

# Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2016

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# The Corporation of the Town of New Tecumseth

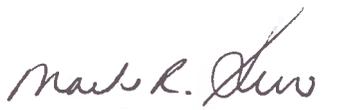
## Management's Report

### 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.

  
Chief Administrative Officer  
Treasurer / Director of Finance

October 2, 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, 2016, 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Barrie, Canada  
October 2, 2017

Chartered Professional Accountants  
Licensed Public Accountants

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

Year Ended December 31

2016

2015

**Financial assets**

Cash and cash equivalents (Note 3)	\$	54,142,451	\$	35,920,178
Assets held for sale (Note 2d)		533,126		-
Taxes receivable		4,877,717		5,854,460
Water and wastewater billings receivable		1,813,958		2,377,772
Receivables		<u>3,551,638</u>		<u>4,663,077</u>
		<u>64,918,890</u>		<u>48,815,487</u>

**Financial liabilities**

Payables and accruals		11,744,348		14,522,355
Employee future benefits and other liabilities (Note 4)		5,114,247		4,471,786
Developer deposits		1,204,480		835,532
Deferred revenue - obligatory reserve funds (Note 5)		25,364,295		9,965,851
Deferred revenue - other		280,869		264,321
Capital lease obligations (Note 6)		1,690,172		7,289
Short-term liabilities (Note 7)		-		18,500,000
Long-term liabilities (Note 8)		<u>73,246,292</u>		<u>55,320,049</u>
		<u>118,644,703</u>		<u>103,887,183</u>

**Net financial liabilities (Page 5)** (53,725,813) (55,071,696)

**Non-financial assets**

Tangible capital assets (Schedule 2)		333,066,170		294,056,482
Prepays		<u>177,173</u>		<u>110,079</u>
		<u>333,243,343</u>		<u>294,166,561</u>

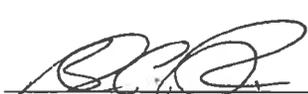
**Accumulated surplus (Schedule 1)** \$ 279,517,530 \$ 239,094,865

Commitments and Contingencies (Notes 6, 10 and 11)

See accompanying notes to the consolidated financial statements

On Behalf of the Town

 \_\_\_\_\_ Mayor

 \_\_\_\_\_ CAO

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

Year Ended December 31

2016

2015

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	<u>Budget (Note 2(q))</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Taxation (Note 9)	\$ 28,034,626	\$ <b>28,793,913</b>	\$ 26,168,522
User charges	14,475,205	<b>17,801,552</b>	16,574,013
Government grants	2,107,885	<b>2,137,662</b>	2,477,478
Contributions from developers	16,063,915	<b>9,214,350</b>	8,934,885
Investment income	75,100	<b>243,384</b>	158,592
Penalties and interest on taxes	725,000	<b>680,553</b>	716,199
Rentals	83,850	<b>77,940</b>	73,896
Donations and contributed assets	36,700	<b>35,734,932</b>	2,712,463
Gain (loss) on sale of tangible capital assets	146,000	<b>81,104</b>	(73,945)
Other	<u>400,225</u>	<u><b>550,724</b></u>	<u>543,191</u>
	<u>62,148,506</u>	<u><b>95,316,114</b></u>	<u>58,285,294</u>
<b>Expenditures</b>			
General government	5,260,699	<b>5,851,571</b>	4,859,384
Protection to persons and property	10,129,759	<b>10,099,690</b>	10,261,298
Transportation services	10,090,398	<b>9,850,189</b>	8,554,651
Environmental services	16,955,433	<b>16,894,451</b>	15,506,132
Health services	5,000	<b>5,000</b>	10,000
Recreation and cultural services	10,062,873	<b>10,377,871</b>	10,239,155
Planning and development	<u>1,793,785</u>	<u><b>1,814,677</b></u>	<u>1,786,544</u>
	<u>54,297,947</u>	<u><b>54,893,449</b></u>	<u>51,217,164</u>
<b>Annual surplus</b>	\$ 7,850,559	\$ <b>40,422,665</b>	\$ 7,068,130
<b>Accumulated surplus, beginning of year</b>	<u>239,094,865</u>	<u><b>239,094,865</b></u>	<u>232,026,735</u>
<b>Accumulated surplus, end of year</b>	\$ <u>246,945,424</u>	\$ <u><b>279,517,530</b></u>	\$ <u>239,094,865</u>

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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

2016

2015

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<b>Annual surplus</b>	\$ <u>40,422,665</u>	\$ 7,068,130
Acquisition of tangible capital assets	(14,176,728)	(25,726,424)
Contributed tangible capital assets	(35,698,777)	(2,563,448)
Amortization of tangible capital assets	10,782,657	9,535,912
Proceeds on sale of tangible capital assets	164,265	36,800
(Gain) loss on sale of tangible capital assets	<u>(81,104)</u>	<u>73,945</u>
	<u>(39,009,687)</u>	<u>(18,643,215)</u>
 (Increase) decrease in prepaids	 <u>(67,094)</u>	 <u>419,491</u>
 <b>Decrease (increase) in net financial liabilities</b>	 <b>1,345,884</b>	 <b>(11,155,594)</b>
 <b>Net financial liabilities, beginning of year</b>	 <u>(55,071,697)</u>	 <u>(43,916,102)</u>
 <b>Net financial liabilities, end of year</b>	 <b>\$ <u>(53,725,813)</u></b>	 <b>\$ <u>(55,071,696)</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

2016

2015

Increase (decrease) in cash and cash equivalents

### Operating activities

Annual surplus	\$	40,422,665	\$	7,068,130
Increase in employee benefits and other liabilities		642,461		143,838
Amortization		10,782,657		9,535,912
Contributed tangible capital assets		(35,698,777)		(2,563,448)
(Gain) loss on sale of tangible capital assets		(81,104)		73,945
Change in non-operating working capital				
Decrease (increase) in taxes receivable		976,743		(954,626)
Decrease (increase) in water and sewer billings receivable		563,813		(714,765)
Decrease in receivables		1,111,439		1,046,956
Increase in assets held for sale		(533,126)		-
(Decrease) increase in payables and accruals		(2,778,007)		3,882,182
Increase (decrease) in capital lease obligations		1,682,883		(5,527)
Increase in developer deposits		368,948		84,704
Increase in deferred revenue-obligatory reserve funds		15,398,444		9,192,664
Increase (decrease) in deferred revenue – other		16,548		(1,773)
(Increase) decrease in prepaids		(67,094)		419,491
Cash provided by operating activities		<u>32,808,493</u>		<u>27,207,683</u>

### Investing activities

Acquisition of tangible capital assets		(14,176,728)		(25,726,424)
Proceeds from sale of tangible capital assets		164,265		36,800
Cash used by investing activities		<u>(14,012,463)</u>		<u>(25,689,624)</u>

### Financing activities

Debt principal repayments		(3,991,257)		(3,639,629)
Short-term loan (repayment) proceeds		(18,500,000)		18,500,000
Debenture proceeds		21,917,500		5,191,000
Cash used by financing activities		<u>(573,757)</u>		<u>20,051,371</u>

Net increase in cash and cash equivalents 18,222,273 21,569,430

Cash and cash equivalents, beginning of year 35,920,178 14,350,748

Cash and cash equivalents, end of year \$ 54,142,451 \$ 35,920,178

Interest paid \$ 2,318,457 \$ 2,295,968

Interest received \$ 243,384 \$ 158,592

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, 2016

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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 incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

#### (d) Inventories

Inventories of assets held for sale are valued at the lower of cost and net realizable value.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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

#### (e) 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.

#### 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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

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 2016 was \$239,015 (2015 – \$60,833).

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 2016 was \$35,698,777 (2015 - \$2,563,448).

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.

### (f) 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.

### (g) 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.

### (h) 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.

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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

#### (i) 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.

#### (j) 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.

#### (k) Government grants

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

#### (l) 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.

#### (m) 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.

#### (n) 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, 2016

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

#### (o) 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.

#### (p) 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.

#### (q) 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	\$ 62,148,506	\$ 66,448,800
Less: Tangible capital assets capitalization	-	(22,933,510)
Add: Amortization expense	<u>-</u>	<u>10,782,657</u>
Adjusted budget per consolidated statement of operations	<u>\$ 62,148,506</u>	<u>\$ 54,297,947</u>

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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

#### (r) 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, 2019.

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### 3. Cash and cash equivalents 2016 2015

Cash and cash equivalents are comprised of:

Unrestricted cash, held at the bank and on hand	\$ 28,778,156	\$ 25,954,327
Restricted cash, held at the bank	<u>25,364,295</u>	<u>9,965,851</u>
	<u>\$ 54,142,451</u>	<u>\$ 35,920,178</u>

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### 4. Employee future benefits and other liabilities 2016 2015

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

Workplace safety and insurance	\$ 4,634,405	\$ 5,352,854
Vacation accrual	991,694	1,002,662
Retirement accrual	1,359,540	660,214
Sick day entitlements	37,192	34,371
Dental and health future benefits	821,644	735,113
Less: WSIB receivable	<u>(2,730,228)</u>	<u>(3,313,428)</u>
	<u>\$ 5,114,247</u>	<u>\$ 4,471,786</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 \$821,644 has been determined by an actuary using a discount rate of 4.00%.

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

	<u>2016</u>	<u>2015</u>
Accrued benefit liability, beginning of year	\$ 735,113	\$ 654,167
Expense for the period	109,231	103,646
Benefits paid by employer	<u>(22,700)</u>	<u>(22,700)</u>
Accrued benefit liability, end of year	<u>\$ 821,664</u>	<u>\$ 735,113</u>

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**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**  
December 31, 2016

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

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%.

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 \$4,634,405 (2015 – \$5,352,854) based on the amount reported by the Workplace Safety and Insurance Board (“WSIB”) to the Town as at December 31, 2016 adjusted to reflect a discount rate commensurate with the Town’s internal rate of return of 4.23%. A receivable of \$2,730,228 (2015 – \$3,313,428) 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, 2016

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### 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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 9,965,851	\$ 773,187
Development charges	23,099,951	17,574,160
Developer contributions (Best Efforts)	354,059	99
Interest income	225,666	86,656
Gas tax funding	919,210	875,438
Parkland funding	681,880	30,400
Utilization of funds	<u>(9,882,322)</u>	<u>(9,374,089)</u>
Deferred revenue – obligatory funds, end of year	\$ <u>25,364,295</u>	\$ <u>9,965,851</u>
Analysed as follows:		
Development charges	\$ 22,807,864	\$ 7,814,205
Developer contributions (Best Efforts)	363,242	9,096
Parkland	1,505,583	1,230,202
Gas tax	<u>687,606</u>	<u>912,348</u>
Deferred revenue – obligatory funds, end of year	\$ <u>25,364,295</u>	\$ <u>9,965,851</u>

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 6. Capital lease obligations

	<u>2016</u>	<u>2015</u>
Four Library photocopier leases, repayable in monthly payments of \$36 to \$228, due between November 2016 and April 2018	\$ 1,124	\$ 8,155
Honeywell Limited, repayable in semi-annual payments as specified in the Energy Performance Contract, due December 2024	<u>1,689,048</u>	<u>-</u>
	<u>\$ 1,690,172</u>	<u>\$ 8,155</u>

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

2017	\$ 227,504
2018	233,704
2019	241,088
2020	248,748
2021	256,638
2022-2024	<u>819,017</u>
Total minimum payments	2,026,699
Less: imputed interest at rate ranging from 3.42% to 18%	<u>336,527</u>
Present value of minimum net lease payments	<u>\$ 1,690,172</u>

In 2015, the Town entered in to a multiple-year contract with Honeywell Limited 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 value of the assets added to the Town's tangible capital assets from the Honeywell Energy Performance Contract was \$1,902,978, which have been amortized accordingly.

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### 7. 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 revolving demand credit facility allowed 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. The BA's borrowing rates for 2016 ranged from 1.18% to 1.33%.

The above loan was repaid by the issuance of long-term indebtedness in December 2016. The principal and interest payment required to service this liability are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

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**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**  
December 31, 2016

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<b>8. Long-term liabilities</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Debentures, payable in semi-annual blended instalments of \$431,099, bearing interest at 5.542%, maturing 2036	<b>10,344,180</b>	10,621,525
Debentures, payable in semi-annual principal instalments of \$98,000, bearing interest at 4.80% per annum, maturing 2016	-	98,000
Debentures, payable in semi-annual principal instalments of \$109,000, bearing interest at 4.56%, maturing 2018	<b>436,000</b>	654,000
Debentures, payable in semi-annual blended instalments of \$81,815, bearing interest at 3.66%, maturing 2019	<b>460,922</b>	603,749
Debentures, payable in semi-annual blended instalments of \$125,467, bearing interest at 3.91%, maturing 2020	<b>920,890</b>	1,129,675
Debentures, payable in semi-annual principal instalments ranging from \$147,000 to \$168,000, interest ranging from 3.40% to 4.15% per annum, maturing 2020	<b>639,000</b>	786,000
Debentures, payable in semi-annual principal instalments ranging from \$1,621,000 to \$2,360,000, interest ranging from 3.55% to 4.90% per annum, maturing 2028	<b>25,122,000</b>	26,743,000
Debentures, payable in semi-annual principal instalments of \$52,500, bearing interest at 2.73%, maturing 2021	<b>525,000</b>	630,000
Debentures, payable in semi-annual principal instalments of \$91,500, bearing interest at 2.61%, maturing 2022	<b>1,098,000</b>	1,281,000
Debentures, payable in semi-annual principal instalments of \$86,600, bearing interest at 3.05%, maturing 2023	<b>1,212,400</b>	1,385,600
Debentures, payable in semi-annual principal instalments of \$115,250, bearing interest at 3.87%, maturing 2033	<b>3,918,500</b>	4,149,000
Debentures, payable in semi-annual principal instalments of \$113,750, bearing interest at 2.65%, maturing 2024	<b>1,820,000</b>	2,047,500
Debentures, payable in semi-annual principal instalments of \$99,550, bearing interest at 2.45%, maturing 2025	<b>1,791,900</b>	1,991,000
Debentures, payable in semi-annual principal instalments of \$80,000, bearing interest at 3.23%, maturing 2035	<b>3,040,000</b>	3,200,000

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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8. Long-term liabilities (continued)	<u>2016</u>	<u>2015</u>
Debtures, payable in semi-annual blended instalments of \$585,770, bearing interest at 4.128%, maturing 2046	20,050,000	-
Debtures, payable in annual principal instalments ranging from \$169,500 to \$210,000, interest ranging from 1.5% to 3.25%, maturing 2026	1,867,500	-
	\$ <u>73,246,292</u>	\$ <u>55,320,049</u>

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

2017	\$ 4,501,283
2018	4,617,774
2019	4,527,828
2020	4,500,925
2021	4,213,934
2022 – 2046	<u>50,884,548</u>
	\$ <u>73,246,292</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.

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9. Taxation	<u>2016</u>	<u>2015</u>
Real property	\$ 60,199,347	\$ 55,471,143
Payments in lieu of taxes	<u>173,937</u>	<u>170,145</u>
	60,373,284	55,641,288
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>31,579,371</u>	<u>29,472,766</u>
Net taxes available for Town purposes	\$ <u>28,793,913</u>	\$ <u>26,168,522</u>

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 10. Commitments

#### (a) Policing services

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 interim contract for the period January 1 to June 30, 2015. The Town, along with two neighbouring townships, finalized a five-year 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 is from July 1, 2015 until June 30, 2020 with the cost determined annually through the budget process. Either party to the agreement may terminate the contract upon one year's written notice. During the year ended December 31, 2016, the Town's total expenditure under the existing OPP contract was \$5,245,220 (2015 - \$5,761,065).

#### (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 \$1,585,890 has not been expended as at December 31, 2016 (2015 - \$2,574,000).

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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 11. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2016, 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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### 12. Pension agreement

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 174 (2015 – 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% (2015 – 9.0% to 15.8%) depending on the proposed retirement age and the level of earnings. As a result, \$1,331,286 (2015 – \$1,172,998) was contributed to OMERS during the year.

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### 13. 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 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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# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 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 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, 2016

### 14. Segmented reporting December 31, 2016

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
<b>Revenues</b>								
Property taxation	\$ 4,433,868	\$ 7,652,764	\$ 7,463,711	\$ -	\$ 5,000	\$ 7,863,548	\$ 1,375,022	\$ 28,793,913
User charges	111,668	2,995,903	710,502	10,951,788	-	2,659,032	372,659	17,801,552
Government grants	71,801	57,572	1,838,977	11,322	-	107,990	50,000	2,137,662
Contribution from developers	148,092	199,374	2,031,539	4,964,533	-	1,755,278	115,534	9,214,350
Contributed Assets & Donations	-	-	13,151,695	21,940,735	-	642,502	-	35,734,932
Other revenue	251,613	434,277	423,548	-	-	446,238	78,029	1,633,705
<b>Total revenue</b>	<b>5,017,042</b>	<b>11,339,890</b>	<b>25,619,972</b>	<b>37,868,378</b>	<b>5,000</b>	<b>13,474,588</b>	<b>1,991,244</b>	<b>95,316,114</b>
<b>Expenditures</b>								
Salaries and Benefits	4,232,890	3,355,996	3,079,684	4,238,969	-	5,264,370	1,267,070	21,438,979
Interest	-	40,658	230,743	1,419,068	-	627,988	-	2,318,457
Materials	1,103,921	890,804	2,190,502	4,605,501	5,000	2,517,083	393,018	11,705,829
Contracted Services	304,415	5,480,149	1,462,135	901,271	-	366,973	96,756	8,611,699
Rents	-	-	35,828	-	-	-	-	35,828
Amortization	210,345	332,083	2,851,297	5,729,642	-	1,601,457	57,833	10,782,657
<b>Total expenditures</b>	<b>5,851,571</b>	<b>10,099,690</b>	<b>9,850,189</b>	<b>16,894,451</b>	<b>5,000</b>	<b>10,377,871</b>	<b>1,814,677</b>	<b>54,893,449</b>
<b>Net revenue (deficit)</b>	<b>\$ (834,529)</b>	<b>\$ 1,240,200</b>	<b>\$ 15,769,783</b>	<b>\$ 20,973,927</b>	<b>\$ -</b>	<b>\$ 3,096,717</b>	<b>\$ 176,567</b>	<b>\$ 40,422,665</b>

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2016

### 14. 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>\$ 7,086,130</b>

# The Corporation of the Town of New Tecumseth

## Schedule 1 - Consolidated Schedule of Accumulated Surplus

Year Ended December 31 2016 2015

	2016	2015
<b>Reserve funds set aside by Council</b>		
General administration	\$ 5,313,664	\$ 6,057,235
Roads	20,761	20,218
Sanitary and storm sewers	319,654	316,619
Water	3,144	3,114
Recreation and cultural services	87,008	94,316
Planning and development	<u>40,961</u>	<u>70,958</u>
Total reserve funds	<u>5,785,192</u>	<u>6,562,460</u>
<b>Reserves set aside by Council</b>		
Tax rate stabilization	1,528,996	1,776,868
Building Code Bill 124 reserve	1,481,490	-
General administration	2,978,381	2,106,468
Protective services	466,425	248,564
Roads	2,016,400	2,974,729
Sanitary and storm sewers	2,039,680	2,037,113
Water	2,052,133	1,478,470
Library	499,627	405,017
Recreation and cultural services	289,967	230,699
Planning and development	240,750	245,218
Debt repayment reserve	<u>5,406,786</u>	<u>4,400,000</u>
Total reserves	<u>19,000,635</u>	<u>15,903,146</u>
<b>Total reserve funds and reserves</b>	<u>24,785,827</u>	<u>22,465,606</u>
<b>Surpluses (deficits)</b>		
Invested in tangible capital assets	333,066,170	294,056,482
Transfer of assets held for sale	533,126	-
Operations surplus	300,000	300,000
Alliston Business Improvement Area	75,653	84,944
Beeton Tottenham Business Improvement Area	15,434	20,522
Applicable to area rates		
Water	819,540	596,563
Wastewater	557,261	453,336
Unfunded		
Employee benefits and post-employment liabilities	(5,114,247)	(4,471,786)
Debt associated with tangible capital assets	(74,936,464)	(73,827,338)
Debenture interest accrual	<u>(584,770)</u>	<u>(583,464)</u>
Total surpluses	<u>254,731,703</u>	<u>216,629,259</u>
<b>Accumulated surplus</b>	<b>\$ <u>279,517,530</u></b>	<b>\$ <u>239,094,865</u></b>

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

December 31, 2016

<b>Cost</b>	<u>2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>2016</u>
Land	\$ 48,158,639	\$ 180,061	\$ (296,015)	\$ <b>48,042,685</b>
Land improvements	14,295,148	988,773	(149,646)	<b>15,134,275</b>
Buildings	143,595,860	24,432,135	(1,588,083)	<b>166,439,912</b>
Machinery and equipment	6,451,581	1,054,873	(203,183)	<b>7,303,271</b>
Vehicles	12,955,543	1,498,502	(901,064)	<b>13,552,981</b>
Library collection and materials	579,662	103,349	(100,201)	<b>582,810</b>
Roads, bridges, underground and other networks	<u>150,231,914</u>	<u>39,869,490</u>	<u>(670,186)</u>	<u><b>189,431,218</b></u>
	376,268,347	68,127,183	(3,908,378)	<b>440,487,152</b>
Assets under construction	<u>23,802,590</u>	<u>3,097,258</u>	<u>(20,816,727)</u>	<u><b>6,083,121</b></u>
	\$ <u><b>400,070,937</b></u>	\$ <u><b>71,224,441</b></u>	\$ <u><b>(24,725,105)</b></u>	\$ <u><b>446,570,273</b></u>

<b>Accumulated amortization</b>	<u>2015</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2016</u>
Land improvements	\$ 3,601,393	\$ 597,832	\$ (53,710)	\$ <b>4,145,515</b>
Buildings	46,861,658	5,057,076	(1,446,909)	<b>50,471,825</b>
Machinery and equipment	3,084,812	562,205	(203,183)	<b>3,443,834</b>
Vehicles	6,078,165	895,529	(818,820)	<b>6,154,874</b>
Library collection and materials	351,067	100,298	(100,201)	<b>351,164</b>
Roads, bridges, underground and other networks	<u>46,037,360</u>	<u>3,569,717</u>	<u>(670,186)</u>	<u><b>48,936,891</b></u>
	\$ <u><b>106,014,455</b></u>	\$ <u><b>10,782,657</b></u>	\$ <u><b>(3,293,009)</b></u>	\$ <u><b>113,504,103</b></u>

**Net book value**

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2016</u>	<u>2015</u>
Land	\$ 48,042,685	\$ -	\$ <b>48,042,685</b>	\$ 48,158,639
Land improvements	15,134,275	4,145,515	<b>10,988,760</b>	10,693,755
Buildings	166,439,912	50,471,825	<b>115,968,087</b>	96,734,202
Machinery and equipment	7,303,271	3,443,834	<b>3,859,437</b>	3,366,769
Vehicles	13,552,982	6,154,874	<b>7,398,107</b>	6,877,378
Library collection and materials	582,810	351,164	<b>231,646</b>	228,595
Roads, bridges, underground and other networks	<u>189,431,218</u>	<u>48,936,891</u>	<u><b>140,494,327</b></u>	<u>104,194,554</u>
	440,487,152	113,504,103	<b>326,983,049</b>	270,253,892
Assets under construction	<u>6,083,121</u>	<u>-</u>	<u><b>6,083,121</b></u>	<u>23,802,590</u>
	\$ <u><b>446,570,273</b></u>	\$ <u><b>113,504,103</b></u>	\$ <u><b>333,066,170</b></u>	\$ <u><b>294,056,482</b></u>