41,181	16,642
	<u>30,911,497</u>	<u>31,727,048</u>
 Accumulated surplus (Note 13)	<u>\$ 30,004,651</u>	<u>\$ 29,492,907</u>

On behalf of Council

Reeve

Deputy Reeve/Treasurer

**Corporation of the Municipality of Dysart et al.
Consolidated Statement of Operations**

For the year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 15)		
Revenues			
Taxation levied for own purposes (Note 2)	\$ 7,506,863	\$ 7,560,897	\$ 6,674,927
User charges, licences and fines	2,153,225	2,381,911	2,270,982
Grants			
Government of Canada	171,000	197,145	167,595
Province of Ontario	1,727,269	1,762,115	1,721,656
Other Municipalities	69,500	81,445	77,075
Other			
Investment income	25,000	69,999	61,803
Penalties and interest on taxes	223,250	260,299	238,749
Donations	112,807	41,592	94,599
Gain on disposition of tangible capital assets	100,900	125,701	276,432
Dysart Facilities Limited Partnership	66,600	59,315	35,241
Contribution from developers (Note 16)	-	58,495	53,225
Developer contributions earned	561,208	181,052	153,687
	<u>12,717,622</u>	<u>12,779,966</u>	<u>11,825,971</u>
Expenses			
General government	880,407	847,396	822,059
Protection to persons and property	2,674,739	2,738,584	2,180,598
Transportation services	3,012,273	4,116,475	4,131,509
Environmental services (Note 9)	2,364,802	2,519,169	2,329,061
Health services	133,795	182,988	168,421
Recreational and cultural services	1,210,882	1,434,098	1,450,543
Planning and development	495,395	429,512	430,567
	<u>10,772,293</u>	<u>12,268,222</u>	<u>11,512,758</u>
Annual surplus	1,945,329	511,744	313,213
Accumulated surplus, beginning of year	29,492,907	29,492,907	29,179,694
Accumulated surplus, end of year	<u>\$ 31,438,236</u>	<u>\$ 30,004,651</u>	<u>\$ 29,492,907</u>

**Corporation of the Municipality of Dysart et al.
Consolidated Statement of Change in Net Debt**

For the year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 15)		
Annual surplus	\$ 1,945,329	\$ 511,744	\$ 313,213
Acquisition of tangible capital assets	(2,292,075)	(1,438,934)	(2,609,272)
Amortization of tangible capital assets	-	2,184,548	2,186,281
Gain on disposition of tangible capital assets	-	(125,701)	(276,432)
Proceeds on disposal of tangible capital assets	-	235,054	286,432
	(346,746)	1,366,711	(99,778)
Acquisition of inventory of supplies	-	(22,194)	(7,317)
Use/consumption of inventory of supplies	-	7,317	34,230
Acquisition of prepaid expenses	-	(41,181)	(16,642)
Use/consumption of prepaid expenses	-	16,642	19,279
	-	(39,416)	29,550
Net change in net debt	(346,746)	1,327,295	(70,228)
Net debt, beginning of year	(2,234,141)	(2,234,141)	(2,163,913)
Net debt, end of year	\$ (2,580,887)	\$ (906,846)	\$ (2,234,141)

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

**Corporation of the Municipality of Dysart et al.
Consolidated Statement of Cash Flows**

For the year ended December 31	Actual 2016	Actual 2015
Cash flows from operating activities		
Annual surplus (Page 5)	\$ 511,744	\$ 313,213
Items not involving cash		
Amortization	2,184,548	2,186,281
Gain on disposition of tangible capital assets	(125,701)	(276,432)
Decrease in landfill liability	(286,512)	(238,860)
Decrease in employee future benefits	(14,480)	(36,241)
Contribution from developers	(58,495)	(53,225)
	<u>2,211,104</u>	<u>1,894,736</u>
Uses		
Increase in accounts receivable	-	(16,520)
Increase in taxes receivable	-	(331,186)
Decrease in accounts payable and accrued liabilities	(72,255)	-
Decrease in deferred revenue	(135,072)	(153,134)
Increase in inventories of supplies	(14,877)	-
Increase in prepaid expenses	(24,539)	-
Sources		
Decrease in accounts receivable	111,967	-
Decrease in taxes receivable	150,690	-
Decrease in note receivable	58,175	18,257
Increase in accounts payable and accrued liabilities	-	365,229
Decrease in inventories of supplies	-	26,913
Decrease in prepaid expenses	-	2,637
	<u>2,285,193</u>	<u>1,806,932</u>
Cash flows from capital transactions		
Acquisition of tangible capital assets	(1,380,439)	(2,556,047)
Proceeds on disposal of tangible capital assets	235,054	286,432
	<u>(1,145,385)</u>	<u>(2,269,615)</u>
Cash flows from financing activities		
Municipal debt incurred	-	1,555,000
Debt principal repayments	(531,891)	(424,370)
	<u>(531,891)</u>	<u>1,130,630</u>
Net change in cash and cash equivalents	<u>607,917</u>	<u>667,947</u>
Opening cash and cash equivalents	<u>4,565,134</u>	<u>3,897,187</u>
Closing cash and cash equivalents (Note 4)	<u>\$ 5,173,051</u>	<u>\$ 4,565,134</u>

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Corporation of the Municipality of Dysart et al. Summary of Significant Accounting Policies

December 31, 2016

**Management
Responsibility**

These consolidated financial statements are the responsibility of the municipality's management prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Basis of Accounting

Sources of financing 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.

The focus of these consolidated financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the financial assets and liabilities of the municipality as well as non-financial assets.

Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Net financial liabilities form a part of the financial position and is the difference between financial assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

Non-financial assets are normally used to deliver services. Their value lies with their service potential rather than their ability to generate future cash inflows. They form part of the financial position as they provide resources that the government can employ in the future to meet its objectives.

The accumulated surplus is made up of the combination of net financial liabilities and non-financial assets.

Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of all committees of Council and the following local boards which are under the control of Council:

Harcourt Community Centre Board
West Guilford Community Centre Board
Haliburton Business Improvement Area Board
Haliburton Highlands Museum Advisory Committee

All interfund and inter-entity assets, liabilities, revenues and expenses have been eliminated.

Trust funds and their related operations administered by the municipality are not consolidated, but are disclosed separately in Note 1.

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the county and school boards are not reflected in the balances of these consolidated financial statements, but are disclosed separately in Note 2.

Corporation of the Municipality of Dysart et al. Summary of Significant Accounting Policies

December 31, 2016

**Use of Estimates and
Measurement Uncertainty**

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates, assumptions and approximations. Included in these consolidated financial statements are estimates for post-employment benefits, landfill liabilities, tangible capital assets and taxation accruals.

Management uses estimates based on assumptions and calculations contained in actuarial reports, modified as necessary for the passage of time. Actual results can differ from the estimates due to uncertainty. The actuarial reports and calculations are reviewed and updated periodically at which time estimates can be adjusted.

Management uses estimates based on assumptions and calculations contained in consultant reports, modified as necessary for the passage of time to determine the landfill liability. Actual results can differ from the estimates due to uncertainty. The consultant reports and calculations are reviewed and updated periodically at which time estimates can be adjusted.

Management has made estimates related to tangible capital assets both in determining fair market value of contributed assets and in the amortization rates as set out in these policies.

Management has made estimates related to taxation revenue in determining the balance to accrue relating to supplementary billings and write offs which will be determined in future years.

**Cash and Cash
Equivalents**

Cash and cash equivalents consist of bank balances and investments in money market instruments with maturities of three months or less, and is net of any temporary borrowings for current purposes. Composition of the balance and restricted amounts are disclosed in Note 4.

Deferred Revenue

Under PSAB accounting principles, obligatory reserve funds and any other externally restricted financing amounts must be reported as deferred revenue. Only the amount earned by qualifying expenditures in the current year is reflected as revenue in the Consolidated Statement of Operations.

Corporation of the Municipality of Dysart et al. Summary of Significant Accounting Policies

December 31, 2016

Employee Benefit Plans The municipality accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The municipality has adopted the following valuation methods and assumptions:

a) Actuarial cost method:

Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

b) Funding policy:

The non-pension post retirement and post employment benefits are funded on a pay-as-you-go basis. The municipality funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide the non-pension retirement and post employment benefits.

c) Accounting policies:

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ('EARSLS') (expected remaining payment period in respect of the retiring allowance) of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value. The municipality's fiscal year-end is December 31 and the measurement date of the municipality's obligation is such.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly related to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for production or use as follows:

Land improvements	15 years
Buildings	40 years
Equipment	10-20 years
Vehicles	10 years
Roads	8-40 years
Sewer	40-80 years
Bridges and culverts	15-40 years

Corporation of the Municipality of Dysart et al. Summary of Significant Accounting Policies

December 31, 2016

Revenue Recognition	<p>Revenue is reported on the accrual basis of accounting. Revenues are recognized as follows:</p> <ul style="list-style-type: none">a) Tax revenue is recognized in the calendar year to which the tax assessment applies. Where necessary, taxes are recorded at estimated amounts when actual balances are not known. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.b) Fines and donations are recognized when collected.c) Subdivider contributions and fees for services are recognized over the period of service or when required expenditures occur if applicable.d) Except as noted in the government transfers policy below, conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenses are made.
Government Transfers	<p>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.</p>
Pension Agreement	<p>The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of the past service costs and interest costs related to the future employer contributions to the Plan for past employee service.</p>

Corporation of the Municipality of Dysart et al.

Notes to Consolidated Financial Statements

December 31, 2016

1. Trust Funds

	2016	2015
Cemetery Perpetual Care Funds	\$ 136,535	\$ 133,085

2. Taxation Raised on Behalf of Others

The following amounts raised on behalf of others are not included in these financial statements.

	2016	2015
School Boards	\$ 6,290,939	\$ 6,157,194
County of Haliburton	5,613,997	5,219,816
	<u>\$ 11,904,936</u>	<u>\$ 11,377,010</u>

3. Restricted Assets

	2016	2015
Cash (Note 4)	\$ 202,099	\$ 256,296
Short-term investments (Note 4)	185,660	181,383
Due from (to) own municipality	(26,691)	(66,976)
	<u>\$ 361,068</u>	<u>\$ 370,703</u>
Consists of:		
Obligatory funds in deferred revenue (Note 8)	<u>\$ 361,068</u>	<u>\$ 370,703</u>

Corporation of the Municipality of Dysart et al.

Notes to Consolidated Financial Statements

December 31, 2016

4. Cash and Cash Equivalents

	2016	2015
Unrestricted		
Unrestricted net cash	\$ 2,003,150	\$ 1,752,926
Unrestricted GIC	16,985	16,865
Designated		
Designated cash	1,790,110	1,405,035
Designated Money Market and Bond Funds (Market value - \$930,645)	975,047	952,629
Restricted		
Restricted cash	202,099	256,296
Restricted Money Market and Bond Funds (Market value - \$177,527)	185,660	181,383
	\$ 5,173,051	\$ 4,565,134

Virtually all of the cash is on deposit at one financial institution (CIBC). Designated cash relates to reserve funds of \$3,152,806.

The unrestricted investments as at December 31, 2016 are GICs through chartered banks. The designated and restricted bond funds are invested in the "ONE" Public Sector Group of Funds.

5. Accounts Receivable

	2016	2015
Unrestricted		
Canada	\$ 269,687	\$ 291,135
Ontario	44,865	64,412
Other municipalities and school boards	-	103,636
Other	237,172	308,144
	\$ 551,724	\$ 663,691

6. Note Receivable

	2016	2015
Receivable from Haliburton Curling Club, repayable blended bi-weekly payments of \$780 with interest at 3% per annum, maturing December 2018	\$ -	\$ 58,175

The note receivable was partially repaid during the year with the remaining balance of \$25,000 being forgiven.

Corporation of the Municipality of Dysart et al.

Notes to Consolidated Financial Statements

December 31, 2016

7. Liability

The Municipality has been notified by the Ministry of Environment and Climate Change (Ministry) that a site owned and maintained by the Municipality has landfill leachate. The municipality has developed a remediation plan in conjunction with environmental consultants which has been submitted to the Ministry. At this time no plan has been finalized and approved by the Ministry and as such the cost to remediate the situation cannot be determined.

8. Deferred Revenue

	2016	2015
Obligatory Reserve Funds		
Building department	\$ 50,000	\$ -
Federal and provincial gas tax	133,582	104,839
Parking revenues (Municipal Act)	46,064	41,764
Parkland (Planning Act)	131,422	224,100
	361,068	370,703
Other deferred revenue	395,871	521,308
	\$ 756,939	\$ 892,011

The net change during the year in the restricted deferred revenue balances is made up as follows:

	Building Department	Gas Tax	Parking	Parkland	Total
Opening obligatory funds	\$ -	\$ 104,839	\$ 41,764	\$ 224,100	\$ 370,703
Restricted funds received	50,000	198,743	4,000	7,000	259,743
Curling club loan forgiveness	-	-	-	(25,000)	(25,000)
Interest earned	-	1,000	300	5,974	7,274
Revenue recognized	-	(171,000)	-	(80,652)	(251,652)
Closing obligatory funds	\$ 50,000	\$ 133,582	\$ 46,064	\$ 131,422	\$ 361,068

Gas tax revenue is provided by the Government of Canada. The use of the funds is established by the funding agreement signed between the Municipality and the Association of Municipalities of Ontario. Gas tax funds may be used towards designated projects as specified in the funding agreements.

Corporation of the Municipality of Dysart et al.

Notes to Consolidated Financial Statements

December 31, 2016

9. Landfill Site Closing and Post Closing Costs

The consolidated statement of financial position reflects a liability for anticipated future costs related to the closing and monitoring of the six existing landfill sites. The waste site closure and post closure cost liability has been estimated at December 31, 2016 to be \$1,659,530 (2015 - \$1,946,042). This liability represents the estimated total expenditures for closure and post closure care. The information used to determine the liability was updated as of March 11, 2014 by Jp2g Consultants Inc., a consulting firm hired by the Municipality who have experience with landfill capacity studies, landfill site development and operational plans and landfill monitoring and closure plans. For purposes of the above calculation, the landfills have estimated remaining life spans of 0 to 69 years and combined remaining capacity of 215,870 cubic meters. Once closed, the sites will be monitored for an estimated period of 25 years with the estimated costs of \$10,960 to \$19,180 per year. A discount rate has been used that is equal to the rate available to the Municipality on long-term borrowing. The estimated present value of total closure and post closure costs is \$3,197,100 and the estimated portion related to remaining available capacity is \$1,537,570. As at December 31, 2016, there are no specific assets designated for settling this liability.

10. Employee Future Amounts Payable

The municipality provides certain employee amounts which will require funding in future periods.

a. Pension Agreement

OMERS provides pension services to more than 470,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial value of the Plan was conducted at December 31, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2016 were \$217,684 (2015 - \$209,335).

Corporation of the Municipality of Dysart et al.

Notes to Consolidated Financial Statements

December 31, 2016

10. Employee Future Amounts Payable (Cont'd)

b. Post Employment Benefits

Under the provisions of certain employee benefit plans, an employee who, has achieved the 85 factor as determined by Ontario Municipal Employee Retirement System (OMERS), is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health (drug, semi-private hospital and dental plan) coverage. All coverage ceases at age 65. The plan requires no contribution from employees. Total benefit payments to retirees during the year were \$7,100 (2015 - \$29,447).

Actuarial valuations for accounting purposes will be performed triennially using the projected benefit method prorated on services. The last actuarial valuation was completed as at December 31, 2016. The accrued benefit obligation of \$412,566 shown for December 31, 2016 is based on that valuation. Actual experienced cost increases and discount rate adjustments have resulted in a net gain of \$217,507 which will be recognized over the estimated average remaining service life of the employee group.

The post-employment benefit liability at December 31, 2016 includes the following components:

	2016	2015
Accrued benefit obligation	\$ 195,059	\$ 177,181
Unamortized actuarial gains	217,507	249,865
Amount to be recovered from future revenue	\$ 412,566	\$ 427,046

The actuarial valuation and extrapolation were based on a number of assumptions about future events, such as wage and salary increases, and employee turnover and mortality. The assumptions used reflect the municipality's best estimates. The main actuarial assumptions employed for the extrapolation are as follows:

Expected inflation rate	2.5%
Discount rate	3.25%
Medical cost increases - first year	8%
- decreasing over 10 years to	3.5%
Expected rate of dental cost increase	3.5%
Estimated average remaining service life of the employee group	10 years

The post-employment benefit expense is reported as a component of current expenditures on the consolidated statement of operations. Composition of the amount is as follows:

	2016	2015
Current year benefit cost	\$ 16,275	\$ 14,291
Amortization of actuarial (gains) losses	(30,471)	(27,763)
Interest on post-employment benefit liability	6,816	6,678
Total expense (recovery) related to post-employment benefits	\$ (7,380)	\$ (6,794)

Corporation of the Municipality of Dysart et al.

Notes to Consolidated Financial Statements

December 31, 2016

11. Municipal Debt

	2016	2015
The municipality has entered into agreements with Dysart Facility Limited Partnership and its investors relating to sewage collection and processing plant capital assets. Details of the arrangement are detailed in Note 12. Interest rate charged is 6.136%	\$ 358,684	\$ 459,893
Term facilities to be used for capital infrastructure projects and building construction/expansion and/or land improvements, repayable in blended monthly payments of \$29,383 total with interest at 2.97%, due January 2018	1,961,378	2,251,422
Term facilities to be used for capital infrastructure projects and building construction/expansion and/or land improvements, repayable in blended monthly payments of \$14,560 total with interest at 2.36%, due July 2020	1,368,218	1,508,856
Net municipal debt	\$ 3,688,280	\$ 4,220,171

a. Future payments requiring taxation and user charge financing are summarized as follows:

Years	2017	2018	2019	2020	2021+	Total
Principal	\$ 454,848	\$ 1,810,363	\$ 151,231	\$ 913,154	\$ 358,684	\$ 3,688,280
Interest	84,332	31,104	23,491	12,042	-	150,969
Total payment	\$ 539,180	\$ 1,841,467	\$ 174,722	\$ 925,196	\$ 358,684	\$ 3,839,249

b. The long-term liabilities issued in the municipality's name have been approved by by-law as required and the annual principal and interest payments required are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

c. Total gross payments for the year to service net municipal debt are as follows:

	2016	2015
Principal payments	\$ 531,891	\$ 424,370
Interest	150,846	145,469
Gross payments	\$ 682,737	\$ 569,839

Corporation of the Municipality of Dysart et al. Notes to Consolidated Financial Statements

December 31, 2016

12. Contingent Liabilities and Commitments

a. Dysart Facility Limited Partnership

In order to arrange financing for major sewage treatment plant and collection systems upgrades and expansion in 1996, several agreements were executed. These include:

- Sale of the plant and collection systems (excluding land) with an estimated useful life of over 30 years to Dysart Facility Limited Partnership (DFLP)
- Lease of the related lands to DFLP for 45 years at \$1 per year
- Agreement for DFLP to provide sewage processing for 25 years
- Amended option to repurchase the plant and collection systems from DFLP from January 1, 2019 to August 31, 2021 for \$480,000.

These agreements involve fixed cash inflows resulting from notes receivable secured by pledge of partnership units totaling \$29.5 million over 25 years, and fixed cash outflows under the sewage processing agreement secured by pledge of the notes receivable totaling \$32 million over 25 years. The combined effect commits the Municipality to quarterly net cash outflows until 2016. The net liability for these cash outflows is included in long term debt, and is being amortized using an effective interest rate of 6.136%. Consideration for the repurchase option of \$480,000 is included in the outstanding balance of long term debt related to this facility.

The sewage processing agreement also requires the Municipality to pay DFLP for the actual costs of operating and maintaining the plant and collection system each month in addition to the fixed charges discussed above. These operating costs for 2016 amounted to \$489,702 (2015 - \$477,678).

The Municipality remains responsible to fund any capital upgrades and major maintenance required to meet legislative and regulatory requirements for plant operation.

b. Credit Facility Agreement

The municipality has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1.5 million via an operating line. Any balance borrowed will bear interest at prime per year. Council authorized the temporary borrowing limit for 2016 in By-Law 2016-02, and there was a balance owing as at December 31, 2016 of NIL (2015 - NIL).

c. Other Contingencies

In the normal course of its operations, the municipality is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, the municipality's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

Corporation of the Municipality of Dysart et al.
Notes to Consolidated Financial Statements

December 31, 2016

13. Accumulated Surplus

	<u>2016</u>	<u>2015</u>
Municipal surplus (deficit)	\$ 8,580	\$ 332,648
Community Centres surplus	56,892	56,958
Haliburton Business Improvement Area Board surplus	<u>53,671</u>	<u>52,911</u>
	119,143	442,517
Landfill liability to be recovered in future (Note 9)	(1,659,530)	(1,946,042)
Employee benefits payable to be recovered in future (Note 10)	(412,566)	(427,046)
Municipal debt to be recovered in future (Note 11)	(3,688,280)	(4,220,171)
Invested in tangible capital assets (Note 16)	30,848,122	31,703,089
Reserve/reserve fund balances	<u>4,797,762</u>	<u>3,940,560</u>
	<u>\$ 30,004,651</u>	<u>\$ 29,492,907</u>

14. Comparative Figures

Comparative figures have been restated to conform to current year presentation.

Corporation of the Municipality of Dysart et al.

Notes to Consolidated Financial Statements

December 31, 2016

15. Budget Amounts

The 2016 Budget adopted by Council on April 25, 2016 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures treated all tangible capital expenditures as expenses and did not include amortization expense on tangible capital assets. As a result, the budget figures presented in the Consolidated Statements of Operations and Change in Net Debt represent the budget adopted by Council on April 25, 2016 with adjustments as follows:

	2016 budget adopted by Council	TCA expenditures from operating	2016 budget presented in statements
Revenue			
Taxation levied for own purposes	\$ 7,506,863	\$ -	\$ 7,506,863
User charges, licences and fines	2,153,225	-	2,153,225
Grants	1,967,769	-	1,967,769
Other	1,089,765	-	1,089,765
	<u>12,717,622</u>	<u>-</u>	<u>12,717,622</u>
Expenditures			
General government	880,407	-	880,407
Protection to persons and property	2,674,739	-	2,674,739
Transportation services	3,979,897	(967,624)	3,012,273
Environmental services	2,364,802	-	2,364,802
Health services	133,795	-	133,795
Recreation and cultural services	1,210,882	-	1,210,882
Planning and development	495,395	-	495,395
	<u>11,739,917</u>	<u>(967,624)</u>	<u>10,772,293</u>
Annual surplus	977,705	967,624	\$ 1,945,329
Capital expenditures	(1,324,451)	(967,624)	
Transfers from (to)			
reserve/reserve funds	738,000	-	
Debt repayment	<u>(391,254)</u>	<u>-</u>	
Budgeted use of prior year surplus	\$ -	\$ -	

Corporation of the Municipality of Dysart et al.
Notes to Consolidated Financial Statements

December 31, 2016

16. Tangible Capital Assets

	General Assets				Infrastructure Assets					
	Land	Land Improvements	Buildings	Equipment	Vehicles	Roads	Sewer	Bridges & Culverts	Assets Under Construction	2016
Cost, beginning of year	\$ 4,443,891	\$ 2,356,476	\$ 13,362,839	\$ 5,744,213	\$ 4,708,872	\$ 28,410,595	\$ 7,640,484	\$ 4,702,468	\$ 222,537	\$ 71,592,375
Additions	-	12,646	125,672	32,848	198,990	969,001	-	-	99,777	1,438,934
Disposals	-	-	(28,755)	(29,669)	(613,649)	(552,155)	-	-	-	(1,224,228)
Transfers	-	158,262	31,505	-	-	-	-	-	(189,767)	-
Cost, end of year	\$ 4,443,891	\$ 2,527,384	\$ 13,491,261	\$ 5,747,392	\$ 4,294,213	\$ 28,827,441	\$ 7,640,484	\$ 4,702,468	\$ 132,547	\$ 71,807,081
Accumulated Amortization, beginning of year	\$ -	\$ 619,202	\$ 4,769,628	\$ 3,556,473	\$ 2,269,385	\$ 21,882,818	\$ 3,915,622	\$ 2,876,158	\$ -	\$ 39,889,286
Amortization	-	155,189	344,623	230,405	284,082	1,001,311	103,697	65,241	-	2,184,548
Disposals	-	-	(12,057)	(17,729)	(532,934)	(552,155)	-	-	-	(1,114,875)
Accumulated Amortization, end of year	\$ -	\$ 774,391	\$ 5,102,194	\$ 3,769,149	\$ 2,020,533	\$ 22,331,974	\$ 4,019,319	\$ 2,941,399	\$ -	\$ 40,958,959
Net book value, beginning of year	\$ 4,443,891	\$ 1,737,274	\$ 8,593,211	\$ 2,187,740	\$ 2,439,487	\$ 6,527,777	\$ 3,724,862	\$ 1,826,310	\$ 222,537	\$ 31,703,089
Net book value, end of year	\$ 4,443,891	\$ 1,752,993	\$ 8,389,067	\$ 1,978,243	\$ 2,273,680	\$ 6,495,467	\$ 3,621,165	\$ 1,761,069	\$ 132,547	\$ 30,848,122

Corporation of the Municipality of Dysart et al.
Notes to Consolidated Financial Statements

December 31, 2016

16. Tangible Capital Assets (Cont'd)

	General Assets				Infrastructure Assets					
	Land	Land Improvements	Buildings	Equipment	Vehicles	Roads	Sewer	Bridges & Culverts	Assets Under Construction	2015
Cost, beginning of year	\$ 4,232,938	\$ 2,238,061	\$ 13,184,689	\$ 5,670,707	\$ 3,740,062	\$ 28,174,797	\$ 7,640,484	\$ 4,702,468	\$ 86,150	\$ 69,670,356
Additions	210,953	64,991	180,150	73,506	1,092,698	797,163	-	-	189,811	2,609,272
Disposals	-	-	(2,000)	-	(123,888)	(561,365)	-	-	-	(687,253)
Transfers	-	53,424	-	-	-	-	-	-	(53,424)	-
Cost, end of year	\$ 4,443,891	\$ 2,356,476	\$ 13,362,839	\$ 5,744,213	\$ 4,708,872	\$ 28,410,595	\$ 7,640,484	\$ 4,702,468	\$ 222,537	\$ 71,592,375
Accumulated Amortization, beginning of year	\$ -	\$ 478,766	\$ 4,432,987	\$ 3,328,625	\$ 2,107,586	\$ 21,443,178	\$ 3,778,198	\$ 2,810,918	\$ -	\$ 38,380,258
Amortization	-	140,436	338,641	227,848	275,687	1,001,005	137,424	65,240	-	2,186,281
Disposals	-	-	(2,000)	-	(113,888)	(561,365)	-	-	-	(677,253)
Accumulated Amortization, end of year	\$ -	\$ 619,202	\$ 4,769,628	\$ 3,556,473	\$ 2,269,385	\$ 21,882,818	\$ 3,915,622	\$ 2,876,158	\$ -	\$ 39,889,286
Net book value, beginning of year	\$ 4,232,938	\$ 1,759,295	\$ 8,751,702	\$ 2,342,082	\$ 1,632,476	\$ 6,731,619	\$ 3,862,286	\$ 1,891,550	\$ 86,150	\$ 31,290,098
Net book value, end of year	\$ 4,443,891	\$ 1,737,274	\$ 8,593,211	\$ 2,187,740	\$ 2,439,487	\$ 6,527,777	\$ 3,724,862	\$ 1,826,310	\$ 222,537	\$ 31,703,089

Corporation of the Municipality of Dysart et al. Notes to Consolidated Financial Statements

December 31, 2016

16. Tangible Capital Assets (Cont'd)

Assets contributed to the Municipality in 2016, consisting of Land and Road Network, had a fair market value of \$58,495 (2015 - \$53,225). They have been capitalized at their fair value.

The Municipality holds various works of art and historical treasures pertaining to the heritage and history of the Municipality of Dysart et al. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

17. Segmented Information

The Corporation of the Municipality of Dysart et al. is a municipal government institution that provides a wide range of services to its citizens. Municipal services are reported by function and their activities are separately disclosed in the segmented information.

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

The nature of the segments and the activities they encompass are as follows:

General Government

General government consists of the activities of Council and general financial and administrative management of the Municipality and its programs and services.

Protection to Persons and Property

Protection includes police, fire and protective inspection and control.

Transportation Services

Transportation services include construction and maintenance of the Municipality's roads and bridges, winter control and street lighting.

Environmental Services

The environmental services function is responsible for providing sewer, waste disposal and recycling services to ratepayers.

Health Services

The health services function consists of cemeteries and the Medical Health Centre.

Recreational and Cultural Services

The recreational and cultural services function provides indoor and outdoor recreational facilities and programs and library services.

Planning and Development

The planning and development services function manages the industrial, commercial and residential development within the Municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Corporation of the Municipality of Dysart et al.
Notes to Consolidated Financial Statements

December 31, 2016

17. Segmented Information (Cont'd)

For the year ended December 31	General government	Protection to persons and property	Transportation Services	Environmental Services	Health Services	Recreational and cultural services	Planning and Development	2016 Total
Revenue								
Taxation	\$ 522,250	\$ 1,687,787	\$ 2,536,981	\$ 1,552,562	\$ 112,775	\$ 883,834	\$ 264,708	\$ 7,560,897
User charges, licences and fines	81,683	386,530	50,756	1,409,306	118,880	241,415	93,341	2,381,911
Government of Canada grants	-	-	171,000	-	-	26,145	-	197,145
Province of Ontario grants	-	1,545,960	53,130	133,136	-	29,889	-	1,762,115
Other municipality grants	-	41,958	34,487	-	-	-	5,000	81,445
Investment income	69,999	-	-	-	-	-	-	69,999
Penalties and interest on taxes	260,299	-	-	-	-	-	-	260,299
Donations and other	-	-	-	-	-	41,592	-	41,592
Gain/(loss) on disposition of tangible capital assets	125,701	-	-	-	-	-	-	125,701
Dysart Facilities Limited Partnership	-	-	-	59,315	-	-	-	59,315
Contribution from developers	-	-	58,495	-	-	-	-	58,495
Developer contributions earned	-	-	-	-	-	181,052	-	181,052
	<u>1,059,932</u>	<u>3,662,235</u>	<u>2,904,849</u>	<u>3,154,319</u>	<u>231,655</u>	<u>1,403,927</u>	<u>363,049</u>	<u>12,779,966</u>
Expenses								
Salaries and benefits	542,367	548,599	1,087,034	264,733	3,220	527,118	293,842	3,266,913
Materials, supplies and services	229,071	221,972	1,152,511	383,343	52,713	502,783	79,573	2,621,966
Contracted services	31,053	1,914,571	390,360	1,469,191	33,000	84,488	24,820	3,947,483
Interest charges	-	-	34,084	54,208	6,666	24,611	31,277	150,846
Amortization expense	22,275	52,526	1,446,731	347,694	86,189	229,133	-	2,184,548
Rents and financial	1,391	916	-	-	-	-	-	2,307
Transfers to other entities	21,239	-	5,755	-	1,200	65,965	-	94,159
	<u>847,396</u>	<u>2,738,584</u>	<u>4,116,475</u>	<u>2,519,169</u>	<u>182,988</u>	<u>1,434,098</u>	<u>429,512</u>	<u>12,268,222</u>
Annual surplus (deficit)	<u>\$ 212,536</u>	<u>\$ 923,651</u>	<u>\$ (1,211,626)</u>	<u>\$ 635,150</u>	<u>\$ 48,667</u>	<u>\$ (30,171)</u>	<u>\$ (66,463)</u>	<u>\$ 511,744</u>

Corporation of the Municipality of Dysart et al.
Notes to Consolidated Financial Statements

December 31, 2016

17. Segmented Information (Cont'd)

For the year ended December 31	General government	Protection to persons and property	Transportation Services	Environmental Services	Health Services	Recreational and cultural services	Planning and Development	2015 Total
Revenue								
Taxation	\$ 476,618	\$ 1,264,279	\$ 2,395,388	\$ 1,350,355	\$ 97,648	\$ 841,003	\$ 249,636	\$ 6,674,927
User charges, licences and fines	92,429	312,880	56,219	1,351,831	118,661	268,619	70,343	2,270,982
Government of Canada grants	-	-	167,595	-	-	-	-	167,595
Province of Ontario grants	-	1,485,532	57,166	129,583	-	49,375	-	1,721,656
Other municipalities grants	2,472	47,531	22,072	-	-	-	5,000	77,075
Developer contributions	61,803	-	-	-	-	-	-	61,803
Investment income	238,749	-	-	-	-	-	-	238,749
Donations and other	-	-	-	-	-	94,599	-	94,599
Gain/(loss) on disposition of tangible capital assets	276,432	-	-	-	-	-	-	276,432
Dysart Facilities Limited Partnership	-	-	-	35,241	-	-	-	35,241
Contribution from developers	-	-	53,225	-	-	-	-	53,225
Developer contributions earned	-	-	-	-	-	153,687	-	153,687
	<u>1,148,503</u>	<u>3,110,222</u>	<u>2,751,665</u>	<u>2,867,010</u>	<u>216,309</u>	<u>1,407,283</u>	<u>324,979</u>	<u>11,825,971</u>
Expenses								
Salaries and benefits	523,916	466,300	1,073,506	252,176	2,813	515,557	279,914	3,114,182
Materials, supplies and services	220,861	189,238	1,325,389	336,754	39,148	509,707	85,940	2,707,037
Contracted services	50,937	1,469,264	287,220	1,303,319	31,750	99,168	29,223	3,270,881
Interest charges	-	-	15,064	59,425	7,564	27,927	35,490	145,470
Amortization expense	23,654	54,880	1,424,960	377,387	85,946	219,454	-	2,186,281
Rents and financial	1,155	916	-	-	-	-	-	2,071
Transfers to other entities	1,536	-	5,370	-	1,200	78,730	-	86,836
	<u>822,059</u>	<u>2,180,598</u>	<u>4,131,509</u>	<u>2,329,061</u>	<u>168,421</u>	<u>1,450,543</u>	<u>430,567</u>	<u>11,512,758</u>
Annual surplus	<u>\$ 326,444</u>	<u>\$ 929,624</u>	<u>\$ (1,379,844)</u>	<u>\$ 537,949</u>	<u>\$ 47,888</u>	<u>\$ (43,260)</u>	<u>\$ (105,588)</u>	<u>\$ 313,213</u>

Corporation of the Municipality of Dysart et al.

Trust Funds

Financial Statements

For the year ended December 31, 2016

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Independent Auditor's Report

To the Members Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Dysart et al.

We have audited the accompanying financial statements of the Corporation of the Municipality of Dysart et al. Trust Funds, which comprise the statement of financial position as at December 31, 2016 and the statement of continuity for the year then ended and notes to financial statements.

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 Corporation of the Municipality of Dysart et al. Trust Funds as at December 31, 2016, and their continuity for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario
April 24, 2017

Corporation of the Municipality of Dysart et al.
Trust Funds
Statement of Financial Position

December 31	2016	2015
Assets		
Cash	\$ 134,119	\$ 131,916
Due from Municipality	<u>2,416</u>	<u>1,169</u>
Fund Balances	\$ 136,535	\$ 133,085

On behalf of the Board

_____ Chair

_____ Treasurer

Corporation of the Municipality of Dysart et al.
Trust Funds
Statement of Continuity

For the year ended December 31	2016	2015
Balance, beginning of year	\$ 133,085	\$ 130,895
Revenues		
Interest earned	984	1,021
Plot and monument sales	3,450	2,190
	<u>4,434</u>	<u>3,211</u>
Expenditures		
Transfer to Cemetery Board	984	1,021
Balance, end of year	\$ 136,535	\$ 133,085

Corporation of the Municipality of Dysart et al.
Trust Funds
Notes to Financial Statements

December 31, 2016

1. Basis of Accounting

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

2. Cemetery Perpetual Care

The figures reported for the cemetery perpetual care represent the trust fund activities for the Dysart Cemetery. The capital amounts are to be kept intact in perpetuity, with investment income earned on the funds used to maintain the cemetery.