

**The Corporation of the Township
of East Zorra - Tavistock
Consolidated Financial Statements
For the year ended December 31, 2015**

The Corporation of the Township
of East Zorra - Tavistock
Consolidated Financial Statements
For the year ended December 31, 2015

	Contents
Independent Auditors' Report	2
Consolidated Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 10
Notes to the Consolidated Financial Statements	11 - 23



Tel: 519 271 2491
Fax: 519 271 4013
www.bdo.ca

BDO Canada LLP
380 Hibernia Street
Stratford ON N5A 5W3 Canada

Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of East Zorra - Tavistock

We have audited the accompanying consolidated financial statements of The Corporation of the Township of East Zorra - Tavistock, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, 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 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, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of East Zorra - Tavistock as at December 31, 2015 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

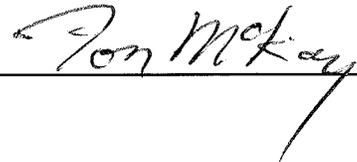
Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
June 29, 2016

The Corporation of the Township of East Zorra - Tavistock
Consolidated Statement of Financial Position

December 31	2015	2014
		Restated (Note 1)
Financial assets		
Cash and cash equivalents	\$ 3,036,046	\$ 2,615,564
Taxes receivable	679,605	576,809
Accounts receivable	1,006,842	962,241
Drains receivable	187,832	279,983
Inventories for resale	5,240	9,754
Investment in government business enterprise (Note 2)	1,552,274	1,535,689
	6,467,839	5,980,040
Liabilities		
Accounts payable and accrued liabilities	1,406,434	1,010,316
Deferred revenue (Note 4)	526,048	848,351
Long-term debt (Note 5)	1,904,107	2,184,346
	3,836,589	4,043,013
Net financial assets	2,631,250	1,937,027
Non-financial assets		
Tangible capital assets (Note 6)	29,740,256	29,611,728
Prepaid expenses and inventories of supplies	27,989	4,358
	29,768,245	29,616,086
Accumulated surplus (Note 7)	\$ 32,399,495	\$ 31,553,113


 _____ Treasurer


 _____ Mayor

The Corporation of the Township of East Zorra - Tavistock
Consolidated Statement of Operations

For the year ended December 31	Budget 2015	Actual 2015	Actual 2014
	(Note 15)		Restated (Note 1)
Revenue			
Taxation	\$ 4,432,725	\$ 4,422,581	\$ 4,093,423
Government transfers - Federal (Note 9)	197,000	633,320	1,100
Government transfers - Provincial (Note 10)	1,043,900	1,065,631	1,242,019
Municipal grants	290,100	294,342	300,913
User fees and service charges	520,650	576,270	579,399
Share of income of government business enterprise (Note 2)	-	16,585	46,153
Other income (Note 11)	861,510	1,053,216	1,772,000
	<u>7,345,885</u>	<u>8,061,945</u>	<u>8,035,007</u>
Expenses			
General government	878,350	884,900	886,955
Protection services	2,205,069	2,147,036	2,240,793
Transportation services	2,260,812	2,438,993	2,317,686
Health services	2,100	2,260	2,100
Social and family services	1,500	1,500	1,141
Recreation and cultural services	833,852	959,982	887,617
Planning and development	769,985	780,892	1,127,186
	<u>6,951,668</u>	<u>7,215,563</u>	<u>7,463,478</u>
Annual surplus	394,217	846,382	571,529
Accumulated surplus, beginning of year, as originally stated	31,714,375	31,714,375	31,088,701
Prior period adjustment (Note 1)	-	(161,262)	(107,117)
Accumulated surplus, beginning of year, as restated	31,714,375	31,553,113	30,981,584
Accumulated surplus, end of year	\$ 32,108,592	\$ 32,399,495	\$ 31,553,113

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

The Corporation of the Township of East Zorra - Tavistock
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2015	Actual 2015	Actual 2014
	(Note 15)		Restated (Note 1)
Annual surplus	\$ 394,217	\$ 846,382	\$ 571,529
Acquisition of tangible capital assets	(2,761,596)	(1,273,454)	(372,665)
Amortization of tangible capital assets	1,064,000	1,127,946	1,054,288
Loss (gain) on sale of tangible capital assets	-	10,985	(5,309)
Donated tangible capital assets	-	-	(1,139,830)
Proceeds on sale of tangible capital assets	-	5,995	15,102
	<u>(1,303,379)</u>	<u>717,854</u>	<u>123,115</u>
Utilization (acquisition) of prepaid expenses and inventory of supplies	-	(23,631)	205
Net change in net financial assets	(1,303,379)	694,223	123,320
Net financial assets, beginning of year, as originally stated	1,937,027	1,937,027	1,920,824
Prior period adjustment (Note 1)	-	-	(107,117)
Net financial assets, beginning of year, as restated	1,937,027	1,937,027	1,813,707
Net financial assets, end of year	\$ 633,648	\$ 2,631,250	\$ 1,937,027

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

The Corporation of the Township of East Zorra - Tavistock
Consolidated Statement of Cash Flows

<u>For the year ended December 31</u>	<u>2015</u>	<u>2014</u>
		Restated (Note 1)
Operating transactions		
Annual surplus	\$ 846,382	\$ 571,529
Items not involving cash		
Share of (income) loss of government business enterprise	(16,585)	(46,153)
Amortization	1,127,946	1,054,288
Loss (gain) on disposal of tangible capital assets	10,985	(5,309)
Donated tangible capital assets	-	(1,139,830)
Changes in non-cash operating balances		
Taxes receivable	(102,796)	(121,197)
Accounts receivable	(44,601)	324,426
Drains receivable	92,151	118,661
Inventories for resale	4,514	(3,937)
Prepaid expenses and inventories of supplies	(23,631)	205
Accounts payable and accrued liabilities	396,118	(43,551)
Deferred revenue	(322,303)	361,755
	<u>1,968,180</u>	<u>1,070,887</u>
Capital transactions		
Acquisition of tangible capital assets	(1,273,454)	(372,665)
Proceeds on sale of tangible capital assets	5,995	15,102
	<u>(1,267,459)</u>	<u>(357,563)</u>
Investing transactions		
Dividends from government business enterprise	-	11,390
Financing transactions		
Proceeds from issuance of long-term debt	-	26,200
Repayment of long-term debt	(280,239)	(327,340)
	<u>(280,239)</u>	<u>(301,140)</u>
Net change in cash and cash equivalents	420,482	423,574
Cash and cash equivalents, beginning of year	<u>2,615,564</u>	<u>2,191,990</u>
Cash and cash equivalents, end of year	<u>\$ 3,036,046</u>	<u>\$ 2,615,564</u>

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

The Corporation of the Township of East Zorra - Tavistock Summary of Significant Accounting Policies

December 31, 2015

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of The Corporation of the Township of East Zorra - Tavistock are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Corporation of the Township of East Zorra - Tavistock is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Corporation of the Township of East Zorra - Tavistock provides municipal services such as protection, public works, planning, parks, recreation and other general government services.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by The Corporation of the Township of East Zorra - Tavistock.

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

Tavistock and District Recreation Board
Hickson Recreation Committee
Hickson Trails Committee
Innerkip Recreation Committee
Innerkip Community Centre Board of Management

The investment in a governmental unit is accounted for using the proportionate consolidation method of accounting. Under this method, the governmental unit's accounting policies, which follow Canadian Accounting Standards for Not-for-profit Organizations, are in compliance with Public Sector Accounting Standards and do not require adjustment, however inter-entity transactions and balances are eliminated. The financial statement information is then recognized in proportion to the municipality's pro-rata share of the governmental unit. The following governmental unit is reflected in the consolidated financial statements:

Rural Oxford Economic Development Corporation

The investment in a government business enterprise is accounted for using the modified equity basis of accounting. Under this method, the government business enterprise's accounting policies, which follow International Financial Reporting Standards, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated. The following government business enterprise is reflected in the consolidated financial statements:

ERTH Corporation

The Corporation of the Township of East Zorra - Tavistock Summary of Significant Accounting Policies

December 31, 2015

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable 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 the 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 productive use as follows:

Land improvements	15 to 50 years
Buildings	75 years
Roads and sidewalks	15 to 50 years
Machinery and equipment	10 to 20 years
Vehicles	6 to 20 years
Infrastructure	20 to 100 years

**County and School
Boards**

The Corporation of the Township of East Zorra - Tavistock collects taxation revenue on behalf of the school boards and the County of Oxford. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

Trust Funds

Trust funds held in trust by The Corporation of the Township of East Zorra - Tavistock, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

**Retirement Benefits and
Other Employee
Benefit Plans**

The Corporation of the Township of East Zorra - Tavistock's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. The costs of other retirement benefits that accumulate over the period of service provided by employees are determined using the projected benefit method prorated on services based on management's best estimate.

Deferred Revenue

Revenue restricted by legislation, regulation or agreement is not available for general municipal purposes and is accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

The Corporation of the Township of East Zorra - Tavistock Summary of Significant Accounting Policies

December 31, 2015

- Revenue Recognition**
- a) Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
 - b) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
 - c) Fines and donations are recognized when collected
 - d) Fees, user charges and other revenues are recorded upon sale of goods or provision of services when collection is reasonably assured.
- Use of Estimates**
- The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.
- Contaminated Sites**
- In accordance with PS 3260 management is required to make assessments as to whether any properties not under active use are subject to contamination in the underlying soil, water or sediment. If such contamination exists and exceeds an environmental standard management is required to make an estimate as to the related liability for remediation of the property.

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

1. Prior Period Adjustment

During the year, ERTH adopted International Financial Reporting Standards (IFRS). This transition required that ERTH financial statements for the year ended December 31, 2014 be restated in accordance with the new accounting standards. These adjustments resulted in a material change in the carrying value of the investment for The Corporation of the Township of East Zorra - Tavistock. The adjustment to the carrying value of the investment in government business enterprises and the corresponding decrease in accumulated surplus is summarized below:

	<u>2014</u>
<u>Statement of Financial Position</u>	
Decrease in 2013 investment in government business enterprises	\$ <u>(107,117)</u>
Decrease in 2014 opening accumulated surplus	\$ <u>(107,117)</u>
<u>Statement of Operations</u>	
Share of income of government business enterprise	\$ <u>(54,145)</u>
Total decrease in revenue	<u>(54,145)</u>
Decrease in 2014 annual surplus	\$ <u>(54,145)</u>
Decrease in 2014 ending accumulated surplus	\$ <u>(161,262)</u>

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

2. a) Investment in Government Business Enterprise

ERTH Corporation was incorporated in 2000 under the Business Corporations Act (Ontario) as mandated by the Ontario Government's Electricity Act, 1998 (Ontario) and Sections 71 and 73 of the Ontario Energy Board Act, 1998 (Ontario). The Corporation of the Township of East Zorra - Tavistock owns 6.5% (2014 - 6.5%) of the outstanding shares of ERTH Corporation. The investment in ERTH Corporation is comprised of the following:

	2015	2014
Promissory note receivable	\$ 760,000	\$ 760,000
Class A voting	1	1
Class B, non-voting, redeemable	759,999	759,999
Share of retained earnings	42,685	26,020
Share of accumulated other comprehensive income	(10,411)	(10,331)
	\$ 1,552,274	\$ 1,535,689

The promissory note receivable from ERTH Corporation is unsecured and bears interest at 7.25% (2014 - 7.25%). The term of the note is undefined but no principal repayments are expected within the next twelve months. Interest received in the year and included in other income is \$55,100 (2014 - \$55,100).

During the year ERTH transitioned to IFRS (International Financial Reporting Standards), as a result the prior year numbers have been restated to reflect this fact. The following summarizes the financial position and operations of ERTH Corporation which have been reported in these financial statements using the modified equity method:

	2015	2014
Financial position		
Current	\$ 18,045,167	\$ 17,299,351
Capital	38,938,090	35,414,497
Regulatory and other assets	17,834,320	15,796,669
	\$ 74,817,577	\$ 68,510,517
Liabilities		
Current	\$ 20,969,790	\$ 21,111,655
Long-term debt	34,005,880	29,046,727
Regulatory and other liabilities	6,917,532	5,682,580
Total liabilities	\$ 61,893,202	\$ 55,840,962
Net assets	\$ 12,924,375	\$ 12,669,555
Results of operations		
Revenue	\$ 83,471,032	\$ 76,527,370
Expenses	83,977,946	79,447,298
Net income for the year	(506,914)	(2,919,928)
Net movement in regulatory balances, net of tax	762,959	3,522,280
Net income for the year and net movement of regulatory balances	256,045	602,352
Other comprehensive loss for the year	(1,225)	(158,742)
Total comprehensive income for the year	\$ 254,820	\$ 443,610

The Corporation of the Township of East Zorra - Tavistock Notes to Consolidated Financial Statements

December 31, 2015

2. b) Investment in Governmental Units

Starting in June 2014, the municipality helped establish the Rural Oxford Economic Development Corporation (ROEDC). This not-for-profit organization is established to create and promote industrial and commercial development and to create and promote health, research and educational facilities in the Township of Zorra, the Township of South-West Oxford, the Township of Norwich, the Township of Blandford-Blenheim and the Township of East Zorra-Tavistock, also to provide services such as power, water, sewage, roads and other amenities, and to provide management and consulting services.

The municipality has 20% control of the governmental unit due to an investment entitling it to a 20% representation on ROEDC's board. The financial information of ROEDC is recorded in the consolidated financial statements using the proportionate consolidation method.

3. Pension Agreements

The Corporation of the Township of East Zorra - Tavistock makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 16 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on their length of service and rates of pay. The amount contributed to OMERS for 2015 was \$89,060 (2014 - \$95,007) for employer contributions.

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Development charges	\$ 131,010	138,279	1,807	(13,580)	\$ 257,516
Recreational land	110,223	4,250	-	(23,000)	91,473
Federal gas tax	573,657	197,939	-	(632,000)	139,596
Tile and municipal drain prelevies	8,461	4,002	-	-	12,463
Other	25,000	-	-	-	25,000
	<u>\$ 848,351</u>	<u>344,470</u>	<u>1,807</u>	<u>(668,580)</u>	<u>\$ 526,048</u>

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between The Corporation of the Township of East Zorra - Tavistock and the Government of Canada. Gas tax funding may be used towards designated capacity building projects as specified in the funding agreements and related administrative costs.

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

5. Long-Term Debt

Long-term debt reported on the statement of financial position is comprised of the following:

	2015	2014
Tavistock fire hall loan, bearing interest at 4.69%, repayable in blended quarterly instalments of \$11,541. The loan is due November 2015 and recoverable from future taxation and user fees	\$ -	\$ 44,847
Municipal drainage loans, bearing interest between 3.29% and 3.54% and repayable in annual instalments. The loans are due between 2016 and 2019 and recoverable from benefiting landowners	99,614	166,586
Tile drainage loans, bearing interest of 6% and and repayable in annual instalments. The loans are due between 2016 and 2023 and are recoverable from benefiting landowners	88,218	113,397
Canadian Mortgage and Housing Corporation loan, bearing interest at 3.72%, repayable in annual blended instalments of \$132,284. The loan is due February 2026 and recoverable from future taxation and user fees	1,176,567	1,261,908
Streetlight loan, bearing interest at 2.67%, repayable in semi-annual instalments of \$22,500 principal plus interest. The loan is due October 2022 and is recoverable from future taxation and user fees	315,000	360,000
Tavistock Pavilion loan, bearing interest at 4.06%, repayable in semi-annual blended instalments of \$11,209. The loan is due December 2028 and is recoverable from future taxation and user fees	224,708	237,608
	1,904,107	2,184,346

Principal payments relating to long-term debt of \$1,904,107 outstanding are due as follows:

	<u>Principal Repayments</u>
2016	\$ 239,848
2017	192,873
2018	171,274
2019	176,258
2020	173,497
Thereafter	950,357
	\$ 1,904,107

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

6. Tangible Capital Assets

							2015
	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Infrastructure	Total
Cost, beginning of year	\$ 2,117,834	\$ 804,963	\$ 6,841,370	\$ 1,955,399	\$ 2,388,053	\$ 25,365,327	\$ 39,472,946
Additions		-	-	147,326	146,320	979,808	1,273,454
Disposals		-	-	(18,539)	(22,591)	(53,897)	(95,027)
Cost, end of year	<u>\$ 2,117,834</u>	<u>\$ 804,963</u>	<u>\$ 6,841,370</u>	<u>\$ 2,084,186</u>	<u>\$ 2,511,782</u>	<u>\$ 26,291,238</u>	<u>\$ 40,651,373</u>
Accumulated amortization, beginning of year	\$ -	\$ 183,730	\$ 1,507,004	\$ 965,244	\$ 1,335,811	\$ 5,869,429	\$ 9,861,218
Amortization	-	25,989	111,590	132,491	145,385	712,491	1,127,946
Disposals	-	-	-	(18,539)	(22,591)	(36,917)	(78,047)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 209,719</u>	<u>\$ 1,618,594</u>	<u>\$ 1,079,196</u>	<u>\$ 1,458,605</u>	<u>\$ 6,545,003</u>	<u>\$ 10,911,117</u>
Net carrying amount, end of year	<u>\$ 2,117,834</u>	<u>\$ 595,244</u>	<u>\$ 5,222,776</u>	<u>\$ 1,004,990</u>	<u>\$ 1,053,177</u>	<u>\$ 19,746,235</u>	<u>\$ 29,740,256</u>

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$174,117 (2014 - \$77,512). During the year contributed capital assets of \$Nil (2014 - \$1,139,830) were recognized in the financial statements.

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

6. Tangible Capital Assets (continued)

	2014						
	Land	Land improvements	Buildings	Machinery and equipment	Vehicle	Infrastructure	Total
Cost, beginning of year	\$ 1,704,234	\$ 784,427	\$ 6,841,370	\$ 1,777,298	\$ 2,473,378	\$ 24,538,698	\$ 38,119,405
Additions	413,600	20,536	-	179,684	56,428	842,247	1,512,495
Disposals	-	-	-	(1,583)	(141,753)	(15,618)	(158,954)
Cost, end of year	\$ 2,117,834	\$ 804,963	\$ 6,841,370	\$ 1,955,399	\$ 2,388,053	\$ 25,365,327	\$ 39,472,946
Accumulated amortization, beginning of year	\$ -	\$ 157,815	\$ 1,395,414	\$ 837,822	\$ 1,335,101	\$ 5,229,939	\$ 8,956,091
Amortization	-	25,915	111,590	128,707	139,187	648,889	1,054,288
Disposals	-	-	-	(1,285)	(138,477)	(9,399)	(149,161)
Accumulated amortization, end of year	\$ -	\$ 183,730	\$ 1,507,004	\$ 965,244	\$ 1,335,811	\$ 5,869,429	\$ 9,861,218
Net carrying amount, end of year	\$ 2,117,834	\$ 621,233	\$ 5,334,366	\$ 990,155	\$ 1,052,242	\$ 19,495,898	\$ 29,611,728

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

7. Accumulated Surplus

The Corporation of the Township of East Zorra - Tavistock segregates its accumulated surplus as follows:

	2015	2014
Investment in tangible capital assets	\$ 29,740,256	\$ 29,611,728
Investment in government business enterprise	1,552,274	1,535,689
Current funds	(2,872,149)	(2,851,101)
Reserve and reserve funds		
Working funds	250,000	250,000
Capital purposes	2,065,820	1,596,716
Current purposes	825,402	791,584
Contingencies	777,823	558,428
Insurance	60,069	60,069
	\$ 32,399,495	\$ 31,553,113

Reserve funds represent funds set aside by by-law or council resolution for specific purposes.

8. Operations of School Boards and the County of Oxford

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

	2015	2014
School boards	2,582,471	2,348,028
County of Oxford	3,918,911	3,648,142
	\$ 6,501,382	\$ 5,996,170

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

9. Government Transfers - Federal

	Budget 2015	Actual 2015	Actual 2014
	(Note 15)		
Operating			
Unconditional	\$ -	\$ -	\$ 1,100
Capital			
Federal gas tax revenue	197,000	633,320	-
	\$ 197,000	\$ 633,320	\$ 1,100

10. Government Transfers - Provincial

	Budget 2015	Actual 2015	Actual 2014
	(Note 15)		
Operating			
Ontario municipal partnership fund	\$ 936,400	\$ 934,640	\$ 1,167,500
Unconditional	107,500	130,991	74,519
	\$ 1,043,900	\$ 1,065,631	\$ 1,242,019

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

11. Other Income

	Budget 2015	Actual 2015	Actual 2014
	(Note 15)		
Penalties and interest on taxation	\$ 70,000	\$ 89,670	\$ 73,508
Other fines and penalties	1,500	2,100	550
Investment income	37,500	47,990	47,173
Licences, permits and rents	97,250	135,564	113,024
Donations	84,000	152,617	1,169,931
Prepaid special charges	474,010	474,510	113,244
Sale of publications, equipment and other	42,150	83,070	83,121
Gain (loss) on disposal of capital assets	-	(10,985)	5,309
Lot sales	-	10,000	67,460
Govt. business enterprise - interest (Note 2)	55,100	55,100	55,100
Other	-	13,580	43,580
	\$ 861,510	\$ 1,053,216	\$ 1,772,000

12. Expenses by Object

	Budget 2015	Actual 2015	Actual 2014
	(Note 15)		
Salaries, wages and benefits	\$ 1,838,075	\$ 1,732,241	\$ 1,737,936
Materials	2,338,655	2,628,591	2,848,534
Rental	2,800	2,818	2,759
Fees and contracted services	1,643,028	1,642,330	1,729,741
Interest on long-term debt	93,345	74,943	88,763
Contributions to other organizations	3,050	6,694	1,457
Amortization	1,064,000	1,127,946	1,054,288
	\$ 6,982,953	\$ 7,215,563	\$ 7,463,478

13. Contingent Liability

The municipality is subject to specific legislation for volunteer firefighters, resulting in a possible Workplace Safety and Insurance Board liability dating back to the years when the municipality was a WSIB Schedule 2 Employer. The estimate prepared by WSIB of \$614,413 was based on generalized assumptions rather than details specific to the municipality, and as a result is overstated. Neither an estimate of a liability, nor the likelihood of the requirement of a future payment, is determinable at this time. Accordingly, no liability has been recorded in these financial statements.

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

14. Trust Funds

The following trust funds administered by the municipality amounting to \$6,344 (2014 - \$6,344) have not been included in the consolidated statement of financial position nor have the financial activities been included in the consolidated statement of operations.

	2015	2014
Cemetery Care and Maintenance funds	\$ 6,344	\$ 6,344

15. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 20, 2015 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$ nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on May 20, 2015 with adjustments as follows:

	2015
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	2,761,596
Budgeted transfers to accumulated surplus	556,000
Principal payments on debt	187,747
Budgeted transfers to municipal drains	150,500
Drainage revenue per budget amendment #1 April 29, 2016	689,010
Less:	
Budgeted transfers from accumulated surplus	(2,208,176)
Drainage expenses per budget amendment #1 April 29, 2016	(678,460)
Amortization per budget amendment #2 April 29, 2016	(1,064,000)
Budget surplus per statement of operations	\$ 394,217

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

16. Segmented Information

The Corporation of the Township of East Zorra - Tavistock is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item related to the revenues and expenses that relate to the operations of the Municipality itself and cannot be directly attributed to specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection and protective inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. Protective inspection provides services related to the enforcement of building and constructions codes.

Transportation

Transportation is responsible for the maintenance and upkeep of the Municipality's roads, winter control and street lighting.

Health

Health services relate to maintaining the Municipality's cemeteries.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the Municipality's citizens such as recreational program services.

Planning and Development

This department provides a number of services including planning, economic development and maintenance of the Municipality's drains.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been measured on the basis of the actual cost of services provided. Amounts that are directly attributable to a number of segment have been allocated on a reasonable basis as follows:

Taxation and grants	allocated to those segments that are funded by these amounts based on the budgeted net operating revenue for the year
---------------------	---

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

16. Segmented Information

For the year ended December 31	General Government	Protection to persons and property	Transportation	Health Services	Social Services	Recreation and cultural services	Planning and development	2015 Total
Revenue								
Taxation	\$ 557,661	\$ 1,394,411	\$ 1,449,762	\$ 1,334	\$ 953	\$ 529,307	\$ 489,153	\$ 4,422,581
Government grants	233,623	406,744	989,136	282	201	111,860	251,447	1,993,293
User fees and service charges	24,306	12,229	19,214	-	-	502,411	18,110	576,270
Other	350,291	19,503	74,512	-	-	150,542	474,953	1,069,801
	<u>1,165,881</u>	<u>1,832,887</u>	<u>2,532,624</u>	<u>1,616</u>	<u>1,154</u>	<u>1,294,120</u>	<u>1,233,663</u>	<u>8,061,945</u>
Expenses								
Salaries and wages	568,375	583,993	492,043	-	-	39,309	48,521	1,732,241
Goods and services	299,002	1,423,971	1,061,339	2,260	1,500	772,010	720,351	4,280,433
Interest	-	1,036	52,535	-	-	9,352	12,020	74,943
Amortization	17,523	138,036	833,076	-	-	139,311	-	1,127,946
	<u>884,900</u>	<u>2,147,036</u>	<u>2,438,993</u>	<u>2,260</u>	<u>1,500</u>	<u>959,982</u>	<u>780,892</u>	<u>7,215,563</u>
Net surplus (deficit)	<u>\$ 280,981</u>	<u>\$ (314,149)</u>	<u>\$ 93,631</u>	<u>\$ (644)</u>	<u>\$ (346)</u>	<u>\$ 334,138</u>	<u>\$ 452,771</u>	<u>\$ 846,382</u>

The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2015

16. Segmented Information (continued)

For the year ended December 31	General Government	Protection to persons and property	Transportation	Health Services	Social services	Recreation and cultural services	Planning and development	2014 Total
Revenue								
Taxation	\$ 456,838	\$ 1,223,834	\$ 1,370,986	\$ 1,120	\$ 800	\$ 435,215	\$ 604,630	\$ 4,093,423
Government grants	248,307	434,608	441,612	320	228	124,129	294,828	1,544,032
User fees and service charges	24,303	15,143	41,001	-	-	471,384	27,568	579,399
Other	365,564	22,622	1,202,245	-	-	108,414	119,308	1,818,153
	<u>1,095,012</u>	<u>1,696,207</u>	<u>3,055,844</u>	<u>1,440</u>	<u>1,028</u>	<u>1,139,142</u>	<u>1,046,334</u>	<u>8,035,007</u>
Expenses								
Salaries and wages	577,167	587,849	503,314	-	-	28,250	41,356	1,737,936
Goods and services	289,686	1,515,902	996,874	2,100	1,141	710,682	1,066,106	4,582,491
Interest	-	3,027	56,053	-	-	9,959	19,724	88,763
Amortization	20,102	134,015	761,445	-	-	138,726	-	1,054,288
	<u>886,955</u>	<u>2,240,793</u>	<u>2,317,686</u>	<u>2,100</u>	<u>1,141</u>	<u>887,617</u>	<u>1,127,186</u>	<u>7,463,478</u>
Net surplus (deficit)	\$ <u>208,057</u>	\$ <u>(544,586)</u>	\$ <u>738,158</u>	\$ <u>(660)</u>	\$ <u>(113)</u>	\$ <u>251,525</u>	\$ <u>(80,852)</u>	\$ <u>571,529</u>