



*Town of*  
**East Gwillimbury**

**Consolidated Financial Statements**  
**December 31, 2016**

*Our Town, Our Future*

**Town of East Gwillimbury  
2016 Consolidated Financial Statements**

*Approved by Council  
August 15, 2017*

**Town of East Gwillimbury  
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Sharon, ON L0G 1V0  
CANADA**

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**[www.eastgwillimbury.ca](http://www.eastgwillimbury.ca)**

*Thinking  
Green!*



*Mayor Virginia Hackson*



*Councillor James R. Young*



*Councillor Tara Roy-Diclemente*



*Councillor Marlene Johnston*



*Councillor Joe Persichini*

*Character  
Community*



## CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

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# Independent Auditor's Report

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## To the Members of the Board, Council, Inhabitants and Ratepayers of the Town of East Gwillimbury

We have audited the accompanying consolidated financial statements of the Town of East Gwillimbury, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets 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

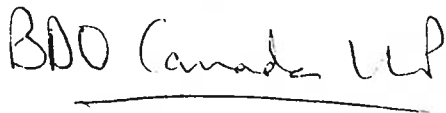
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of East Gwillimbury 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.



Chartered Professional Accountants, Licensed Public Accountants  
Alliston, Ontario  
August 15, 2017

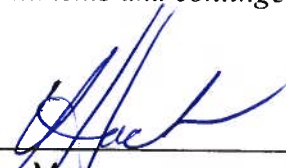


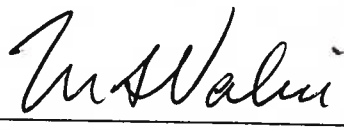
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Year ended December 31, 2016

	2016 \$	2015 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents ( <i>note 3</i> )	56,066,045	18,232,103
Taxes receivable	2,735,613	3,038,726
User charges receivable	1,966,826	1,618,130
Accounts receivable	2,604,990	3,209,584
	<b>63,373,474</b>	<b>26,098,543</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	7,479,541	4,929,917
Obligation under tangible capital lease ( <i>note 7</i> )	236,893	323,849
Employee and elected official future salaries and benefits payable ( <i>note 4</i> )	939,122	841,616
Deposits and deferred revenue ( <i>note 5</i> )	23,533,960	6,307,298
Obligatory reserve funds ( <i>note 6</i> )	18,653,547	2,566,441
Net long-term debt with the Region of York	-	4,102
	<b>50,843,063</b>	<b>14,973,223</b>
<b>Net financial assets</b>	<b>12,530,411</b>	<b>11,125,320</b>
<b>NON FINANCIAL ASSETS</b>		
Prepays	426,176	1,042,611
Tangible capital assets ( <i>note 10</i> )	149,535,012	131,398,603
	<b>149,961,188</b>	<b>132,441,214</b>
<b>Accumulated surplus (<i>note 16</i>)</b>	<b>162,491,599</b>	<b>143,566,534</b>

*Commitments and contingencies (notes 14 and 16)*

  
 \_\_\_\_\_  
 Mayor

  
 \_\_\_\_\_  
 Treasurer

*The accompanying notes are an integral part of these consolidated financial statements.*



**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

Year ended December 31, 2016

	2016 Budget \$ (note 2)	2016 Actual \$	2015 Actual \$
<b>REVENUE</b>			
Net taxation charges (note 8)	16,009,403	<b>16,308,132</b>	15,311,160
User charges	13,335,170	<b>22,483,356</b>	11,479,353
Charges to developers	5,557,444	<b>15,900,174</b>	2,227,534
Government transfers (note 9)	1,608,852	<b>994,505</b>	1,266,808
Penalties on taxes	500,000	<b>443,302</b>	473,347
Investment income	175,000	<b>216,581</b>	190,985
Contributed tangible capital assets	-	<b>12,718,370</b>	-
Other	938,392	<b>2,906,156</b>	988,044
<b>Total revenue</b>	<b>38,124,261</b>	<b>71,970,576</b>	<b>31,937,231</b>
<b>EXPENSE</b>			
General government	4,464,092	<b>22,634,506</b>	3,660,165
Protection to persons and property	6,799,907	<b>5,979,073</b>	4,747,475
Transportation services	7,278,894	<b>7,437,963</b>	6,683,671
Environmental services	9,460,672	<b>7,936,507</b>	7,510,891
Recreation and cultural services	7,453,961	<b>7,476,537</b>	6,882,894
Planning and development	4,052,658	<b>1,539,931</b>	1,399,675
<b>Total expenses</b>	<b>39,510,184</b>	<b>53,004,517</b>	<b>30,884,771</b>
<b>NET REVENUES</b>	<b>(1,385,923)</b>	<b>18,966,059</b>	<b>1,052,460</b>
Loss on sale of tangible capital assets	-	<b>(40,994)</b>	(40,225)
<b>Annual surplus</b>	<b>(1,385,922)</b>	<b>18,925,065</b>	<b>1,012,235</b>
<b>Accumulated surplus, beginning of year</b>	<b>143,566,534</b>	<b>143,566,534</b>	<b>142,554,299</b>
<b>Accumulated surplus, end of year</b>	<b>142,180,611</b>	<b>162,491,599</b>	<b>143,566,534</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended December 31, 2016

	2016 \$	2015 \$
<b>CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	18,925,065	1,012,235
Non-cash changes to operations		
Amortization	5,854,618	5,528,944
Contributed tangible capital assets	(12,718,370)	-
Loss on sale of tangible capital assets	40,994	40,225
Changes in non-cash operating working capital		
Taxes receivable	303,113	232,181
User charges receivable	(348,696)	(53,347)
Accounts receivable	604,594	(804,178)
Accounts payable and accrued liabilities	2,549,624	(1,072,583)
Employee and elected official future salaries and benefits payable	97,506	40,754
Deposits and deferred revenue	17,226,662	17,597
Obligatory reserve funds	16,087,106	(842,554)
Prepays	616,435	(402,134)
	<b>49,238,651</b>	<b>3,697,140</b>
<b>CAPITAL ACTIVITIES</b>		
Proceeds from sale of tangible capital assets	128,185	339,645
Purchase of tangible capital assets	(11,441,836)	(5,465,442)
	<b>(11,313,651)</b>	<b>(5,125,797)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt with the Region of York	(4,102)	(41,793)
Repayment of obligation under tangible capital lease	(86,956)	(82,817)
	<b>(91,058)</b>	<b>(124,610)</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>37,833,942</b>	<b>(1,553,267)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>18,232,103</b>	<b>19,785,370</b>
<b>Cash and cash equivalents, end of year</b>	<b>56,066,045</b>	<b>18,232,103</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

Year ended December 31, 2016

	2016 \$ Budget (note 2)	2016 \$ Actual	2015 \$ Actual
Annual surplus/(deficit)	(1,385,923)	<b>18,925,06</b>	1,012,235
Acquisition of tangible capital assets	(6,027,626)	<b>(11,441,836)</b>	(5,465,442)
Contributed tangible capital assets	-	<b>(12,718,370)</b>	-
Amortization of tangible capital assets	5,854,618	<b>5,854,618</b>	5,528,944
Proceeds from sale of tangible capital assets	-	<b>128,185</b>	339,645
(Gain)/Loss on sale of tangible capital assets	-	<b>40,994</b>	40,225
	<b>(1,558,931)</b>	<b>788,656</b>	1,455,607
Change in prepaids	-	<b>616,435</b>	(402,134)
Change in net financial assets	(1,558,931)	<b>1,405,091</b>	1,053,473
<b>Net financial assets, beginning of year</b>	11,125,320	<b>11,125,320</b>	10,071,847
<b>Net financial assets, end of year</b>	9,566,389	<b>12,530,411</b>	11,125,320

*The accompanying notes are an integral part of these consolidated financial statements.*



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

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### 1 SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of operations**

The Town of East Gwillimbury (the "Town") is a lower-tier municipality located in York Region within the Greater Toronto Area of the Province of Ontario. It provides essential infrastructure and services to its residents, including local roads, water distribution and sewage collection, recreational facilities, libraries, emergency services, and waste collection. The Town is governed by a municipal council comprised of five Members of Council elected by its residents at large. It conducts its operations guided by the provisions of provincial statutes such as the *Municipal Act*, *Municipal Affairs Act* and related legislation.

#### **Management's responsibility for the financial statements**

The consolidated financial statements of the Town are the responsibility of management and have been prepared by management in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada.

#### **Basis of consolidation**

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Town which comprises all of the organizations that are accountable for the administration of their financial affairs and resources to Council and are controlled by the Town.

The operations of the East Gwillimbury Public Library Board have been fully consolidated in these consolidated financial statements.

All inter-organizational transactions and balances have been eliminated on consolidation.

The taxation, other revenues, expenses, assets and liabilities with respect to school boards and the Region of York are not reflected in the Town's consolidated financial statements except to record any resulting receivable or payable with the Town at year-end.

#### **Basis of accounting**

Revenues and expenses are reported on the accrual basis of accounting whereby revenues are recognized as they are earned and measurable. Expenses are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

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### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with bank and short-term guaranteed investment certificates.

#### **Government transfers**

Government transfers include entitlements, transfers under shared cost agreements and grants. Government transfers are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

#### **Use of estimates**

The preparation of these consolidated financial statements in conformity with PSAB 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements include allowance for doubtful accounts, the useful life and valuation of tangible capital assets, contingent liabilities, employee future benefits and accrued liabilities. Actual results could differ from those estimates as additional information becomes available in the future.

#### **Employee future benefits**

Employee future benefits include health and basic dental coverage that the Town pays on behalf of its current and retired employees. The Town records these future benefits as they are earned during the employee's tenure of service. The Town also estimates future benefits relating to accumulated vacation and overtime as they are earned but not yet paid.

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 for as entitlements are earned.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

**(i) Tangible capital assets**

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

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	Useful Life - Years
Transportation infrastructure	5-100
Environmental infrastructure	15-100
Facilities	10-40
Vehicles	7-20
Machinery and equipment	3-25
Land improvements	25-100

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Amortization is pro-rated to 6 months in the year of acquisition and in the year of disposal. Capital work in progress is not amortized until the asset is available for productive use.

**(ii) Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt when fair value can be reasonably estimated. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at the time of title transfer.

**(iii) Interest capitalization**

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets.

	Useful Life - Years
Machinery and equipment	3-25

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight line basis.

#### Deferred revenue – obligatory reserve funds

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These accounts will be recognized as revenues in the fiscal year the services are performed. The Town receives development charges, parkland and Federal Gas Tax funding under the authority of provincial and federal legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue.

#### Investment income

Investment income is reported as revenue in the period earned. Investment income earned on development charges, parkland and gas taxes (obligatory reserve funds) are added to the fund balance and forms part of the deferred revenue balance.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

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### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Budget figures

The budgets originally approved by the Town for 2016, adjusted as noted below, are reflected on the Consolidated Statement of Operations and the Consolidated Statement of Changes in Net Financial Assets.

- An amount for amortization expense has been added and is based on the actual amortization expense recorded in the year, as amortization was not included in the original council approved budget.
- Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on actual amounts, as neither the cost of the contributed tangible capital assets nor the revenue was included in the original council approved budget.
- Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations under the appropriate functional expense category, while those recognized as tangible capital assets are included in the Consolidated Statement of Change in Net Financial Assets.

Budget figures have been restated for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are not audited.

#### Pension Plan

The Town is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Town has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Town records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**As at December 31, 2016

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**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition**

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established. Sales of service, permits and other usage fees have been recognized under user fees on an accrual basis.

Conditional grant revenue is recognized to the extent the conditions on it have been fulfilled. Unconditional grant revenue is recognized when the funds have been received.

Developer credit agreements relating to assets transferred to the Town are recognized as revenue as the related developer credits are owed on associated building permits.

**Liability for Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Town is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**2 BUDGET RECONCILIATION**

The authority of Council is required before monies can be spent by the Municipality. Approvals are given in the form of an annual budget. The budget approved by Council differs from the budget in the Consolidated Statement of Operations. The difference is due to several factors. A supplementary Operating and Capital budget was approved subsequent to the initial budget approval. The budget has also been adjusted to account for material changes due to PSAB reporting requirements.

	Revenue \$	Expense \$
Operating Fund	31,146,349	30,945,849
Transfers to/from other funds	-	(3,823,749)
Capital Budget	6,977,912	12,561,092
Total Council Approved Budget	38,124,261	39,683,192
Less: Tangible Capital Assets Capitalized	-	(6,027,626)
Plus: Budgeted Amortization Expenses	-	5,854,618
Adjusted Budget per Consolidated Statement of Operations	38,124,261	39,510,184

**3 CASH AND CASH EQUIVALENTS**

	2016 \$	2015 \$
Unrestricted cash, held at the bank and petty cash	13,818,952	9,317,449
Restricted cash, held at the bank	42,247,093	8,914,654
Total cash and cash equivalents	56,066,045	18,232,103

Restricted cash is comprised of deposits, deferred revenues, obligatory reserves funds and the library fundraising reserve fund.

Included in cash and cash equivalents are short term investments comprised of the following:

	2016 \$	2015 \$
Guaranteed Investment Certificates, interest rate of 1.05%, maturing February 2, 2017	25,262,132	5,208,976

Short term investments market value is \$ 25,284,170 (2015 - \$5,217,396).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**4 EMPLOYEE AND ELECTED OFFICIAL FUTURE SALARIES AND BENEFITS PAYABLE**

The Town provides certain employee and elected official benefits that will require funding in future periods. The Town pays certain health and dental benefits to the age of 65 on behalf of those retired employees that were employed by the Town for 15 years or more. The liability recorded by the Town has been determined by an actuarial study completed in 2014 and extrapolated for 2016.

The Town recognizes the cost of its post retirement non-pension benefit costs and vacation entitlement obligations, in the period in which the employee rendered the services.

The Town has a “pay for performance program” for senior management that is paid in the subsequent fiscal period based on an evaluation of accomplishments for the fiscal year. The cost of the “pay for performance” program is recognized in the period in which the employee rendered the services.

The Town also pays severance to elected officials based on length of continuous service to a maximum of 6 months remuneration. Severance cost obligations for elected officials are recognized in the period in which the elected official rendered the services.

	2016 \$	2015 \$
Vacation pay and “banked” overtime	432,332	367,201
Council severance	100,249	81,596
Accrued post retirement non-pension benefits	378,404	362,960
Pay for performance program	28,137	29,859
<b>Total employee future benefits payable</b>	<b>939,122</b>	<b>841,616</b>

As recommended by PSAB, the projected benefit method pro-rated on services has been adopted to attribute the cost of non-pension retirement benefits to the periods of employee service.

Under this method, the present value of all fiscal 2016 and later costs (premiums) to be paid by the Town for each active and retired employee for non-pension retirement benefits, as at December 31, 2016, are pro-rated. They are pro-rated over the employee’s service from the date of employment to the date the employee first becomes eligible to receive the benefit.





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**4 EMPLOYEE AND ELECTED OFFICIAL FUTURE SALARIES AND BENEFITS PAYABLE (continued)**

*General Inflation*

Future general inflation levels were assumed to increase at 2.0% (2015 – 2.0%) per year.

*Interest (discount) rate*

The present value of the post employment benefit liability was determined using a discount rate of 4.75 % (2015 – 4.75%).

*Health costs*

Health costs were assumed to increase at an average increase of 5.667% for 2016 reducing by 0.333% per year to reach 4.0% per year starting in 2020 (2015 – 4.0%).

*Dental costs*

Dental costs were assumed to increase at an average increase of 4.0% (2015 – 4.0%) per year.

**5 DEPOSITS AND DEFERRED REVENUE**

The Town has total deposits and deferred revenues of \$23,533,960 (2015 – \$6,307,298). Deferred revenue represents \$21,813,995 with the balance being held as deposits. Deferred revenue is comprised of contributions made to the Town for various specific purposes. The balances in the deferred revenue of the Town are summarized below:

	<b>Beginning Balance</b>	<b>Inflows</b>	<b>Outflows</b>	<b>Ending Balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Deferred Revenue</b>	<b>4,753,732</b>	<b>42,753,686</b>	<b>(25,693,423)</b>	<b>21,813,995</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

### 6 OBLIGATORY RESERVE FUNDS

The balances in the obligatory reserve funds of the Town are summarized below:

	2016	2015
	\$	\$
<b>Development charges, opening balance</b>	<b>1,913,624</b>	2,810,529
Add: Developer contributions	31,925,310	657,790
Add: Interest earned	119,241	31,188
Deduct: Amounts used for eligible capital projects	(1,096,560)	(1,559,557)
Deduct: Credit issued	(15,119,965)	(26,326)
Development charges, ending balance	<b>17,741,650</b>	1,913,624
<b>Parkland, opening balance</b>	<b>126,956</b>	138,065
Add: Developer contributions	-	19,000
Add: Interest earned	1,596	1,805
Deduct: Amounts used for eligible capital projects	(7,866)	(31,914)
Parkland, ending balance	<b>120,686</b>	126,956
<b>Federal Gas Tax, opening balance</b>	<b>525,861</b>	460,401
Add: Allocation received	683,250	650,715
Add: Interest earned	5,574	4,980
Deduct: Amounts used for eligible capital projects	(423,474)	(590,235)
Federal Gas Tax, ending balance	<b>791,211</b>	525,861
<b>Total obligatory reserve funds</b>	<b>18,653,547</b>	2,566,441



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**7 OBLIGATION UNDER TANGIBLE CAPITAL LEASE**

	2016 \$	2015 \$
Obligation under tangible capital lease for machinery and equipment, monthly payments of \$8,259 with interest at the rate of 4.89%, maturing July 2019.	<b>236,893</b>	323,849

Interest expense for the year related to this tangible capital lease is \$13,656 (2015 - \$17,723).

Future minimum lease payments under this tangible capital lease for subsequent years are as follows:

	\$
2017	99,108
2018	99,108
2019	57,813
	256,029
Less: Imputed interest	(19,136)
	<b>236,893</b>

**8 NET TAXATION CHARGES**

Net taxation charges consist of the following:

	2016 \$	2015 \$
Total taxes levied by the Town	<b>47,156,557</b>	45,591,111
Less		
Taxes levied on behalf of the Region of York	<b>18,364,983</b>	17,920,943
Taxes levied on behalf of the School Boards	<b>12,483,442</b>	12,359,008
Total net taxation charges	<b>16,308,132</b>	15,311,160



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

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### 9 GOVERNMENT TRANSFERS

Government transfers include monetary transfers based on cost-sharing agreements between the three levels of government. Some funds are transferred when the Town provides evidence that the qualifying expenditures have been incurred. The Town also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (entitlements with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see *note 6*). Grants are also received to support specific program areas such as recreation programs, etc.

The following kinds of transfers were included in revenue:

	2016	2015
	\$	\$
Grants with stipulations	683,534	1,029,524
Other grants	310,971	237,284
Total government transfers	994,505	1,266,808

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

### 10 TANGIBLE CAPITAL ASSETS

Cost	Balance as at December 31, 2015 \$	Additions \$	Disposals/ Transfers \$	Balance as at December 31, 2016 \$
Transportation infrastructure	54,918,398	444,026	(547,537)	54,814,887
Environmental infrastructure	83,178,217	173,922	(166,082)	83,186,057
Facilities	22,245,324	3,267,014	(456,695)	25,055,643
Vehicles	7,180,147	1,523,400	(1,111,241)	7,592,306
Machinery and equipment	5,396,450	798,096	(387,945)	5,806,601
Land improvements	12,425,745	196,916	-	12,622,661
Land	27,189,683	20,718,371	-	47,908,054
	<u>212,533,964</u>	<u>27,121,745</u>	<u>(2,669,500)</u>	<u>236,986,209</u>
Capital work in progress	4,278,391	676,042	(3,637,579)	1,316,854
	<u>216,812,355</u>	<u>27,797,787</u>	<u>(6,307,079)</u>	<u>238,303,063</u>

Accumulated amortization	Balance as at December 31, 2015 \$	Amortization Charge for the year \$	Disposals/ Transfers \$	Balance as at December 31, 2016 \$
Transportation infrastructure	28,191,054	1,744,235	(547,534)	29,387,755
Environmental infrastructure	36,934,831	1,658,306	(166,082)	38,427,055
Facilities	10,065,299	660,101	(442,673)	10,282,727
Vehicles	3,409,099	593,411	(1,053,424)	2,949,086
Machinery and equipment	2,350,760	707,221	(290,606)	2,767,375
Land improvements	4,462,709	491,344	-	4,954,053
	<u>85,413,752</u>	<u>5,854,618</u>	<u>(2,500,319)</u>	<u>88,768,051</u>

Net book value	December 31, 2015 \$	December 31, 2016 \$
Transportation infrastructure	26,727,344	25,427,130
Environmental infrastructure	46,243,386	44,759,004
Facilities	12,180,025	14,772,916
Vehicles	3,771,048	4,643,220
Machinery and equipment	3,045,690	3,039,226
Land improvements	7,963,036	7,668,608
Land	27,189,683	47,908,054
	<u>127,120,212</u>	<u>148,218,158</u>
Capital work in progress	4,278,391	1,316,854
	<u>131,398,603</u>	<u>149,535,012</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**10 TANGIBLE CAPITAL ASSETS (continued)**

**a) Assets under construction**

Assets under construction and other capital work in progress having a value of \$1,316,854 (2015 - \$4,278,391) have not been amortized. Amortization of these assets will commence when the asset is put into service.

**b) Assets under tangible capital lease**

	2016 \$		2015 \$	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Machinery and equipment	442,022	110,506	442,022	66,303
		<b>331,516</b>		<b>375,719</b>

**11 CONTRACTUAL OBLIGATIONS**

During the year the Town had work done on several major projects with contract values totaling \$919,296 (2015 - \$2,212,044). These contracts relate to the construction and expansion of certain permanent facilities. As at December 31, 2016, \$640,412 (2015 - \$149,509) relating to these contracts had not been expended.

**12 COMMITMENTS**

The Town has entered into agreements to lease office equipment and vehicles for various periods until 2019 with minimum lease payments of \$298,178.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

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### 13 PENSION PLAN

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of staff. The plan is a defined benefit plan, which specifies that amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. OMERS provides pension services to more than 470,000 active and retired members and approximately 1,000 employees.

Each year an independent actuary determines the status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the municipality to OMERS for 2016 were \$980,172 (2015 - \$942,426).

### 14 CONTINGENCIES

The Town is subject to various legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time; however, the Town's management believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position.

### 15 INSURANCE COVERAGE

Effective January 1, 2012, the Town retained the services of BFL Canada Risk and Insurance Services Inc. to provide insurance and risk management services. The current policy provides a \$10,000 deductible limit per incident.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**16 ACCUMULATED SURPLUS**

Accumulated surplus is comprised of the following:

	2016	2015
	\$	\$
<b>Reserves</b>		
Working Capital/Tax Stabilization	3,588,938	2,162,825
Reserve – Planning Act	430,304	(719,221)
CPI Development Fees	1,681,292	1,146,236
Parks Development Fees	(145,753)	(375,690)
Building Code Enforcement	5,725,465	(729,477)
Election	53,821	28,330
Emergency Services	465,297	477,563
Insurance	119,207	98,276
Real Estate Legal & Administration	186,323	184,107
Winter Maintenance	88,108	87,061
Farmers Market	11,115	7,085
General Capital	1,399,447	1,287,006
Public Works Roads	140,689	139,016
Parks Structures	285,859	185,290
Information Technology	148,525	117,884
Vehicle & Equipment Replacement – Tax Levy	1,592,843	1,484,303
Buildings	1,535,753	1,521,930
Library Asset Replacement	122,307	117,695
Fill & Site Alteration	(23,751)	(117,067)
Water & Sewer Rate Stabilization	554,858	548,260
Vehicle & Equipment Replacement – Water & Sewer	144,814	196,919
Infrastructure – Water & Sewer	6,123,821	3,917,952
Unexpended Capital	280,171	195,728
Library Special	59,364	93,241
Community Capital Contribution		
- Environment & Watershed Enhancement	236,551	49,146
- Ineligible Due to Level of Service	1,267,416	889,377
- 10% Mandatory DC Reduction	1,188,725	517,049
- Parkland Acquisition	1,589,548	677,022
- Administration Facilities	2,045,372	703,541
- Art & Culture Heritage	716,009	248,089
- Econ Dev. Initiatives & Servicing	582,795	403,679
<b>Total reserves</b>	<b>32,195,233</b>	<b>15,543,155</b>
Front Ended Capital Projects to be recovered by development charges	(19,238,646)	(3,375,224)
Investment in tangible capital assets	149,535,012	131,398,603
	<b>162,491,599</b>	<b>143,566,534</b>





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2016

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### 17 COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform with current financial statement presentation.

### 18 SEGMENTED INFORMATION

The Town provides a range of services to its citizens. For management reporting and stewardship purposes, all operations are organized and reported by the services they supply.

Town services are provided by departments and their activities are reported. The following departments have been separately disclosed in the segmented information, along with a description of their services. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

(a) *General government*

All support staff and services are included here such as Town Council, the Office of the CAO, Clerks including By-Law, and Treasury.

(b) *Protection to persons and property*

Protection is comprised of emergency services and Building Code enforcement. These departments are responsible for maintaining and enhancing public safety through emergency management planning, prevention and public education programs, enforcement and emergency response.

(c) *Transportation services*

The Transportation department is responsible for the Town's infrastructure. This includes the safety and maintenance of the Town's paved roads, sidewalks, street lights, trees, traffic control devices and the school crossing guard program.

(d) *Environment services*

This segment consists of water and waste water and waste/recycling collection.

(e) *Recreation and cultural services*

The Recreation department is responsible for the planning, administration, operation and maintenance of municipal parks and facilities. Recreation and leisure services are provided through leisure programs as well as parks, playgrounds, open spaces and trail systems.

(f) *Planning and development*

The Planning and building services department administers and oversees key aspects of the land use and development approval process in the Town.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**18 SEGMENTED INFORMATION (continued)**

(g) *Library*

The Library serves the members of the public in their leisure, informational and cultural quests.

(h) *Elimination*

Eliminating entries are necessary for consolidation purposes to eliminate transactions which are recorded by both the Library and the Town. Eliminating entries are equal reductions of revenues and expenses which do not change the annual surplus of the consolidated entity.

Certain allocation methodologies are employed in the preparation of segmented financial information. Government grants, user charges, transfers from other funds, and other revenues are allocated to the specific program or service they relate to. Internal and external expenses are allocated. Activity based costing is used to allocate internal support costs to departments. These costs include the net expenditures for departments, such as human resources, information systems, finance and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

	2016 \$	2015 \$	2016 \$	2015 \$
	<b>CONSOLIDATED</b>		<b>GENERAL GOVERNMENT</b>	
<b>Expenses</b>				
Salaries and wages	16,967,444	15,199,488	2,115,237	1,900,161
Materials	5,570,476	2,416,438	2,871,438	115,628
Contracted services	24,611,979	7,737,901	17,277,340	1,335,191
Amortization	5,854,618	5,528,944	370,491	309,185
	<b>53,004,517</b>	<b>30,882,771</b>	<b>22,634,506</b>	<b>3,660,165</b>
<b>Revenues</b>				
Net taxation charges	(16,308,132)	(15,311,160)	(16,308,132)	(15,311,160)
User charges	(22,483,356)	(11,479,353)	(493,580)	(131,304)
Charges to developers	(15,900,174)	(2,227,534)	(15,013,439)	(272,144)
Grants	(994,505)	(1,266,808)	(342,391)	(274,608)
Penalties on taxes	(443,302)	(473,347)	(443,302)	(473,347)
Investment income	(216,581)	(190,985)	(216,581)	(190,985)
Contributed tangible capital assets	(12,718,370)	-	(12,718,370)	-
Other	(2,906,156)	(988,044)	(1,516,599)	(296,965)
	<b>(71,970,576)</b>	<b>(31,937,231)</b>	<b>(47,052,394)</b>	<b>(16,950,513)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**18 SEGMENTED INFORMATION (continued)**

	2016 \$	2015 \$	2016 \$	2015 \$
	<b>PROTECTION</b>		<b>TRANSPORTATION</b>	
<b>Expenses</b>				
Salaries and wages	5,007,868	4,081,343	2,641,988	2,433,703
Materials	215,440	18,873	1,063,259	896,350
Contracted services	158,840	207,621	1,724,481	1,400,600
Amortization	596,925	439,638	2,008,235	1,953,018
	<b>5,979,073</b>	<b>4,747,475</b>	<b>7,437,963</b>	<b>6,683,671</b>
<b>Revenues</b>				
User charges	(8,980,824)	(1,178,605)	(1,706,543)	(1,150,778)
Charges to developers	(478,162)	(857,744)	(76,710)	(97,473)
Grants	-	-	(411,259)	(585,332)
Other	(434,401)	(317,540)	(620,047)	(226,333)
	<b>(9,893,387)</b>	<b>(2,353,889)</b>	<b>(2,814,559)</b>	<b>(2,059,916)</b>
	<b>ENVIRONMENT</b>		<b>RECREATION</b>	
<b>Expenses</b>				
Salaries and wages	1,792,341	1,804,027	3,069,745	2,892,923
Materials	235,795	407,745	2,300,843	2,017,872
Contracted services	4,183,795	3,584,696	964,789	888,569
Amortization	1,724,576	1,714,423	965,866	952,813
	<b>7,936,507</b>	<b>7,510,891</b>	<b>7,301,243</b>	<b>6,752,177</b>
<b>Revenues</b>				
User charges	(7,582,934)	(6,285,895)	(1,628,883)	(1,266,420)
Charges to developers	(2,342)	-	(205,082)	(764,879)
Grants	(93,646)	(88,923)	(21,745)	(154,400)
Other	(152,104)	(68,424)	(155,269)	(67,755)
	<b>(7,831,026)</b>	<b>(6,443,242)</b>	<b>(2,010,979)</b>	<b>(2,253,454)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As at December 31, 2016

**18 SEGMENTED INFORMATION (continued)**

	2016 \$	2015 \$	2016 \$	2015 \$
	<b>PLANNING</b>		<b>LIBRARY</b>	
<b>Expenses</b>				
Salaries and wages	1,224,934	1,096,021	1,115,331	991,310
Materials	45,697	24,935	216,663	194,925
Contracted services	269,300	278,719	33,434	42,505
Amortization	-	-	188,525	159,867
	<b>1,539,931</b>	<b>1,399,675</b>	<b>1,553,953</b>	<b>1,388,607</b>
<b>Revenues</b>				
User charges	(2,071,143)	(1,448,087)	(19,449)	(18,264)
Charges to developers	(124,439)	(235,294)	-	-
Grants	-	(92,554)	(1,504,123)	(1,330,881)
Other	(2,177)	(1,877)	(25,559)	(9,150)
	<b>(2,197,759)</b>	<b>(1,777,812)</b>	<b>(1,549,131)</b>	<b>(1,358,295)</b>
	<b>ELMINATION</b>			
<b>Expenses</b>				
Materials	(1,378,659)	(1,259,890)		
	<b>(1,378,659)</b>	<b>(1,259,890)</b>		
<b>Revenues</b>				
Grants	1,378,659	1,259,890		
	<b>1,378,659</b>	<b>1,259,890</b>		