

**The Corporation of the Township
of East Zorra - Tavistock
Consolidated Financial Statements
For the year ended December 31, 2016**

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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, 2016, 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, 2016 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

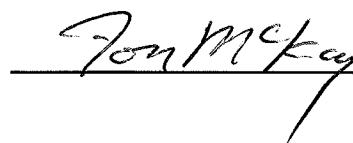
Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
August 22, 2017

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

December 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ 3,389,679	\$ 3,036,046
Taxes receivable	798,419	679,605
Accounts receivable	1,020,048	1,006,842
Drains receivable	94,928	187,832
Inventories for resale	1,089	5,240
Investment in government business enterprise (Note 1)	1,628,236	1,552,274
	6,932,399	6,467,839
Liabilities		
Accounts payable and accrued liabilities	1,204,596	1,406,434
Deferred revenue (Note 3)	1,172,105	526,048
Long-term debt (Note 4)	1,664,260	1,904,107
	4,040,961	3,836,589
Net financial assets	2,891,438	2,631,250
Non-financial assets		
Tangible capital assets (Note 5)	30,101,938	29,740,256
Prepaid expenses and inventories of supplies	13,172	27,989
	30,115,110	29,768,245
Accumulated surplus (Note 6)	\$ 33,006,548	\$ 32,399,495

 _____ Treasurer

 _____ Mayor

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

For the year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		
Revenue			
Taxation	\$ 4,654,438	\$ 4,665,437	\$ 4,422,581
Government transfers - Federal (Note 8)	207,836	-	633,320
Government transfers - Provincial (Note 9)	1,000,100	995,326	1,065,631
Municipal grants	276,371	309,850	294,342
User fees and service charges	523,450	627,445	576,270
Share of income of government business enterprise (Note 1)	-	75,962	16,585
Other income (Note 10)	1,211,022	1,194,397	1,053,216
	7,873,217	7,868,417	8,061,945
Expenses			
General government	944,725	928,425	884,900
Protection services	2,054,137	1,986,495	2,147,036
Transportation services	2,382,584	2,307,126	2,438,993
Health services	2,175	2,100	2,260
Social and family services	1,500	1,309	1,500
Recreation and cultural services	856,723	976,995	959,982
Planning and development	1,087,125	1,058,914	780,892
	7,328,969	7,261,364	7,215,563
Annual surplus	544,248	607,053	846,382
Accumulated surplus, beginning of year	32,399,495	32,399,495	31,553,113
Accumulated surplus, end of year	\$ 32,943,743	\$ 33,006,548	\$ 32,399,495

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

For the year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		
Annual surplus	\$ 544,248	\$ 607,053	\$ 846,382
Acquisition of tangible capital assets	(3,161,000)	(1,605,790)	(1,273,454)
Amortization of tangible capital assets	1,116,000	1,116,899	1,127,946
Loss on sale of tangible capital assets	-	11,080	10,985
Proceeds on sale of tangible capital assets	-	116,129	5,995
	(1,500,752)	245,371	717,854
Utilization (acquisition) of prepaid expenses and inventory of supplies	-	14,817	(23,631)
Net change in net financial assets	(1,500,752)	260,188	694,223
Net financial assets, beginning of year	2,631,250	2,631,250	1,937,027
Net financial assets, end of year	\$ 1,130,498	\$ 2,891,438	\$ 2,631,250

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

For the year ended December 31	2016	2015
Operating transactions		
Annual surplus	\$ 607,053	\$ 846,382
Items not involving cash		
Share of income of government business enterprise	(75,962)	(16,585)
Amortization	1,116,899	1,127,946
Loss on disposal of tangible capital assets	11,080	10,985
Changes in non-cash operating balances		
Taxes receivable	(118,814)	(102,796)
Accounts receivable	(13,206)	(44,601)
Drains receivable	92,904	92,151
Inventories for resale	4,151	4,514
Prepaid expenses and inventories of supplies	14,817	(23,631)
Accounts payable and accrued liabilities	(201,838)	396,118
Deferred revenue	646,057	(322,303)
	2,083,141	1,968,180
Capital transactions		
Acquisition of tangible capital assets	(1,605,790)	(1,273,454)
Proceeds on sale of tangible capital assets	116,129	5,995
	(1,489,661)	(1,267,459)
Financing transactions		
Repayment of long-term debt	(239,847)	(280,239)
Net change in cash and cash equivalents	353,633	420,482
Cash and cash equivalents, beginning of year	3,036,046	2,615,564
Cash and cash equivalents, end of year	\$ 3,389,679	\$ 3,036,046

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

December 31, 2016

**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

**Cash and Cash
Equivalents**

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

The Corporation of the Township of East Zorra - Tavistock

Summary of Significant Accounting Policies

December 31, 2016

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.
Revenue Recognition	<p>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.</p> <p>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.</p> <p>c) Fines and donations are recognized when collected</p> <p>d) Fees, user charges and other revenues are recorded upon sale of goods or provision of services when collection is reasonably assured.</p>
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.

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

December 31, 2016

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, 2016

1. 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% (2015 - 6.5%) of the outstanding shares of ERTH Corporation. The investment in ERTH Corporation is comprised of the following:

	2016	2015
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	110,679	42,685
Share of accumulated other comprehensive income	(2,443)	(10,411)
	\$ 1,628,236	\$ 1,552,274

The promissory note receivable from ERTH Corporation is unsecured and bears interest at 7.25% (2015 - 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 (2015 - \$55,100).

The following summarizes the financial position and operations of ERTH Corporation which have been reported in these financial statements using the modified equity method:

	2016	2015
Financial position		
Current	\$ 18,845,749	\$ 18,045,167
Capital	41,552,100	38,961,468
Regulatory and other assets	19,609,084	17,810,941
	\$ 80,006,933	\$ 74,817,576
Liabilities		
Current	\$ 23,688,356	\$ 20,969,790
Long-term debt	33,955,421	34,005,880
Regulatory and other liabilities	3,681,775	6,917,532
	\$ 61,325,552	\$ 61,893,202
Net assets	\$ 18,681,381	\$ 12,924,374
Results of operations		
Revenue	\$ 91,199,335	\$ 83,471,033
Expenses	90,850,488	83,977,947
Net income for the year	348,847	(506,914)
Net movement in regulatory balances, net of tax	695,837	762,959
Net income for the year and net movement of regulatory balances	1,044,684	256,045
Other comprehensive income (loss) for the year	122,427	(1,225)
Total comprehensive income for the year	\$ 1,167,111	\$ 254,820

The Corporation of the Township of East Zorra - Tavistock

Notes to Consolidated Financial Statements

December 31, 2016

1. b) Investment in Governmental Unit

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.

2. 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 18 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 2016 was \$99,108 (2015 - \$89,060) for employer contributions.

As at December 31, 2016, the OMERS plan is in a deficit position of \$5.72 billion (2015 - \$6.98 billion), which will be addressed through temporary contribution rate increases and if needed, benefit reductions. The multiemployer plan is valued on a current market basis for all plan assets. The projected benefit method prorated on services was used for the actuarial valuation.

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

December 31, 2016

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Development charges	\$ 257,516	375,934	3,458	- \$	636,908
Recreational land	91,473	57,000	-	-	148,473
Federal gas tax	139,596	207,836	-	-	347,432
Tile and municipal drain prelevies	12,463	1,829	-	-	14,292
Other	25,000	-	-	-	25,000
	<u>\$ 526,048</u>	<u>642,599</u>	<u>3,458</u>	<u>- \$</u>	<u>1,172,105</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, 2016

4. Long-Term Debt

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

	2016	2015
Municipal drainage loans, bearing interest between 3.29% and 3.54% and repayable in annual instalments. The loans are due between 2017 and 2019 and recoverable from benefiting landowners	30,276	99,614
Tile drainage loans, bearing interest of 6% and repayable in annual instalments. The loans are due between 2017 and 2023 and are recoverable from benefiting landowners	64,652	88,218
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	1,088,052	1,176,567
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	270,000	315,000
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	211,280	224,708
	1,664,260	1,904,107

Principal payments relating to long-term debt of \$1,664,260 outstanding are due as follows:

	<u>Principal Repayments</u>
2017	\$ 192,873
2018	171,274
2019	176,258
2020	173,497
2021	170,406
Thereafter	779,952
	\$ 1,664,260

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

December 31, 2016

5. Tangible Capital Assets

								2016
	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Infrastructure	Total	
Cost, beginning of year	\$ 2,117,834	\$ 804,963	\$ 6,841,370	\$ 2,084,186	\$ 2,511,782	\$ 26,291,238	\$ 40,651,373	
Additions		-	124,817	229,773	961,657	289,543	1,605,790	
Disposals		-	(49,286)	(16,793)	(418,208)	(21,733)	(506,020)	
Cost, end of year	<u>\$ 2,117,834</u>	<u>\$ 804,963</u>	<u>\$ 6,916,901</u>	<u>\$ 2,297,166</u>	<u>\$ 3,055,231</u>	<u>\$ 26,559,048</u>	<u>\$ 41,751,143</u>	
Accumulated amortization, beginning of year	\$ -	\$ 209,719	\$ 1,618,594	\$ 1,079,196	\$ 1,458,605	\$ 6,545,003	\$ 10,911,117	
Amortization	-	25,989	112,147	134,556	172,939	671,268	1,116,899	
Disposals	-	-	(16,593)	(16,793)	(323,692)	(21,733)	(378,811)	
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 235,708</u>	<u>\$ 1,714,148</u>	<u>\$ 1,196,959</u>	<u>\$ 1,307,852</u>	<u>\$ 7,194,538</u>	<u>\$ 11,649,205</u>	
Net carrying amount, end of year	<u>\$ 2,117,834</u>	<u>\$ 569,255</u>	<u>\$ 5,202,753</u>	<u>\$ 1,100,207</u>	<u>\$ 1,747,379</u>	<u>\$ 19,364,510</u>	<u>\$ 30,101,938</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 \$339,480 (2015 - \$174,117). During the year contributed capital assets of \$Nil (2015 - \$Nil) were recognized in the financial statements.

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

December 31, 2016

5. Tangible Capital Assets (continued)

								2015
	Land	Land	Buildings	Machinery and	Vehicle	Infrastructure	Total	
	Land	improvements		equipment				
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 Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2016

6. Accumulated Surplus

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

	2016	2015
Investment in tangible capital assets	\$ 30,101,938	\$ 29,740,256
Investment in government business enterprise	1,628,236	1,552,274
Current funds	78,793	11,753
Reserve and reserve funds		
Working funds	250,000	250,000
Capital purposes	1,779,838	2,085,820
Current purposes	875,442	805,402
Contingencies	985,225	777,823
Insurance	60,069	60,069
Unfinanced capital outlay	(1,143,023)	(1,122,824)
Municipal debt	(1,609,970)	(1,761,078)
	\$ 33,006,548	\$ 32,399,495

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

7. 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:

	2016	2015
School boards	2,620,693	2,582,471
County of Oxford	4,037,946	3,918,911
	\$ 6,658,639	\$ 6,501,382

8. Government Transfers - Federal

	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		
Capital			
Federal gas tax revenue	\$ 207,836	\$ -	\$ 633,320

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

December 31, 2016

9. Government Transfers - Provincial

	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		
Operating			
Ontario municipal partnership fund	\$ 796,800	\$ 793,900	\$ 934,640
Unconditional	203,300	201,426	130,991
	\$ 1,000,100	\$ 995,326	\$ 1,065,631

10. Other Income

	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		
Penalties and interest on taxation	\$ 70,000	\$ 94,983	\$ 89,670
Other fines and penalties	1,500	600	2,100
Investment income	37,500	44,915	47,990
Licences, permits and rents	97,500	159,085	135,564
Donations	288,000	149,446	152,617
Prepaid special charges	619,522	619,522	474,510
Sale of publications, equipment and other	41,900	81,826	83,070
Gain (loss) on disposal of capital assets	-	(11,080)	(10,985)
Lot sales	-	-	10,000
Govt. business enterprise - interest (Note 1)	55,100	55,100	55,100
Other	-	-	13,580
	\$ 1,211,022	\$ 1,194,397	\$ 1,053,216

11. Expenses by Object

	Budget 2016	Actual 2016	Actual 2015
	(Note 14)		
Salaries, wages and benefits	\$ 1,902,875	\$ 1,903,283	\$ 1,732,240
Materials	2,718,652	2,687,852	2,631,410
Fees and contracted services	1,500,392	1,487,856	1,642,330
Interest on long-term debt	88,000	64,364	74,943
Contributions to other organizations	3,050	1,110	6,694
Amortization	1,116,000	1,116,899	1,127,946
	\$ 7,328,969	\$ 7,261,364	\$ 7,215,563

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

December 31, 2016

12. 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 \$556,951 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.

13. Trust Funds

The following trust funds administered by the municipality amounting to \$6,344 (2015 - \$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.

	2016	2015
Cemetery Care and Maintenance funds	\$ 6,344	\$ 6,344

14. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 4, 2016 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 4, 2016 with adjustments as follows:

	2016
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	3,161,000
Budgeted transfers to accumulated surplus	726,836
Principal payments on debt	146,929
Budgeted transfers to municipal drains	3,000
Drainage revenue per budget amendment #1	964,900
Less:	
Budgeted transfers from accumulated surplus	(2,357,317)
Drainage expenses per budget amendment #1	(985,100)
Amortization per budget amendment #2	(1,116,000)
Budget surplus per statement of operations	\$ 544,248

The Corporation of the Township of East Zorra - Tavistock

Notes to Consolidated Financial Statements

December 31, 2016

15. 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
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The Corporation of the Township of East Zorra - Tavistock
Notes to Consolidated Financial Statements

December 31, 2016

15. 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	2016 Total
Revenue								
Taxation	\$ 596,516	\$ 1,276,326	\$ 1,482,331	\$ 1,349	\$ 841	\$ 627,720	\$ 680,354	4,665,437
Government grants	217,278	307,213	331,750	230	143	106,817	341,745	1,305,176
User fees and service charges	53,027	39,216	28,513	-	-	484,160	22,529	627,445
Other	514,086	23,140	(67,787)	-	-	181,398	619,522	1,270,359
	<u>1,380,907</u>	<u>1,645,895</u>	<u>1,774,807</u>	<u>1,579</u>	<u>984</u>	<u>1,400,095</u>	<u>1,664,150</u>	<u>7,868,417</u>
Expenses								
Salaries and wages	640,140	605,263	574,630	-	-	51,007	32,243	1,903,283
Goods and services	270,539	1,238,902	870,771	2,100	1,309	774,670	1,018,527	4,176,818
Interest	-	-	47,266	-	-	8,954	8,144	64,364
Amortization	17,746	142,330	814,459	-	-	142,364	-	1,116,899
	<u>928,425</u>	<u>1,986,495</u>	<u>2,307,126</u>	<u>2,100</u>	<u>1,309</u>	<u>976,995</u>	<u>1,058,914</u>	<u>7,261,364</u>
Net surplus (deficit)	<u>\$ 452,482</u>	<u>\$ (340,600)</u>	<u>\$ (532,319)</u>	<u>\$ (521)</u>	<u>\$ (325)</u>	<u>\$ 423,100</u>	<u>\$ 605,236</u>	<u>\$ 607,053</u>

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

December 31, 2016

15. 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	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>