

# Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2015

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# 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.



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Chief Administrative Officer



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Treasurer / Director of Finance

March 6, 2017



# Independent Auditor's Report

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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, 2015, 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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Grant Thornton LLP*

Barrie, Canada  
March 20, 2017

Chartered Professional Accountants  
Licensed Public Accountants

# The Corporation of the Town of New Tecumseth

## Consolidated Statement of Financial Position

December 31

2015

2014

**Financial assets**

Cash and cash equivalents (Note 4)	\$ 35,920,178	\$ 14,350,748
Taxes receivable	5,854,460	4,899,833
Water and wastewater billings receivable	2,377,772	1,663,007
Receivables	<u>4,663,077</u>	<u>5,710,033</u>
	<u>48,815,487</u>	<u>26,623,621</u>

**Financial liabilities**

Payables and accruals	14,522,355	10,640,173
Employee future benefits and other liabilities (Note 5)	4,471,786	4,327,948
Developer deposits	835,532	750,827
Deferred revenue - obligatory reserve funds (Note 6)	9,965,851	773,187
Deferred revenue - other	264,321	266,094
Capital lease obligations (Note 7)	7,289	12,816
Short-term liabilities (Note 8)	18,500,000	-
Long-term liabilities (Note 9)	<u>55,320,049</u>	<u>53,768,678</u>
	<u>103,887,183</u>	<u>70,539,723</u>

**Net financial liabilities** (Page 5) (55,071,696) (43,916,102)

**Non-financial assets**

Tangible capital assets (Schedule 2)	294,056,482	275,413,267
Prepays	<u>110,079</u>	<u>529,570</u>
	<u>294,166,561</u>	<u>275,942,837</u>

**Accumulated surplus** (Schedule 1) \$ 239,094,865 \$ 232,026,735

Commitments and Contingencies (Notes 7, 11 and 12)

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

2015

2014

	<u>Budget (Note 2(p))</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Taxation (Note 10)	\$ 26,182,533	\$ 26,168,522	\$ 25,151,082
User charges	13,908,078	16,574,013	14,968,136
Government grants	3,101,241	2,477,478	1,205,960
Contributions from developers	16,750,656	8,934,885	16,782,752
Investment income	93,500	158,592	182,205
Penalties and interest on taxes	700,000	716,199	727,248
Rentals	81,792	73,896	79,651
Donations and contributed assets	132,200	2,712,463	18,504,795
(Loss) gain on sale of tangible capital assets	42,822	(73,945)	129,896
Other	710,149	543,191	583,836
	<u>61,702,971</u>	<u>58,285,294</u>	<u>78,315,561</u>
<b>Expenditures</b>			
General government	4,890,405	4,859,384	5,378,204
Protection to persons and property	10,054,838	10,261,298	10,963,707
Transportation services	9,056,137	8,554,651	8,213,428
Environmental services	16,004,256	15,506,132	15,115,235
Health services	10,000	10,000	10,000
Recreation and cultural services	10,427,583	10,239,155	9,391,875
Planning and development	1,969,352	1,786,544	1,612,754
	<u>52,412,571</u>	<u>51,217,164</u>	<u>50,685,203</u>
<b>Annual surplus</b>	\$ 9,290,400	\$ 7,068,130	\$ 27,630,358
<b>Accumulated surplus, beginning of year</b>	<u>232,026,735</u>	<u>232,026,735</u>	<u>204,396,377</u>
<b>Accumulated surplus, end of year</b>	\$ <u>241,317,135</u>	\$ <u>239,094,865</u>	\$ <u>232,026,735</u>

See accompanying notes to the consolidated financial statements.

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

Year Ended December 31

2015

2014

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<b>Annual surplus</b>	\$ <u>7,068,130</u>	\$ 27,630,358
Acquisition of tangible capital assets	(25,726,424)	(16,768,557)
Contributed tangible capital assets	(2,563,448)	(18,160,000)
Amortization of tangible capital assets	9,535,912	9,144,797
Proceeds on sale of tangible capital assets	36,800	161,617
Loss (gain) on sale of tangible capital assets	<u>73,945</u>	<u>(129,896)</u>
	<u>(18,643,215)</u>	<u>(25,752,039)</u>
Decrease (increase) in prepaids	<u>419,491</u>	<u>(340,622)</u>
<b>(Increase) decrease in net financial liabilities</b>	<b>(11,155,594)</b>	1,537,697
<b>Net financial liabilities, beginning of year</b>	<u>(43,916,102)</u>	<u>(45,453,799)</u>
<b>Net financial liabilities, end of year</b>	<b>\$ <u>(55,071,696)</u></b>	<b>\$ <u>(43,916,102)</u></b>

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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 2015 2014

Increase (decrease) in cash and cash equivalents		
<b>Operating activities</b>		
Annual surplus	\$ 7,068,130	\$ 27,630,358
Increase in employee benefits and other liabilities	143,838	676,552
Amortization	9,535,912	9,144,797
Contributed tangible capital assets	(2,563,448)	(18,160,000)
Loss (gain) on sale of tangible capital assets	73,945	(129,896)
Change in non-operating working capital		
(Increase) decrease in taxes receivable	(954,626)	381,007
(Increase) decrease in water and sewer billings receivable	(714,765)	17,483
Decrease (increase) in receivables	1,046,956	(1,584,093)
Increase in payables and accruals	3,882,182	3,745,821
Decrease in capital lease obligations	(5,527)	(4,640)
Increase (decrease) in developer deposits	84,704	(287,496)
Increase (decrease) in deferred revenue-obligatory reserve funds	9,192,664	(4,705,763)
(Decrease) increase in deferred revenue – other	(1,773)	12,597
Decrease (increase) in prepaids	419,491	(340,622)
Cash provided by operating activities	<u>27,207,683</u>	<u>16,396,105</u>
<b>Investing activities</b>		
Acquisition of tangible capital assets	(25,726,424)	(16,768,557)
Proceeds from sale of tangible capital assets	36,800	161,617
Cash used by investing activities	<u>(25,689,624)</u>	<u>(16,606,940)</u>
<b>Financing activities</b>		
Debt principal repayments	(3,639,629)	(3,330,078)
Short-term loan proceeds	18,500,000	-
Debenture proceeds	5,191,000	2,275,000
Cash used by financing activities	<u>20,051,371</u>	<u>(1,055,078)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>21,569,430</b>	<b>(1,265,913)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>14,350,748</u></b>	<b><u>15,616,661</u></b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>35,920,178</u></b>	<b>\$ <u>14,350,748</u></b>
<hr/>		
Interest paid	\$ <u>2,295,968</u>	\$ <u>2,349,748</u>
Interest received	\$ <u>158,592</u>	\$ <u>182,205</u>

See accompanying notes to the consolidated financial statements.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 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.

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### 2. Summary of significant accounting policies

#### Basis of presentation

The consolidated financial statements of the Town 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

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December 31, 2015

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### 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 2015 was \$60,883 (2014 – \$0).

#### 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 2015 was \$2,563,448 (2014 - \$18,160,000).

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

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December 31, 2015

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### 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

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December 31, 2015

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### 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.

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## The Corporation of the Town of New Tecumseth

### Notes to the Consolidated Financial Statements

December 31, 2015

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#### 2. Summary of significant accounting policies (continued)

##### (n) Pension Plan

The Town is an employer member of the Ontario Municipal Employee Retirement Fund (“OMERS”), which is a multi-employer, defined benefit pension plan. The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of benefits. The Town uses defined contribution plan accounting principles for this plan. The Town records as pension expense the amount paid to OMERS for the year plus any amount owing to OMERS at the end of the year.

##### (o) 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.

##### (p) 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	\$ 61,702,971	\$ 75,115,658
Less: Tangible capital assets capitalization	-	(32,238,999)
Add: Amortization expense	-	<u>9,535,912</u>
Adjusted budget per consolidated statement of operations	<u>\$ 61,702,971</u>	<u>\$ 52,412,571</u>

##### (q) 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.

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## The Corporation of the Town of New Tecumseth

### Notes to the Consolidated Financial Statements

December 31, 2015

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#### 3. Adoption of new accounting standards

##### PS 3260 Liability for Contaminated Sites

On January 1, 2015, the Town adopted the new PS 3260 Liability for Contaminated Sites standard. The section 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 adoption of the new PS 3260 standard has not resulted in any changes to the measurement and recognition of liabilities in the Town's financial statements.

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<b>4. Cash and cash equivalents</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Cash and cash equivalents are comprised of:		
Unrestricted cash, held at the bank and on hand	\$ 25,954,327	\$ 13,577,561
Restricted cash, held at the bank	<u>9,965,851</u>	<u>773,187</u>
	<u>\$ 35,920,178</u>	<u>\$ 14,350,748</u>

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<b>5. Employee future benefits and other liabilities</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
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The Town provides certain employee benefits that will require funding in future periods:

Workplace safety and insurance	\$ 5,352,854	\$ 4,818,769
Vacation accrual	1,002,662	906,292
Retirement accrual	660,214	672,328
Sick day entitlements	34,371	30,352
Dental and health future benefits	735,113	654,167
Less: WSIB receivable	<u>(3,313,428)</u>	<u>(2,753,960)</u>
	<u>\$ 4,471,786</u>	<u>\$ 4,327,948</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 \$735,113 has been determined by an actuary using a discount rate of 4.00%.

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

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December 31, 2015

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**5. Employee future benefits and other liabilities (continued)**

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

	<u>2015</u>	<u>2014</u>
Accrued benefit liability, beginning of year	\$ 654,167	\$ 589,128
Expense for the period	103,646	86,139
Benefits paid by employer	<u>(22,700)</u>	<u>(21,100)</u>
Accrued benefit liability, end of year	<u>\$ 735,113</u>	<u>\$ 654,167</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 and dental costs were assumed to be 10% in 2014 and expected to decrease by 1% per year as follows until they reach 5%.

2015	9%
2016	8%
2017	7%
2018	6%
2019	5%
2020 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 \$5,352,854 (2014 – \$4,818,769) based on the amount reported by the Workplace Safety and Insurance Board ("WSIB") to the Town as at December 31, 2015. A receivable of \$3,313,428 (2014 – \$2,753,960) has been established to offset this provision, which represents the position insured by the Town.

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## The Corporation of the Town of New Tecumseth

### Notes to the Consolidated Financial Statements

December 31, 2015

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#### 6. 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>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 773,187	\$ 5,478,950
Development charges	17,574,160	7,761,561
Developer contributions (Best Efforts)	99	116
Interest income	86,656	125,385
Gas tax funding	875,438	898,140
Parkland funding	30,400	204,187
Utilization of funds	<u>(9,374,089)</u>	<u>(13,695,152)</u>
Deferred revenue – obligatory funds, end of year	<u>9,965,851</u>	<u>773,187</u>
Analysed as follows:		
Development charges	7,814,205	(2,142,096)
Developer contributions (Best Efforts)	9,096	8,997
Parkland	1,230,202	1,677,835
Gas tax	<u>912,348</u>	<u>1,228,451</u>
Deferred revenue – obligatory funds, end of year	<u>\$ 9,965,851</u>	<u>\$ 773,187</u>

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#### 7. 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>2015</u>	<u>2014</u>
2015	\$ -	\$ 7,356
2016	6,940	6,940
2017	1,072	1,072
2018	<u>143</u>	<u>143</u>
Total minimum lease payments	8,155	15,511
Less: imputed interest at rates ranging from 16% to 18%	<u>866</u>	<u>2,695</u>
	<u>\$ 7,289</u>	<u>\$ 12,816</u>

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2015

### 8. Short-term construction loan

In 2015, the Town entered into a revolving demand credit facility agreement with a Canadian chartered bank to temporarily finance the construction of the Tottenham Wastewater treatment plant. The agreement was approved by by-law 2015-081. The agreement is on demand and to be repaid in full by December 31, 2016.

The revolving demand credit facility allows the Town to borrow up to \$20,000,000 with interest calculated at the bank's prime rate minus 1 per cent or by the Bankers Acceptance ("BA") borrowing rate at the bank's stamping fee plus 0.37% per annum. At December 31, 2015, the Town was advanced \$18,500,000 from the bank through BA's. The BA's borrowing rates for 2015 ranged from 1.18% to 1.33%.

The above loan will be repaid as Development Charges are collected, or in the interim, by the issuance of long-term indebtedness. The short-term BA was converted to a long-term liability in December 2016. The principal and interest payments required to service this liability are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

9. Long-term liabilities	<u>2015</u>	<u>2014</u>
Debentures, bearing interest at 4.5% per annum, maturing 2015	\$ -	\$ 89,000
Debentures, payable in semi-annual blended instalments of \$431,099, bearing interest at 5.542%, maturing 2036	10,621,525	10,884,114
Debentures, payable in semi-annual principal instalments of \$98,000, bearing interest at 4.80% per annum, maturing 2016	98,000	191,000
Debentures, payable in semi-annual principal instalments of \$109,000, bearing interest at 4.56%, maturing 2018	654,000	872,000
Debentures, payable in semi-annual blended instalments of \$81,815, bearing interest at 3.66%, maturing 2019	603,749	741,489
Debentures, payable in semi-annual blended instalments of \$125,467, bearing interest at 3.91%, maturing 2020	1,129,675	1,330,529
Debentures, payable in semi-annual principal instalments ranging from \$147,000 to \$168,000, interest ranging from 3.15% to 4.15% per annum, maturing 2020	786,000	928,000
Debentures, payable in semi-annual principal instalments ranging from \$1,621,000 to \$2,360,000, interest ranging from 3.25% to 4.90% per annum, maturing 2028	26,743,000	28,313,000
Debentures, payable in semi-annual principal instalments of \$52,500, bearing interest at 2.73%, maturing 2021	630,000	735,000

## The Corporation of the Town of New Tecumseth

### Notes to the Consolidated Financial Statements

December 31, 2015

9. Long-term liabilities (continued)	<u>2015</u>	<u>2014</u>
Debentures, payable in semi-annual principal instalments of \$91,500, bearing interest at 2.61%, maturing 2022	1,281,000	1,464,000
Debentures, payable in semi-annual principal instalments of \$86,600, bearing interest at 3.05%, maturing 2023	1,385,600	1,558,800
Debentures, payable in semi-annual principal instalments of \$115,250, bearing interest at 3.87%, maturing 2033	4,149,000	4,379,500
Debentures, payable in semi-annual principal instalments of \$113,750, bearing interest at 2.65%, maturing 2024	2,047,500	2,275,000
Debentures, payable in semi-annual principal instalments of \$99,550, bearing interest at 2.45%, maturing 2025	1,991,000	-
Debentures, payable in semi-annual principal instalments of \$80,000, bearing interest at 3.23%, maturing 2035	3,200,000	-
Other long-term obligations, maturing 2015	-	7,246
	<u>\$ 55,320,049</u>	<u>\$ 53,768,678</u>

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

2016	\$	3,991,256
2017		3,984,358
2018		4,084,856
2019		3,975,819
2020		3,929,193
2021 – 2036		<u>35,354,567</u>
	\$	<u>55,320,049</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 parameters prescribed by the Ministry of Municipal Affairs and Housing.

As of December 15, 2016, the Town issued additional debentures for road works and the construction of Tottenham wastewater treatment plant totalling \$1,867,500 and \$20,050,000 respectively bearing interest rates ranging between 1.5% to 4.128% and maturity dates ranging from 2017 to 2046. This balance will be reflected as long-term debt in the 2016 financial statements.

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## The Corporation of the Town of New Tecumseth

### Notes to the Consolidated Financial Statements

December 31, 2015

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<b>10. Taxation</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Real property	\$ 55,471,143	\$ 54,129,099
Payments in lieu of taxes	<u>170,145</u>	<u>160,926</u>
	55,641,288	54,290,025
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>29,472,766</u>	<u>29,138,943</u>
Net taxes available for Town purposes	<u>\$ 26,168,522</u>	<u>\$ 25,151,082</u>

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#### **11. 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 until December 31, 2014.

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 by the end of 2016. During the year ended December 31, 2015, the Town's total expenditure under the existing OPP contract was \$5,761,065 (2014 - \$6,098,119).

##### **(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, which expired in 2014, the Town was provided with services required for the operation and maintenance of the pipeline constructed to transport the water. Starting in 2015, the Town took over operations and maintenance of the pipeline. 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 \$2,574,000 has not been expended as at December 31, 2015 (2014 - \$18,101,000).

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 12. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2015, the Town has made provision in its accounts for actions that are likely to succeed and for which the loss can be estimated.

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### 13. Pension agreement

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 174 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 15.8% (2014 – 9.0% to 15.9%) depending on the proposed retirement age and the level of earnings. As a result, \$1,172,998 (2014- \$1,158,342) was contributed to OMERS during the year.

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### 14. 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.

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### 15. Contractual obligation – Energy retrofit agreement

In 2015, the Town entered in to a multiple-year contract for the delivery of energy management retrofit services and associated capital investments. Associated costs are planned to be recovered over time through energy and operational savings generated. The contractual obligation became a liability in 2016 when the terms of the contracts were met.

The following are the payments required for the unperformed portions of the contract:

2016	\$	223,589
2017		230,417
2018		237,764
2019		245,331
2020		253,126
Thereafter		1,094,281

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 16. 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 and Rescue, 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, 2015

### 15. Segmented reporting December 31, 2015

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
<b>Revenues</b>								
Property taxation	\$ 3,560,522	\$ 7,518,561	\$ 6,268,083	\$ -	\$ 10,000	\$ 7,502,337	\$ 1,309,019	\$ 26,168,522
User charges	43,278	2,586,036	1,104,346	9,944,751	-	2,741,355	154,247	16,574,013
Government grants	259,985	68,239	908,806	649,098	-	162,666	87,500	2,136,294
Contribution from developers	168,402	125,393	688,229	4,105,142	-	3,767,887	79,832	8,934,885
Other revenue	608,641	1,285,235	1,071,476	-	-	1,282,462	223,766	4,471,580
<b>Total revenue</b>	<b>4,640,828</b>	<b>11,583,464</b>	<b>10,040,940</b>	<b>14,698,991</b>	<b>10,000</b>	<b>15,456,707</b>	<b>1,854,364</b>	<b>58,285,294</b>
<b>Expenditures</b>								
Salaries and Benefits	3,184,910	3,083,362	2,644,480	4,116,913	-	5,074,733	1,230,095	19,334,493
Interest	-	46,629	222,931	1,375,404	-	651,003	-	2,295,967
Materials	959,205	805,915	1,863,699	4,168,684	10,000	2,235,225	398,211	10,440,939
Contracted Services	471,791	5,970,427	1,282,734	944,814	-	767,747	88,918	9,526,431
Rents	48,040	-	35,382	-	-	-	-	83,422
Amortization	195,438	354,965	2,505,425	4,900,317	-	1,510,447	69,320	9,535,912
<b>Total expenditures</b>	<b>4,859,384</b>	<b>10,261,298</b>	<b>8,554,651</b>	<b>15,506,132</b>	<b>10,000</b>	<b>10,239,155</b>	<b>1,786,544</b>	<b>51,217,164</b>
<b>Net revenue (deficit)</b>	<b>\$ (218,556)</b>	<b>\$ 1,322,166</b>	<b>\$ 1,486,289</b>	<b>\$ (807,141)</b>	<b>\$ -</b>	<b>\$ 5,217,552</b>	<b>\$ 67,820</b>	<b>\$ 7,068,130</b>

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

December 31, 2015

**15. Segmented reporting December 31, 2014**

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
<b>Revenue</b>								
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
<b>Total revenue</b>	<b>7,267,802</b>	<b>15,929,802</b>	<b>12,402,101</b>	<b>22,848,706</b>	<b>10,000</b>	<b>17,547,183</b>	<b>2,309,967</b>	<b>78,315,561</b>
<b>Expenditures</b>								
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
<b>Total expenditures</b>	<b>5,378,204</b>	<b>10,963,707</b>	<b>8,213,428</b>	<b>15,115,235</b>	<b>10,000</b>	<b>9,391,875</b>	<b>1,612,754</b>	<b>50,685,203</b>
<b>Net revenue</b>	<b>\$ 1,889,598</b>	<b>\$ 4,966,095</b>	<b>\$ 4,188,673</b>	<b>\$ 7,733,471</b>	<b>\$ -</b>	<b>\$ 8,155,308</b>	<b>\$ 697,213</b>	<b>\$ 27,630,358</b>

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

December 31	2015	2014
<b>Reserve funds set aside by Council</b>		
General administration	\$ 6,057,235	\$ 5,809,861
Roads	20,218	40,863
Sanitary and storm sewers	316,619	313,189
Water	3,114	3,081
Recreation and cultural services	94,316	48,524
Planning and development	70,958	74,221
Total reserve funds	<u>6,562,460</u>	<u>6,289,739</u>
<b>Reserves set aside by Council</b>		
Tax rate stabilization	1,776,868	1,434,040
General administration	2,106,468	124,884
Protective services	248,564	168,054
Roads	2,974,729	2,398,103
Sanitary and storm sewers	2,037,113	1,272,134
Water	1,478,470	1,332,272
Library	405,017	336,414
Recreation and cultural services	230,699	126,815
Planning and development	245,218	307,280
Debt repayment reserve	4,400,000	-
Total reserves	<u>15,903,146</u>	<u>7,499,996</u>
<b>Total reserve funds and reserves</b>	<u><b>22,465,606</b></u>	<u><b>13,789,735</b></u>
<b>Surpluses (deficits)</b>		
Invested in tangible capital assets	294,056,482	275,413,267
Operations surplus	300,000	300,000
Library Board	-	-
Alliston Business Improvement Area	84,944	74,598
Beeton Tottenham Business Improvement Area	20,522	5,245
Applicable to area rates		
Water	596,563	467,473
Wastewater	453,336	691,327
Unfunded		
Employee benefits and post-employment liabilities	(4,471,786)	(4,327,948)
Debt associated with tangible capital assets	(73,827,338)	(53,781,494)
Debt interest accrual	(583,464)	(605,468)
Total surpluses	<u>216,629,259</u>	<u>218,237,000</u>
<b>Accumulated surplus</b>	<u><b>\$ 239,094,865</b></u>	<u><b>\$ 232,026,735</b></u>

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

December 31, 2015

Cost	2014	Additions	Disposals	2015
Land	\$ 45,608,375	\$ 2,550,840	\$ (576)	\$ 48,158,639
Land improvements	11,895,821	2,551,197	(151,870)	14,295,148
Buildings	133,875,554	9,898,351	(178,045)	143,595,860
Machinery and equipment	6,459,866	418,064	(426,349)	6,451,581
Vehicles	12,866,709	454,893	(366,059)	12,955,543
Library collection and materials	577,389	86,599	(84,326)	579,662
Roads, bridges, underground and other networks	<u>141,568,548</u>	<u>9,011,803</u>	<u>(348,437)</u>	<u>150,231,914</u>
	352,852,262	24,971,747	(1,555,662)	376,268,347
Assets under construction	<u>20,490,825</u>	<u>19,259,786</u>	<u>(15,948,021)</u>	<u>23,802,590</u>
	\$ <u>373,343,087</u>	\$ <u>44,231,533</u>	\$ <u>(17,503,683)</u>	\$ <u>400,070,937</u>

Accumulated amortization	2014	Amortization	Disposals	2015
Land improvements	\$ 3,111,017	\$ 564,048	\$ (73,672)	\$ 3,601,393
Buildings	42,560,635	4,453,457	(152,434)	46,861,658
Machinery and equipment	2,940,809	570,352	(426,349)	3,084,812
Vehicles	5,597,703	846,521	(366,059)	6,078,165
Library collection and materials	334,646	100,747	(84,326)	351,067
Roads, bridges, underground and other networks	<u>43,385,010</u>	<u>3,000,787</u>	<u>(348,437)</u>	<u>46,037,360</u>
	\$ <u>97,929,820</u>	\$ <u>9,535,912</u>	\$ <u>(1,451,277)</u>	\$ <u>106,014,455</u>

**Net book value**

	Cost	Accumulated amortization	2015	2014
Land	\$ 48,158,639	\$ -	\$ 48,158,639	\$ 45,608,375
Land improvements	14,295,148	3,601,393	10,693,755	8,784,804
Buildings	143,595,860	46,861,658	96,734,202	91,314,919
Machinery and equipment	6,451,581	3,084,812	3,366,769	3,519,057
Vehicles	12,955,543	6,078,165	6,877,378	7,269,006
Library collection and materials	579,662	351,067	228,595	242,743
Roads, bridges, underground and other networks	<u>150,231,914</u>	<u>46,037,360</u>	<u>104,194,554</u>	<u>98,183,538</u>
	376,286,347	106,014,455	270,253,892	254,922,442
Assets under construction	<u>23,802,590</u>	-	<u>23,802,590</u>	<u>20,490,825</u>
	\$ <u>400,070,937</u>	\$ <u>106,014,455</u>	\$ <u>294,056,482</u>	\$ <u>275,413,267</u>

