

Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2017

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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

July 9th, 2018



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Independent Auditor's Report

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, 2017, 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, 2017, 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
July 9, 2018

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the Town of New Tecumseth

Consolidated Statement of Financial Position


Year Ended December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 3)	\$ 68,757,738	\$ 54,142,451
Assets held for sale (Note 2(d))	490,106	533,126
Taxes receivable	4,832,254	4,877,717
Water and wastewater billings receivable	1,995,316	1,813,958
Receivables	<u>5,324,833</u>	<u>3,551,638</u>
	<u>81,400,247</u>	<u>64,918,890</u>
Financial liabilities		
Payables and accruals	14,198,686	11,744,348
Employee future benefits and other liabilities (Note 4)	6,374,270	5,114,247
Developer deposits	1,311,879	1,204,480
Deferred revenue - obligatory reserve funds (Note 5)	34,032,380	25,364,295
Deferred revenue - other	282,009	280,869
Capital lease obligations (Note 6)	1,475,700	1,690,172
Long-term liabilities (Note 7)	<u>71,622,060</u>	<u>73,246,292</u>
	<u>129,296,984</u>	<u>118,644,703</u>
Net financial liabilities (Page 5)	(47,896,737)	(53,725,813)
Non-financial assets		
Tangible capital assets (Schedule 2)	342,064,957	333,066,170
Prepays	<u>719,530</u>	<u>177,173</u>
	<u>342,784,487</u>	<u>333,243,343</u>
Accumulated surplus (Schedule 1)	\$ <u>294,887,750</u>	\$ <u>279,517,530</u>

Commitments and Contingencies (Notes 6, 9 and 10)

See accompanying notes to the consolidated financial statements

On Behalf of the Town

 _____ Mayor

 _____ CAO

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

Year Ended December 31

2017

2016

	<u>Budget (Note 2(q))</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 8)	\$ 30,937,718	\$ 31,414,001	\$ 28,793,913
User charges	15,540,786	17,687,225	17,801,552
Government grants	3,788,162	2,307,937	2,137,662
Contributions from developers	16,224,421	7,947,732	9,214,350
Investment income	90,100	392,340	243,384
Penalties and interest on taxes	725,000	695,575	680,553
Rentals	68,845	66,381	77,940
Donations and contributed assets	36,500	13,982,233	35,734,932
Gain on sale of tangible capital assets	82,000	158,696	81,104
Other	416,810	704,877	550,724
	<u>67,910,342</u>	<u>75,356,997</u>	<u>95,316,114</u>
Expenditures			
General government	6,731,263	7,102,540	5,851,571
Protection to persons and property	9,611,497	9,516,090	10,099,690
Transportation services	10,554,102	10,653,071	9,850,189
Environmental services	20,449,477	19,349,287	16,894,451
Health services	10,000	10,000	5,000
Recreation and cultural services	10,768,673	10,632,889	10,377,871
Planning and development	3,003,281	2,722,900	1,814,677
	<u>61,128,293</u>	<u>59,986,777</u>	<u>54,893,449</u>
Annual surplus	\$ 6,782,049	\$ 15,370,220	\$ 40,422,665
Accumulated surplus, beginning of year	<u>279,517,530</u>	<u>279,517,530</u>	<u>239,094,865</u>
Accumulated surplus, end of year	\$ <u>286,299,579</u>	\$ <u>294,887,750</u>	\$ <u>279,517,530</u>

See accompanying notes to the consolidated financial statements.

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

Year Ended December 31	2017	2016
Annual surplus	\$ <u>\$15,370,220</u>	\$ <u>40,422,665</u>
Acquisition of tangible capital assets	(8,065,500)	(14,176,728)
Contributed tangible capital assets	(13,887,592)	(35,698,777)
Amortization of tangible capital assets	12,141,573	10,782,657
Proceeds on sale of tangible capital assets	971,428	164,265
Gain on sale of tangible capital assets	<u>(158,696)</u>	<u>(81,104)</u>
	<u>(8,998,787)</u>	<u>(39,009,687)</u>
 Increase in prepaids	 <u>(542,357)</u>	 <u>(67,094)</u>
 Decrease in net financial liabilities	 5,829,076	 1,345,884
 Net financial liabilities, beginning of year	 <u>(53,725,813)</u>	 <u>(55,071,697)</u>
 Net financial liabilities, end of year	 \$ (47,896,737)	 \$ (53,725,813)

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

2017

2016

Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 15,370,220	\$ 40,422,665
Increase in employee benefits and other liabilities	1,260,023	642,461
Amortization	12,141,573	10,782,657
Contributed tangible capital assets	(13,887,592)	(35,698,777)
Gain on sale of tangible capital assets	(158,696)	(81,104)
Change in non-operating working capital		
Decrease (increase) in assets held for sale	43,020	(533,126)
Decrease in taxes receivable	45,463	976,743
(Increase) decrease in water and sewer billings receivable	(181,358)	563,813
(Increase) decrease in receivables	(1,773,195)	1,111,439
Increase (decrease) in payables and accruals	2,454,338	(2,778,007)
Increase in developer deposits	107,399	368,948
Increase in deferred revenue-obligatory reserve funds	8,668,085	15,398,444
Increase in deferred revenue – other	1,140	16,548
(Decrease) increase in capital lease obligations	(214,472)	1,682,883
Increase in prepaids	(542,357)	(67,094)
Cash provided by operating activities	<u>23,333,591</u>	<u>32,808,493</u>
Investing activities		
Acquisition of tangible capital assets	(8,065,500)	(14,176,728)
Proceeds from sale of tangible capital assets	971,428	164,265
Cash used by investing activities	<u>(7,094,072)</u>	<u>(14,012,463)</u>
Financing activities		
Debt principal repayments	(4,501,283)	(3,991,257)
Short-term loan proceeds	-	(18,500,000)
Debenture proceeds	2,877,051	21,917,500
Cash used by financing activities	<u>(1,624,232)</u>	<u>(573,757)</u>
Net increase in cash and cash equivalents	14,615,287	18,222,273
Cash and cash equivalents, beginning of year	<u>54,142,451</u>	<u>35,920,178</u>
Cash and cash equivalents, end of year	\$ <u>68,757,738</u>	\$ <u>54,142,451</u>
<hr/>		
Interest paid	\$ <u>3,045,851</u>	\$ <u>2,318,457</u>
Interest received	\$ <u>392,340</u>	\$ <u>243,384</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

1. Nature of operations

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

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements of the 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 and 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 land held for sale are valued at the lower of cost and net realizable value.

(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.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

(e) 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 2017 was \$Nil (2016 – \$239,015).

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 2017 was \$13,887,592 (2016 - \$35,698,777).

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

(e) 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.

(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.

(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.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

2. Summary of significant accounting policies (continued)

(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.

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

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	\$ 67,910,342	\$ 56,929,732
Less: Tangible capital assets capitalization	-	(7,943,012)
Add: Amortization expense	-	<u>12,141,573</u>
Adjusted budget per consolidated statement of operations	<u>\$ 67,910,342</u>	<u>\$ 61,128,293</u>

(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, 2021.

The Corporation of the Town of New Tecumseth
Notes to the Consolidated Financial Statements
December 31, 2017

3. Cash and cash equivalents 2017 2016

Cash and cash equivalents are comprised of:

Unrestricted cash held at the bank and on hand	\$ 34,725,358	\$ 28,778,156
Restricted cash held at the bank	<u>34,032,380</u>	<u>25,364,295</u>
	<u>\$ 68,757,738</u>	<u>\$ 54,142,451</u>

4. Employee future benefits and other liabilities 2017 2016

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

Workplace safety and insurance	\$ 4,358,101	\$ 4,634,405
Vacation accrual	934,497	991,694
Retirement accrual	1,350,356	1,359,540
Sick leave entitlements	34,582	37,192
Dental and health future benefits	806,734	821,644
Less: WSIB receivable	<u>(1,110,000)</u>	<u>(2,730,228)</u>
	<u>\$ 6,374,270</u>	<u>\$ 5,114,247</u>

The Town pays certain health and dental benefits on behalf of eligible retired employees to age 65. The Town also pays sick leave entitlements for members of the Library. The Town recognizes these costs in the period in which the employees rendered the services. The December 31, 2017 liability reported in the Consolidated Statement of Financial Position for future benefits and sick leave entitlements were based on an actuarial valuation. The main assumptions employed for the valuations are as follows:

- (a) Retirement age - All active employees were assumed to retire at an average age of 61.
- (b) Actuary rates: Discount rate 4.0%, Inflationary rate 1.75%.
- (c) Future dental escalations 3.75%
- (d) Future health costs escalate at 6.4167% for 2019 and reduce by 0.333% per year to 3.75% in 2027
- (e) Sick leave utilization 65.8% of annual additions and 7.6% of prior year accumulation.

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

Accrued benefit liability, beginning of year	\$ 821,644	\$ 735,113
Expense for the period	3,671	109,231
Benefits paid by employer	<u>(18,581)</u>	<u>(22,700)</u>
Accrued benefit liability, end of year	<u>\$ 806,734</u>	<u>\$ 821,664</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

4. Employee future benefits and other liabilities (continued) 2017 2016

Workplace safety and insurance

The Town is a Schedule II employer under the Workplace Safety and Insurance Act, and therefore, 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 December 31, 2017 liability reported in the Consolidated Statement of Financial Position was the result of an actuarial valuation that estimated the Town's potential liability, under the Workplace Safety and Insurance Act, to be \$4,358,101 (2016 – \$4,634,405). This figure was determined utilizing a discount rate of 3.75% and general inflation rate of 2%.

Accrued Benefit Obligation

Balance at January 1	\$ 4,634,405	\$ 2,972,039
Add:		
Estimated service cost	152,520	-
Interest accrued	107,714	-
Change in unamortized actuarial gain/(loss)	(184,707)	1,662,366
Deduct:		
Expected benefits paid	(351,831)	-
Liability at December 31, 2017	<u>\$ 4,358,101</u>	<u>\$ 4,634,405</u>

A receivable of \$1,110,000 (2016 – \$2,730,228) has been established to offset this provision.

5. Deferred revenue – obligatory reserve funds 2017 2016

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:

Balance, beginning of year	\$ 25,364,295	\$ 9,965,851
Development charges	15,844,332	23,099,951
Developer contributions (Best Efforts)	-	354,059
Interest income	383,473	225,666
Gas tax funding	935,483	919,210
Parkland funding	236,150	681,880
Utilization of funds	(8,731,353)	(9,882,322)
Deferred revenue – obligatory funds, end of year	<u>\$ 34,032,380</u>	<u>\$ 25,364,295</u>
Analysed as follows:		
Development charges	\$ 31,588,482	\$ 22,807,864
Developer contributions (Best Efforts)	363,348	363,242
Parkland	1,412,675	1,505,583
Gas tax	667,875	687,606
Deferred revenue – obligatory funds, end of year	<u>\$ 34,032,380</u>	<u>\$ 25,364,295</u>

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

6. Capital lease obligations

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 payments required for the remaining contract are as follows:

2018	\$	233,652
2019		241,088
2020		248,748
2021		256,638
2022		264,764
Thereafter		<u>554,253</u>
Total minimum payments		1,799,143
Less: imputed interest at rate ranging from 16% to 18%		<u>323,443</u>
	\$	<u>1,475,700</u>

7. Long-term liabilities

	<u>2017</u>	<u>2016</u>
Debentures, payable in semi-annual blended instalments of \$431,099, bearing interest at 5.542%, maturing 2036	\$ 10,051,253	\$ 10,344,180
Debentures, payable in semi-annual principal instalments of \$109,000, bearing interest at 4.56%, maturing 2018	218,000	436,000
Debentures, payable in semi-annual blended instalments of \$81,815, bearing interest at 3.66%, maturing 2019	312,818	460,922
Debentures, payable in semi-annual blended instalments of \$125,467, bearing interest at 3.91%, maturing 2020	703,863	920,890
Debentures, payable in semi-annual principal instalments ranging from \$157,000 to \$168,000, interest ranging from 3.65% to 4.15% per annum, maturing 2020	487,000	639,000
Debentures, payable in semi-annual principal instalments ranging from \$1,743,000 to \$2,360,000, interest ranging from 3.25% to 4.90% per annum, maturing 2028	23,444,000	25,122,000
Debentures, payable in semi-annual principal instalments of \$52,500, bearing interest at 2.73%, maturing 2021	420,000	525,000
Debentures, payable in semi-annual principal instalments of \$91,500, bearing interest at 2.61%, maturing 2022	915,000	1,098,000
Debentures, payable in semi-annual principal instalments of \$86,600, bearing interest at 3.05%, maturing 2023	1,039,200	1,212,400

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

7. Long-term liabilities (continued)	<u>2017</u>	<u>2016</u>
Debentures, payable in semi-annual principal instalments of \$115,250, bearing interest at 3.87%, maturing 2033	3,688,000	3,918,500
Debentures, payable in semi-annual principal instalments of \$113,750, bearing interest at 2.65%, maturing 2024	1,592,500	1,820,000
Debentures, payable in semi-annual principal instalments of \$99,550, bearing interest at 2.45%, maturing 2025	1,592,800	1,791,900
Debentures, payable in semi-annual principal instalments of \$80,000, bearing interest at 3.23%, maturing 2035	2,880,000	3,040,000
Debentures, payable in semi-annual principal instalments ranging from \$171,938 to \$573,924, bearing interest at 4.128%, maturing 2046	19,702,575	20,050,000
Debentures, payable in annual principal instalments ranging from \$169,000 to \$210,000, interest ranging from 1.5% to 3.25%, maturing 2026	1,698,000	1,867,500
Debentures, payable in semi-annual principal instalments \$143,853, bearing interest at 2.81% per annum, maturing 2027	2,877,050	-
	<u>\$ 71,622,059</u>	<u>\$ 73,246,292</u>

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

2018	\$ 4,905,479
2019	4,815,533
2020	4,788,630
2021	4,501,639
2022	4,531,183
2023 – 2046	<u>48,079,595</u>
	<u>\$ 71,622,059</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.

The Corporation of the Town of New Tecumseth
Notes to the Consolidated Financial Statements
December 31, 2017

8. Taxation	<u>2017</u>	<u>2016</u>
Real property	\$ 64,376,968	\$ 60,199,347
Payments in lieu of taxes	<u>175,368</u>	<u>173,937</u>
	64,552,336	60,373,284
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>33,138,335</u>	<u>31,579,371</u>
Net taxes available for Town purposes	<u>\$ 31,414,001</u>	<u>\$ 28,793,913</u>

9. 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, along with two neighbouring townships, finalized 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 is from July 1st, 2015 until June 30th, 2020 with the cost determined annually through a budget process. Either party to the agreement may terminate the contract upon one year's written notice. During the year ended December 31, 2017, the Town's total expenditure under the existing OPP contract was \$5,403,258 (2016 - \$5,245,220).

(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 \$2,293,670 has not been expended as at December 31, 2017 (2016 - \$1,585,890).

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

10. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2017, the Town has made provision in its accounts for actions that are likely to succeed and for which the loss can be estimated.

11. Pension agreement

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 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% (2016 – 9.0% to 15.8%) depending on the proposed retirement age and the level of earnings. As a result, \$1,354,212 (2016 - \$1,331,286) was contributed to OMERS during the year.

12. Financial Instruments

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

The Corporation of the Town of New Tecumseth

Notes to the Consolidated Financial Statements

December 31, 2017

13. 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, 2017

13. Segmented reporting December 31, 2017

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
Revenues								
Property taxation	\$5,490,080	\$7,355,692	\$8,234,548	\$ -	\$10,000	\$8,218,949	\$2,104,731	\$31,414,001
User charges	96,429	2,603,564	35,255	11,432,097	-	2,499,352	1,020,528	17,687,225
Government grants	119,060	13,508	1,320,147	744,792	-	85,430	25,000	2,307,937
Contribution from developers	27,502	173,755	828,856	4,550,945	-	2,219,695	146,979	7,947,732
Contributed Assets & Donations	33,964	-	4,308,740	9,544,888	-	94,641	-	13,982,233
Other Revenue	1,098,146	318,752	144,917	(91,901)	41,429	406,899	99,628	2,017,869
Total Revenue	6,865,181	10,465,271	14,872,463	26,180,821	51,429	13,524,966	3,396,866	75,356,997
Expenditures								
Salaries and Benefits	5,378,946	2,554,679	3,158,690	4,157,569	-	5,581,252	2,003,569	22,834,705
Interest	-	34,389	235,064	2,172,246	-	604,153	-	3,045,852
Materials	1,177,189	895,032	2,094,347	5,486,834	10,000	2,445,233	377,950	12,486,585
Contracted Services	311,409	5,663,543	1,875,705	955,652	-	341,797	293,778	9,441,884
Rents	-	-	36,178	-	-	-	-	36,178
Amortization	234,996	368,447	3,253,087	6,576,986	-	1,660,454	47,603	12,141,573
Total Expenditures	7,102,540	9,516,090	10,653,071	19,349,287	10,000	10,632,889	2,722,900	59,986,777
Net revenue (deficit)	\$(237,359)	\$949,181	\$4,219,392	\$6,831,534	\$41,429	\$2,892,077	\$673,966	\$15,370,220

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

December 31, 2017

14. Segmented reporting December 31, 2016

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
Revenues								
Property taxation	\$4,433,869	\$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	148,093	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
Total revenue	5,017,044	11,339,890	25,619,972	37,868,378	5,000	13,474,588	1,991,244	95,316,114
Expenditures								
Salaries and Benefits	4,232,892	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
Total expenditures	5,851,571	10,099,690	9,850,189	16,894,451	5,000	10,377,871	1,814,677	54,893,449
Net revenue (deficit)	\$(834,529)	\$1,240,200	\$15,769,783	\$20,973,927	\$ -	\$3,096,717	\$176,567	\$40,422,665

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

Year Ended December 31

2017

2016

Reserve funds set aside by Council		
General administration	\$ 6,444,674	\$ 5,313,664
Roads	19,405	20,761
Sanitary and storm sewers	323,331	319,654
Water	3,180	3,144
Recreation and cultural services	86,127	87,008
Planning and development	<u>69,590</u>	<u>40,961</u>
Total reserve funds	<u>6,946,307</u>	<u>5,785,192</u>
Reserves set aside by Council		
Tax rate stabilization	1,573,332	1,528,996
Building Code Bill 124 reserve	2,419,639	1,481,490
General administration	4,178,629	2,978,381
Protective services	594,275	466,425
Roads	2,440,977	2,016,400
Sanitary and storm sewers	3,188,645	2,039,680
Water	3,826,986	2,052,133
Library	565,161	499,627
Recreation and cultural services	374,607	289,967
Planning and development	233,111	240,750
Debt repayment reserve	<u>5,668,760</u>	<u>5,406,786</u>
Total reserves	<u>25,064,122</u>	<u>19,000,635</u>
Total reserve funds and reserves	<u>32,010,429</u>	<u>24,785,827</u>
Surpluses (deficits)		
Invested in tangible capital assets	342,064,957	333,066,170
Transfer of assets held for sale	490,106	533,126
Operations surplus	300,000	300,000
Alliston Business Improvement Area	58,144	75,653
Beeton Tottenham Business Improvement Area	16,237	15,434
Applicable to area rates		
Water	-	819,538
Wastewater	-	557,261
Unfunded		
Employee benefits and post-employment liabilities	(6,374,270)	(5,114,247)
Debt associated with tangible capital assets	(73,097,760)	(74,936,464)
Debenture interest accrual	<u>(580,093)</u>	<u>(584,770)</u>
Total surpluses	<u>262,877,321</u>	<u>254,731,703</u>
Accumulated surplus	<u>\$ 294,887,750</u>	<u>\$ 279,517,530</u>

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

December 31, 2017

Cost	2016	Additions	Disposals	2017
Land	\$ 48,042,685	\$ 232,488	\$ -	\$ 48,275,173
Land improvements	15,134,275	1,343,378	(7,637)	16,470,016
Buildings	166,439,912	284,702	(159,595)	166,565,019
Machinery and equipment	7,303,271	263,000	(351,834)	7,214,437
Vehicles	13,552,981	818,340	(213,793)	14,157,528
Library collection and materials	582,810	171,712	(118,006)	636,516
Roads, bridges, underground and other networks	<u>189,431,218</u>	<u>17,852,803</u>	<u>(1,723,984)</u>	<u>205,560,037</u>
	440,487,152	20,966,423	(2,574,849)	458,878,726
Assets under construction	<u>6,083,121</u>	<u>1,757,720</u>	<u>(1,433,108)</u>	<u>6,407,733</u>
	<u>\$ 446,570,273</u>	<u>\$ 22,724,143</u>	<u>\$ (4,007,957)</u>	<u>\$ 465,286,459</u>

Accumulated amortization	2016	Amortization	Disposals	2017
Land improvements	\$ 4,145,515	\$ 646,889	\$ (7,637)	\$ 4,784,767
Buildings	50,471,825	5,624,460	(9,975)	56,086,310
Machinery and equipment	3,443,834	602,492	(350,779)	3,695,547
Vehicles	6,154,874	974,295	(213,792)	6,915,377
Library collection and materials	351,164	104,643	(118,006)	337,801
Roads, bridges, underground and other networks	<u>48,936,891</u>	<u>4,188,794</u>	<u>(1,723,985)</u>	<u>51,401,700</u>
	\$ 113,504,103	\$ 12,141,573	\$ (2,424,174)	\$ 123,221,502

Net book value

	Cost	Accumulated amortization	2017	2016
Land	\$ 48,275,173	\$ -	\$ 48,275,173	\$ 48,042,685
Land improvements	16,470,016	4,784,767	11,685,249	10,988,760
Buildings	166,565,019	56,086,310	110,478,709	115,968,087
Machinery and equipment	7,214,437	3,695,547	3,518,890	3,859,437
Vehicles	14,157,528	6,915,377	7,242,151	7,398,107
Library collection and materials	636,516	337,801	298,715	231,646
Roads, bridges, underground and other networks	<u>205,560,037</u>	<u>51,401,700</u>	<u>154,158,337</u>	<u>140,494,327</u>
	458,878,726	123,221,502	335,657,224	326,983,049
Assets under construction	<u>6,407,733</u>	<u>-</u>	<u>6,407,733</u>	<u>6,083,121</u>
	<u>\$ 465,286,459</u>	<u>\$ 123,221,502</u>	<u>\$ 342,064,957</u>	<u>\$ 333,066,170</u>