

Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2014

Contents

	Page
Management's Report	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statements of Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Financial Liabilities	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-20
Schedule 1 – Consolidated Schedule of Accumulated Surplus	21
Schedule 2 – Consolidated Schedule of Tangible Capital Assets	22

The Corporation of the Town of New Tecumseth

Management's Report

Management's Responsibility for the Financial Statements

The accompanying financial statements of The Corporation of the Town of New Tecumseth ("Town") are the responsibility of the Town management and have been prepared in compliance with legislation, and in accordance with Public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Town management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Town management.

The financial statements have been audited by Grant Thornton LLP, independent external auditors appointed by the Town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's financial statements.


Chief Administrative Officer


Treasurer / Director of Finance

October 5, 2015



Independent Auditor's Report

Grant Thornton LLP
Suite 300
6 West Street N
Orillia, ON
L3V 5B8
T (705) 326-7605
F (705) 326-0837
www.GrantThornton.ca

To the Mayor, Members of Council, Inhabitants and Ratepayers of
The Corporation of the Town of New Tecumseth

We have audited the accompanying consolidated financial statements of The Corporation of the Town of New Tecumseth, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, changes in net financial liabilities and cash flow 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 Town'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 Town'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 consolidated financial position of The Corporation of the Town of New Tecumseth as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A stylized, handwritten-style signature of "Grant Thornton LLP" in a dark grey or black ink.

Orillia, Canada
October 5, 2015

Chartered Accountants
Licensed Public Accountants

The Corporation of the Town of New Tecumseth
Consolidated Statement of Financial Position

December 31

2014

2013

Financial assets

Cash and cash equivalents (Note 3)	\$ 14,350,748	\$ 15,616,661
Taxes receivable	4,899,833	5,280,840
Water and wastewater billings receivable	1,663,007	1,680,490
Receivables	<u>5,710,033</u>	<u>4,125,940</u>
	<u>26,623,621</u>	<u>26,703,931</u>

Financial liabilities

Payables and accruals	10,640,173	6,894,352
Employee future benefits and other liabilities (Note 4)	4,327,948	3,651,396
Developer deposits	750,827	1,038,323
Deferred revenue - obligatory reserve funds (Note 5)	773,187	5,478,950
Deferred revenue - other	266,094	253,497
Capital lease obligations (Note 6)	12,816	17,456
Long-term liabilities (Note 7)	<u>53,768,678</u>	<u>54,823,756</u>
	<u>70,539,723</u>	<u>72,157,730</u>

Net financial liabilities (Page 5) (43,916,102) (45,453,799)

Non-financial assets

Tangible capital assets (Schedule 2)	275,413,267	249,661,228
Prepays	<u>529,570</u>	<u>188,948</u>
	<u>275,942,837</u>	<u>249,850,176</u>

Accumulated Surplus (Schedule 1) \$ 232,026,735 \$ 204,396,377

Commitments and Contingencies (Notes 9 and 10)

See accompanying notes to the consolidated financial statements

On Behalf of the Town

 Mayor

 CAO

The Corporation of the Town of New Tecumseth
Consolidated Statements of Operations and Accumulated Surplus

Year Ended December 31

2014

2013

	<u>Budget (Note 2(o))</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 8)	\$ 25,044,867	\$ 25,151,082	\$ 22,622,234
User charges	13,461,469	14,968,136	13,345,581
Government grants	2,176,169	1,205,960	1,874,282
Contributions from developers	15,745,798	16,782,752	12,485,626
Investment income	88,500	182,205	154,029
Penalties and interest on taxes	660,000	727,248	708,993
Rentals	87,425	79,651	91,827
Donations and contributed assets	266,500	18,504,795	6,789,507
Gain on sale of tangible capital assets	69,000	129,896	82,230
Other	<u>672,064</u>	<u>583,836</u>	<u>581,989</u>
	<u>58,271,792</u>	<u>78,315,561</u>	<u>58,736,298</u>
Expenditures			
General government	4,988,217	5,378,204	4,575,640
Protection to persons and property	10,306,761	10,963,707	8,589,969
Transportation services	8,492,334	8,213,428	7,649,285
Environmental services	15,988,643	15,115,235	13,796,504
Health services	10,000	10,000	10,000
Recreation and cultural services	8,986,188	9,391,875	8,237,552
Planning and development	<u>1,823,250</u>	<u>1,612,754</u>	<u>1,689,087</u>
	<u>50,595,393</u>	<u>50,685,203</u>	<u>44,548,037</u>
Annual surplus	\$ 7,676,399	\$ 27,630,358	\$ 14,188,261
Accumulated surplus, beginning of year	<u>204,396,377</u>	<u>204,396,377</u>	<u>190,208,116</u>
Accumulated surplus, end of year	<u>\$ 212,072,776</u>	<u>\$ 232,026,735</u>	<u>\$ 204,396,377</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth
Consolidated Statement of Changes in Net Financial Liabilities

Year Ended December 31

2014

2013

Annual surplus	\$ <u>27,630,358</u>	\$ <u>14,188,261</u>
Acquisition of tangible capital assets	(16,768,557)	(13,015,283)
Contributed tangible capital assets	(18,160,000)	(6,715,155)
Amortization of tangible capital assets	9,144,797	8,540,209
Proceeds on sale of tangible capital assets	161,617	92,462
Gain on sale of tangible capital assets	<u>(129,896)</u>	<u>(82,230)</u>
	<u>(25,752,039)</u>	<u>(11,179,997)</u>
 Change in prepaids	 <u>(340,622)</u>	 <u>(29,759)</u>
Change in net financial liabilities	1,537,697	2,978,505
Net financial liabilities, beginning of year	<u>(45,453,799)</u>	<u>(48,432,304)</u>
Net financial liabilities, end of year	\$ <u>(43,916,102)</u>	\$ <u>(45,453,799)</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth

Consolidated Statement of Cash Flows

Year Ended December 31

2014

2013

Decrease in cash and cash equivalents

Operating activities

Annual surplus	\$ 27,630,358	\$ 14,188,261
Increase (decrease) in employee benefits and other liabilities	676,552	(496,483)
Amortization	9,144,797	8,540,209
Contributed tangible capital assets	(18,160,000)	(6,715,155)
Gain on sale of tangible capital assets	(129,896)	(82,230)
Change in non-operating working capital		
Decrease (increase) in taxes receivable	381,007	(715,222)
Decrease (increase) in water and sewer billings receivable	17,483	(146,091)
Increase in receivables	(1,584,093)	(786,570)
Increase in payables and accruals	3,745,821	2,181
Decrease in capital lease obligations	(4,640)	(2,725)
(Decrease) increase in developer deposits	(287,496)	13,469
Decrease in deferred revenue-obligatory reserve funds	(4,705,763)	(4,099,752)
Increase in deferred revenue – other	12,597	15,421
Increase in prepaids	(340,622)	(29,759)
Cash provided by operating activities	<u>16,396,105</u>	<u>9,685,554</u>

Investing activities

Acquisition of tangible capital assets	(16,768,557)	(13,015,283)
Proceeds from sale of tangible capital assets	<u>161,617</u>	<u>92,462</u>
Cash used by investing activities	<u>(16,606,940)</u>	<u>(12,922,821)</u>

Financing activities

Debt principal repayments	(3,330,078)	(3,383,575)
Short-term principal repayments	-	(4,000,000)
Debenture proceeds	<u>2,275,000</u>	<u>6,342,000</u>
Cash used by financing activities	<u>(1,055,078)</u>	<u>(1,041,575)</u>

Net decrease in cash and cash equivalents (1,265,913) (4,278,842)

Cash and cash equivalents, beginning of year 15,616,661 19,895,503

Cash and cash equivalents, end of year \$ 14,350,748 \$ 15,616,661

Interest paid \$ 2,349,748 \$ 2,235,485

Interest received \$ 182,203 \$ 154,029

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

1. Nature of Operations

The Town of New Tecumseth (the "Town") is a lower-tier municipality located in the County of Simcoe, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements of The Corporation of the Town of New Tecumseth are prepared by management in accordance with Public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, surplus and financial position of the Town including all organizations, committees and local boards accountable for the administration of their affairs and resources of the Town and which are owned or controlled by the Town. The financial statements include:

Town of New Tecumseth Library Board
Alliston Business Improvement Association
Beeton Tottenham Business Improvement Association

Inter-departmental and organizational transactions and balances are eliminated.

(b) Accounting for County and School Board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and the County of Simcoe are not reflected in these financial statements.

(c) Accrual accounting

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

(d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenditures, provides the change in net financial liabilities for the year.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

(d) Non-financial assets (continued)

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land Improvements	15 to 25 years
Buildings	10 to 80 years
Roads, bridges, underground and other networks	7 to 80 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 25 years
Library collection and materials	4 to 7 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has capitalization thresholds so that individual tangible capital assets of lesser value are expensed. Where individual assets are below the threshold value, but their total group value is material, these assets are pooled together and included as tangible capital assets. The capitalization thresholds are as follows:

Land	Capitalize all
Land Improvements	\$ 5,000 to \$50,000
Buildings	\$ 5,000 to \$25,000
Roads, bridges, underground and other networks	\$10,000 to \$50,000
Machinery and Equipment	\$ 5,000 to \$20,000
Vehicles	\$ 5,000
Library collection and materials	\$20,000

Betterment is the spending on an asset after its initial acquisition that either increases or improves service capacity, extends the useful life of the asset or lowers the associated operating costs. The capitalization threshold for betterments is the lower of \$10,000 or 10% of the historical cost of the related asset.

1. Capitalization of interest

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset up to the date the asset goes into use, per Public Sector Accounting Board 3150.17. The total amount of interest capitalized in 2014 was \$0 (2013 – \$60,843).

2. Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Typical examples are roadway, water and wastewater lines installed by a developer as part of a sub-division agreement. The fair value of the tangible capital assets contributed in 2014 was \$18,160,000 (2013 - \$6,715,155).

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

(d) Non-financial assets (continued)

3. Leases

Leases are classified as capital or operating leases. Leases that transfer substantially the entire benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenditures as incurred.

4. Write-down of tangible capital assets

The value of a tangible capital asset will be written down, or reduced, when there has been a decline in the asset's value. This can arise for a variety of reasons including significant technological developments, physical damage to the asset or removal of the asset from service.

5. Works of art

The Town owns various works of art and historic artifacts displayed at various locations. The historic cost of these items is not included in tangible capital assets.

(e) Reserves and Reserve Funds

Certain amounts, as approved by Town Council, are set aside in reserves and reserve funds for future operating and capital purposes. Further disclosure of the amounts as part of accumulated surplus is included in Schedule 1 of the financial statements.

(f) Government transfers

Government transfers are recognized in the financial statements as revenue in the year in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

(g) Deferred revenue – obligatory reserve funds

The Town receives development charge contributions, conditional grants and payments in lieu of parkland under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to applicable expenditures, are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal year they are expended.

(h) Deferred revenue - other

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

(i) Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Simcoe in respect of County services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. The legislation limits assessment-related increases in property tax bills to 5% annually for commercial, industrial and multi-residential classes of property until the affected properties are taxed at a level equivalent to the tax otherwise calculated based on their current value assessment. A normal part of the assessment process is the issue of supplementary assessment rolls that update information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the year the interest and penalties are levied.

(j) Government grants

Grants are recognized as revenue when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

(k) Investment income

Investment income earned on surplus funds (other than obligatory reserve funds) is reported as revenue in the year earned. Investment income earned on development charges, conditional grants and parkland obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue obligatory reserve fund balances.

(l) User charges, rentals, donations and other revenue

User charges, rentals, donations and other revenue are recognized as revenue when the services are provided and there is reasonable assurance of collection.

(m) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements are accrued as entitlements are earned. The Town also estimates future benefits relating to accumulated sick credits for Library staff as they are earned.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

(n) Use of estimates

The preparation of financial statements in conformity with Public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, estimated useful lives of tangible capital assets and the liability for employee future benefits. Actual results could differ from those estimates.

(o) Budget figures

Town Council approves its operating budget annually. The budget figures shown on the consolidated statement of operations represent the aggregated operating budgets established by the Town, its Library Board, the Alliston Business Improvement Association and the Beeton/Tottenham Business Improvement Association. The budget established for capital investment in tangible capital assets is established for individual projects, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenditures. The Town does not budget activity within reserves and reserve funds with the exception being those transactions that affect either operations or capital investments.

Adjustments to the budget approved by Council are reflected to adjust the basis of presentation to the accounting principles applied in preparing the financial statements. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

	<u>Revenues</u>	<u>Expenditures</u>
Town Council's approved budgets	\$ 58,271,792	\$ 72,118,068
Less: Tangible capital assets capitalization	-	(30,667,472)
Add: Amortization expense	-	9,144,797
Adjusted budget per consolidated statement of operations	\$ 58,271,792	\$ 50,595,393

(p) Future accounting pronouncements

The CICA Section 3450 "Financial Instruments" is a new section that establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal periods beginning on or after April 1, 2016.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

(p) Future accounting pronouncements (continued)

The CICA Section 3260 "Liability for Contaminated Sites" establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites. It provides guidance surrounding the requirement to recognize a liability when an entity has contamination at a site that exceeds an environmental standard, the entity is responsible or accepts responsibility, the entity expects to have to give up future economic benefits and the amount can be reasonably estimated. The guidance further states that if an entity cannot reasonably estimate the amount, they must still provide disclosures concerning the liability. This section applies to fiscal periods beginning on or after April 1, 2014.

The Town has not yet assessed the impact of these standards on its financial statements.

3. Cash and cash equivalents 2014 2013

Cash and cash equivalents are comprised of:

Unrestricted cash, held at the bank and on hand	\$ 12,354,165	\$ 10,137,711
Restricted cash, held at the bank	<u>1,996,583</u>	<u>5,478,950</u>
	<u>\$ 14,350,748</u>	<u>\$ 15,616,661</u>

4. Employee future benefits and other liabilities 2014 2013

The Town provides certain employee benefits that will require funding in future periods:

Workplace safety and insurance	\$ 4,818,769	\$ 3,092,154
Vacation accrual	906,292	920,970
Retirement accrual	672,328	647,290
Sick day entitlements	30,352	30,199
Dental and health future benefits	654,167	589,128
Less: WSIB receivable	<u>(2,753,960)</u>	<u>(1,628,345)</u>
	<u>\$ 4,327,948</u>	<u>\$ 3,651,396</u>

The Town pays certain health and dental benefits on behalf of its retired employees to age 65. The Town recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability of \$654,167 has been determined by an actuary using a discount rate of 4.00%.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

4. Employee future benefits and other liabilities (continued)

Information about the Town's defined benefit plan is as follows:

	<u>2014</u>	<u>2013</u>
Accrued benefit liability, beginning of year	\$ 589,128	\$ 515,681
Expense for the period	86,139	82,347
Benefits paid by employer	<u>(21,100)</u>	<u>(8,900)</u>
Accrued benefit liability, end of year	<u>\$ 654,167</u>	<u>\$ 589,128</u>

The main assumptions employed for the valuations are as follows:

(a) Retirement age

All active employees were assumed to retire at age 61.

(b) Medical and dental costs

Medical costs were assumed to increase as follows while dental costs were assumed to increase by 5% per year.

2014	10%
2015	9%
2016	8%
2017	7%
2018	6%
2019 and thereafter	5%

Workplace safety and insurance

The Town has elected to self-insure the risks of workplace safety and insurance costs. To protect itself against catastrophic losses, it carries insurance with a deductible of \$500,000 per occurrence. The financial statements include a provision in the amount of \$4,818,769 (2013 – \$3,092,154) based on the amount reported by the Workplace Safety and Insurance Board ("WSIB") to the Town as at December 31, 2014. A receivable of \$2,753,960 (2013 – \$1,628,345) has been established to offset this provision, which represents the position insured by the Town.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

5. Deferred revenue – obligatory reserve funds

A requirement of the accounting recommendations of the Public Sector Accounting Board of CPA Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under what certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Town are summarized below:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 5,478,950	\$ 9,578,702
Development charges	7,761,561	4,614,184
Gas tax	898,140	849,728
Interest income	125,501	137,591
Parkland	204,187	120,983
Utilization of funds	<u>(13,695,152)</u>	<u>(9,822,238)</u>
Deferred revenue – obligatory funds, end of year	<u>773,187</u>	<u>5,478,950</u>
Analyzed as follows:		
Development charges	(2,142,096)	2,784,054
Developer contributions (Best Efforts)	8,997	8,881
Parkland	1,677,835	1,543,659
Gas tax	<u>1,228,451</u>	<u>1,142,356</u>
Deferred revenue – obligatory funds, end of year	<u>\$ 773,187</u>	<u>\$ 5,478,950</u>

6. Capital lease obligations

The Library Board leases its photocopiers under long term capital leases. Future minimum payments under the capital leases are as follows:

	<u>2014</u>	<u>2013</u>
2014	\$ -	\$ 7,356
2015	7,356	7,356
2016	6,940	6,940
2017	1,072	1,072
2018	<u>143</u>	<u>144</u>
Total minimum lease payments	15,511	22,868
Less: imputed interest at rates ranging from 16% to 18%	<u>2,695</u>	<u>5,412</u>
	<u>\$ 12,816</u>	<u>\$ 17,456</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

7. Long-term liabilities	<u>2014</u>	<u>2013</u>
Debentures, payable in annual instalments, principal payments remaining of \$89,000, interest rate of 4.50% per annum, maturing 2015	\$ 89,000	\$ 174,000
Debentures, bearing interest at 5.542% per annum, interest only for first five years, payable in semi-annual blended instalments of \$431,099 over the remaining term, maturing 2036	10,884,114	11,132,735
Debentures, payable in semi-annual instalments, principal payments ranging from \$93,000 to \$98,000, interest ranging from 4.75% to 4.80% per annum, maturing 2016	191,000	280,000
Debentures, payable in semi-annual principal instalments of \$109,000, bearing interest at 4.56%, maturing 2018	872,000	1,090,000
Debentures, payable in semi-annual blended instalments of \$81,815, bearing interest at 3.66%, maturing 2019	741,489	874,323
Debentures, payable in semi-annual blended instalments of \$125,467, bearing interest at 3.91%, maturing 2020	1,330,529	1,523,755
Debentures, payable in semi-annual instalments, principal payments ranging from \$142,000 to \$168,000, interest ranging from 3.00% to 4.15% per annum, maturing 2020	928,000	1,065,000
Debentures, payable in semi-annual instalments, principal payments ranging from \$1,570,000 to \$2,360,000, interest ranging from 3.00% to 4.90% per annum, maturing 2028	28,313,000	29,841,000
Debentures, payable in semi-annual principal instalments of \$52,500, bearing interest at 2.73%, maturing 2021	735,000	840,000
Debentures, payable in semi-annual principal instalments of \$91,500, bearing interest at 2.61%, maturing 2022	1,464,000	1,647,000
Debentures, payable in semi-annual principal instalments of \$86,600, bearing interest at 3.05%, maturing 2023	1,558,800	1,732,000
Debentures, payable in semi-annual principal instalments of \$115,250, bearing interest at 3.87%, maturing 2033	4,379,500	4,610,000
Debentures, payable in semi-annual principal instalments of \$113,750, bearing interest at 2.65%, maturing 2024	2,275,000	-
Other long-term obligations, maturing 2014-2015	7,246	13,943
	\$ 53,768,678	\$ 54,823,756

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

7. Long-term liabilities (continued)

Annual principal payments over the next five years and thereafter are as follows:

2015	\$	3,639,630
2016		3,632,156
2017		3,625,258
2018		3,725,756
2019		3,616,719
2020 – 2036		<u>35,529,159</u>
	\$	<u>53,768,678</u>

The long-term liabilities have received approval of the Ontario Municipal Board (or approval by private legislation for those approved on or before December 31, 1996). Those approved after January 1997 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Taxation	<u>2014</u>	<u>2013</u>
Real property	\$ 54,129,099	\$ 50,649,207
Payments in lieu of taxes	<u>160,926</u>	<u>157,121</u>
	54,290,625	50,806,328
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>29,138,943</u>	<u>28,184,094</u>
Net taxes available for Town purposes	<u>\$ 25,151,082</u>	<u>\$ 22,622,234</u>

9. Commitments

(a) Policing services

The Town, along with two neighbouring townships, negotiated a five-year renewal of a joint policing contract with the Minister of Community Safety and Correctional Services of Ontario (MCSCS) for the provision of police services by the Ontario Provincial Police (OPP). The term of this contract was from April 1, 2013 until March 31, 2018 with the cost determined annually through a budget process. This contract was in effect from January 1 to December 31, 2014. During the year ended December 31, 2014, the Town's total expenditure under the existing OPP contract was \$6,098,119 (2013 - \$5,340,244).

Effective December 31, 2014, the MCSCS terminated all contracts throughout the province and implemented a new billing model effective January 1, 2015. The Town negotiated a six month contract for the period January 1 to June 30, 2015. The Town, along with two neighbouring townships, negotiated a five-year joint policing contract with the MCSCS from July 1, 2015 to June 30, 2020. Either party to the agreement may terminate the contract upon one year's written notice. As a result of the new billing model, the Town's costs will decrease and the savings will be phased in over a 5 year period.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

9. Commitments (continued)

(b) Water supply and related agreements

The Town has entered into a water supply agreement with the Public Utilities Commission of the Town of Collingwood for a portion of its fresh water supply. The agreement requires the Town to purchase specified minimum levels of water in each year of the agreement, which extends to the year 2019 with renewal options. Under an agreement with a private sector contractor expiring in 2014, the Town is provided with services required for the operation and maintenance of the pipeline constructed to transport the water. The pipeline is owned by the New Tecumseth Improvement Society, a corporation without share capital organized to benefit the residents of the Town of New Tecumseth. The Town has provided the New Tecumseth Improvement Society with a 99-year lease covering the easements necessary for the pipeline.

(c) Other

During the year, the Town entered into contracts for capital projects. Approximately \$18,101,000 has not been expended as at December 31, 2014 (2013-\$4,374,000).

10. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2014, the Town has made provision in its accounts for actions that are likely to succeed and for which the loss can be estimated.

11. Pension agreement

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 173 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates range from 9.0% to 15.9% (2013 – 9.0% to 15.9%) depending on the proposed retirement age and the level of earnings. As a result, \$1,158,342 (2013- \$1,096,974) was contributed to OMERS during the year.

12. Financial Instruments

The Town's financial instruments consist of cash and cash equivalents, taxes receivable, water and wastewater billings receivable, receivables, payables and accruals, developer deposits, short-term construction loans and long-term liabilities. Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2014

13. Subsequent event

In 2014, \$4.4M was funded from the Development Charge reserve fund for construction costs relating to the Tottenham wastewater treatment plant. This charge to the reserve fund was subsequently repaid using proceeds from a short term construction loan issued subsequent to year-end. The Tottenham wastewater treatment plant is a growth related development charge funded project.

14. Segmented reporting

In accordance with Section 2700 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants, the Town has prepared segmented financial information.

The Town is a diversified municipal government entity that provides a wide range of services to its citizens, including General Government, Protection, Transportation, Environmental, Health, Recreation and Cultural, Planning and Development.

The revenues and expenditures for each service area have been separately disclosed in the segmented information, and include the following activities:

- General Government – Finance, Administration, Council and Human Resources
- Protection – Police, Fire, Building Construction, By-law Enforcement and Conservation Authorities
- Transportation – Roadways, Winter Control, Street-lighting, Parking and Transit
- Environmental – Water, Wastewater, Storm Sewer and Environmental Programs
- Health – Physician Recruitment
- Recreation and Cultural – Arenas, Libraries, Parks, Recreation Programs and Museum
- Planning and Development – Planning and Zoning, Economic Development and Business Improvement Areas

In the preparation of segmented financial information, it is necessary to use reasonable allocation methods. For each reported segment, revenues represent both amounts that are directly attributable to the segment and amounts that are allocated. Property taxation and other revenue are apportioned based on percentage of operating expenditures (excluding Environmental). The remaining revenue sources and all expenditures are directly attributable to each segment.

All Environmental revenues and expenses are directly attributable to the segment. The majority of Environmental service expenses are Water and Wastewater, which are funded primarily by user fees.

The Corporation of the Town of New Tecumseth
Notes to the Consolidated Financial Statements

December 31, 2014

14. Segmented reporting December 31, 2014

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
Revenue								
Property taxation	\$ 3,802,803	\$ 7,753,322	\$ 5,808,378	\$ -	\$ 4,319	\$ 6,641,752	\$ 1,140,508	\$ 25,151,082
User charges	41,141	1,845,159	511,111	9,451,386	-	2,968,127	151,212	14,968,136
Government grants	340,095	102,910	592,402	11,921	-	130,891	27,740	1,205,959
Contribution from developers	27,880	-	824,214	13,385,399	-	2,470,950	74,309	16,782,752
Other revenue	3,055,883	6,228,411	4,665,996	-	5,681	5,335,463	916,198	20,207,632
Total revenue	7,267,802	15,929,802	12,402,101	22,848,706	10,000	17,547,183	2,309,967	78,315,561
Expenditures								
Salaries and benefits	3,480,133	3,390,768	2,370,384	3,904,532	-	4,758,311	1,047,287	18,951,415
Interest	-	42,540	207,650	1,427,509	-	672,048	-	2,349,747
Materials	1,240,130	902,375	2,156,090	4,052,768	10,000	2,322,125	403,157	11,086,645
Contracted services	455,181	6,266,358	943,322	1,089,841	-	142,767	116,022	9,013,491
Rents	41,213	9,311	35,148	-	-	53,436	-	139,108
Amortization	161,547	352,355	2,500,834	4,640,585	-	1,443,188	46,288	9,144,797
Total expenditures	5,378,204	10,963,707	8,213,428	15,115,235	10,000	9,391,875	1,612,754	50,685,203
Net revenue	\$ 1,889,598	\$ 4,966,095	\$ 4,188,673	\$ 7,733,471	\$ -	\$ 8,155,308	\$ 697,213	\$ 27,630,358

The Corporation of the Town of New Tecumseth
Notes to the Consolidated Financial Statements

December 31, 2014

14. Segmented reporting December 31, 2013

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
Revenue								
Property taxation	\$ 3,366,064	\$ 6,319,199	\$ 5,627,187	\$ -	\$ 7,265	\$ 6,059,944	\$ 1,242,575	\$ 22,622,234
User charges	38,674	1,336,233	203,646	9,178,598	-	2,418,152	170,614	13,345,917
Government grants	217,757	87,003	1,336,434	83,622	-	148,602	-	1,873,418
Contribution from developers	49,379	43,473	1,884,475	10,100,037	-	340,962	67,300	12,485,626
Other revenue	1,251,223	2,348,954	2,091,721	-	2,735	2,252,583	461,887	8,409,103
Total revenue	4,923,097	10,134,862	11,143,463	19,362,257	10,000	11,220,243	1,942,376	58,736,298
Expenditures								
Salaries and benefits	3,253,701	1,852,590	2,102,358	3,644,417	-	4,312,284	1,167,264	16,332,614
Interest	-	22,942	207,230	1,311,807	-	693,506	-	2,235,485
Materials	795,588	835,635	2,271,384	4,075,158	10,000	1,840,138	343,944	10,171,847
Contracted services	287,964	5,518,933	625,898	443,220	-	106,389	146,927	7,129,331
Rents	41,213	9,084	34,818	-	-	53,436	-	138,551
Amortization	197,174	350,785	2,407,597	4,321,902	-	1,231,799	30,952	8,540,209
Total expenditures	4,575,640	8,589,969	7,649,285	13,796,504	10,000	8,237,552	1,689,087	44,548,037
Net revenue	\$ 347,457	\$ 1,544,893	\$ 3,494,178	\$ 5,565,753	\$ -	\$ 2,982,691	\$ 253,289	\$ 14,188,261

The Corporation of the Town of New Tecumseth
Schedule 1 - Consolidated Schedule of Accumulated Surplus

December 31	2014	2013
Reserve funds set aside by Council		
General administration	\$ 5,809,861	\$ 5,860,509
Roads	40,863	40,335
Sanitary and storm sewers	313,189	309,139
Water	3,081	3,041
Recreation and cultural services	48,524	36,550
Planning and development	<u>74,221</u>	<u>58,421</u>
Total Reserve funds	<u>6,289,739</u>	<u>6,307,995</u>
Reserves set aside by Council		
Tax rate stabilization	1,434,040	955,825
General administration	124,884	107,084
Protective services	168,054	327,683
Roads	2,398,103	1,827,987
Sanitary and storm sewers	1,272,134	672,498
Water	1,332,272	910,127
Library	336,414	341,110
Recreation and cultural services	126,815	174,918
Planning and development	<u>307,280</u>	<u>232,313</u>
Total reserves	<u>7,499,996</u>	<u>5,549,545</u>
Total Reserve Funds and Reserves	<u>13,789,735</u>	<u>11,857,540</u>
Surpluses (Deficits)		
Invested in tangible capital assets	275,413,267	249,661,228
Operations surplus	300,000	300,000
Library Board	-	-
Alliston Business Improvement Area	74,598	162,025
Beeton Tottenham Business Improvement Area	5,245	32,767
Applicable to area rates		
Water	467,473	789,699
Wastewater	691,327	694,415
Unfunded		
Employee benefits and post-employment liabilities	(4,327,948)	(3,651,396)
Debt associated with tangible capital assets	(53,781,494)	(54,841,212)
Debenture Interest accrual	<u>(605,468)</u>	<u>(608,689)</u>
Total Surpluses	<u>218,237,000</u>	<u>192,538,837</u>
Accumulated Surplus	\$ <u>232,026,735</u>	\$ <u>204,396,377</u>

See accompanying notes to the consolidated financial statements

The Corporation of the Town of New Tecumseth
Schedule 2 - Consolidated Schedule of Tangible Capital Assets

December 31, 2014

Cost	2013	Additions	Disposals	2014
Land	\$ 43,665,317	\$ 1,944,222	\$ (1,164)	\$ 45,608,375
Land improvements	11,748,482	147,339	-	11,895,821
Buildings	125,710,216	8,165,338	-	133,875,554
Machinery and equipment	6,197,475	437,279	(174,888)	6,459,866
Vehicles	12,314,967	1,584,893	(1,033,151)	12,866,709
Library collection and materials	587,825	93,755	(104,191)	577,389
Roads, bridges, underground and other networks	<u>133,260,082</u>	<u>9,255,626</u>	<u>(947,160)</u>	<u>141,568,548</u>
	333,484,364	21,628,452	(2,260,554)	352,852,262
Assets under construction	<u>7,190,728</u>	<u>14,210,768</u>	<u>(910,671)</u>	<u>20,490,825</u>
	<u>\$ 340,675,092</u>	<u>\$ 35,839,220</u>	<u>\$ (3,171,225)</u>	<u>\$ 373,343,087</u>

Accumulated amortization	2013	Amortization	Disposals	2014
Land improvements	\$ 2,617,348	\$ 493,669	\$ -	\$ 3,111,017
Buildings	38,327,987	4,232,648	-	42,560,635
Machinery and equipment	2,592,864	522,833	(174,888)	2,940,809
Vehicles	5,754,809	845,492	(1,002,598)	5,597,703
Library collection and materials	335,357	103,480	(104,191)	334,646
Roads, bridges, underground and other networks	<u>41,385,499</u>	<u>2,946,675</u>	<u>(947,164)</u>	<u>43,385,010</u>
	<u>\$ 91,013,864</u>	<u>\$ 9,144,797</u>	<u>\$ (2,228,841)</u>	<u>\$ 97,929,820</u>

Net book value

	Cost	Accumulated Amortization	2014	2013
Land	\$ 45,608,375	\$ -	\$ 45,608,375	\$ 43,665,317
Land improvements	11,895,821	3,111,017	8,784,804	9,131,134
Buildings	133,875,554	42,560,635	91,314,919	87,382,229
Machinery and equipment	6,459,866	2,940,809	3,519,057	3,604,611
Vehicles	12,866,709	5,597,703	7,269,006	6,560,158
Library collection and materials	577,389	334,646	242,743	252,468
Roads, bridges, underground and other networks	<u>141,568,548</u>	<u>43,385,010</u>	<u>98,183,538</u>	<u>91,874,583</u>
	352,852,262	97,929,820	254,922,442	242,470,500
Assets under construction	<u>20,490,825</u>	<u>-</u>	<u>20,490,825</u>	<u>7,190,728</u>
	<u>\$ 373,343,087</u>	<u>\$ 97,929,820</u>	<u>\$ 275,413,267</u>	<u>\$ 249,661,228</u>