



Town of
East Gwillimbury

Consolidated Financial Statements

December 31, 2017

Our Town, Our Future

**Town of East Gwillimbury
2017 Consolidated Financial Statements**

*Approved by Council
August 14, 2018*

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

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*Thinking
Green!*



Mayor Virginia Hackston



Councillor James R. Young



Councillor Tara Roy-DiClemente



Councillor Marlene Johnston



Councillor Joe Persechini

*Character
Community*



CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

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Independent Auditor's Report

**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, 2017, 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

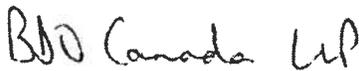
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2017 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 14, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

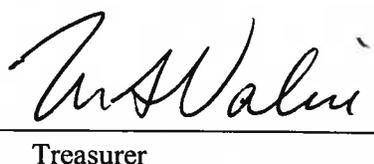
Year ended December 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	86,408,045	56,066,045
Taxes receivable	3,510,263	2,735,613
User charges receivable	2,474,941	1,966,826
Accounts receivable	3,148,605	2,604,990
	95,541,854	63,373,474
LIABILITIES		
Accounts payable and accrued liabilities	5,936,699	7,479,541
Obligation under tangible capital lease (note 7)	145,591	236,893
Employee and elected official future salaries and benefits payable (note 4)	981,039	939,122
Deposits and deferred revenue (note 5)	31,282,890	23,533,960
Obligatory reserve funds (note 6)	34,305,885	18,653,547
	72,652,104	50,843,063
Net financial assets	22,889,750	12,530,411
NON FINANCIAL ASSETS		
Prepays	567,820	426,176
Tangible capital assets (note 10)	153,608,248	149,535,012
	154,176,068	149,961,188
Accumulated surplus (note 16)	177,065,818	162,491,599

Commitments and contingencies (notes 12 and 14)



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, 2017

	2017 Budget \$ (note 2)	2017 Actual \$	2016 Actual \$
REVENUE			
Net taxation charges (note 8)	18,142,171	18,265,478	16,308,132
User charges	16,502,602	22,535,973	22,483,356
Charges to developers	5,806,267	5,838,784	15,900,174
Government transfers (note 9)	3,557,871	1,154,838	994,505
Penalties on taxes	500,000	424,757	443,302
Investment income	175,000	507,953	216,581
Contributed tangible capital assets	-	7,461,501	12,718,370
Other	407,459	1,255,516	2,906,156
Total revenue	45,091,370	57,444,800	71,970,576
EXPENSE			
General government	5,415,458	9,661,005	22,634,506
Protection to persons and property	7,471,672	6,984,604	5,979,073
Transportation services	9,409,581	7,453,805	7,437,963
Environmental services	10,302,093	8,614,167	7,936,507
Recreation and cultural services	7,642,706	7,744,198	7,476,537
Planning and development	4,146,690	1,859,770	1,539,931
Total expenses	44,388,200	42,317,549	53,004,517
NET REVENUES	703,170	15,127,251	18,996,059
Gain/(Loss) on sale of tangible capital assets	-	(553,032)	(40,994)
Annual surplus	703,170	14,574,219	18,925,065
Accumulated surplus, beginning of year	162,491,599	162,491,599	143,566,534
Accumulated surplus, end of year	163,194,769	177,065,818	162,491,599

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2017

	2017	2016
	\$	\$
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	14,574,219	18,925,065
Non-cash changes to operations		
Amortization	6,053,080	5,845,618
Contributed tangible capital assets	(7,461,501)	(12,718,370)
Loss/(Gain) on sale of tangible capital assets	553,032	40,994
Changes in non-cash operating working capital		
Taxes receivable	(774,650)	303,113
User charges receivable	(508,115)	(348,696)
Accounts receivable	(543,615)	604,594
Accounts payable and accrued liabilities	(1,542,842)	2,549,624
Employee and elected official future salaries and benefits payable	41,917	97,506
Deposits and deferred revenue	7,748,930	17,226,662
Obligatory reserve funds	15,652,338	16,087,106
Prepays	(141,644)	616,435
	33,651,149	49,238,651
CAPITAL ACTIVITIES		
Proceeds from sale of tangible capital assets	-	128,185
Purchase of tangible capital assets	(3,217,847)	(11,441,836)
	(3,217,847)	(11,313,651)
FINANCING ACTIVITIES		
Repayment of long-term debt with the Region of York	-	(4,102)
Repayment of obligation under tangible capital lease	(91,302)	(86,956)
	(91,302)	(91,058)
Net increase (decrease) in cash and cash equivalents during the year	30,342,000	37,833,942
Cash and cash equivalents, beginning of year	56,066,045	18,232,103
Cash and cash equivalents, end of year	86,408,045	56,066,045

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

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year ended December 31, 2017

	2017 \$ Budget (note 2)	2017 \$ Actual	2016 \$ Actual
Annual surplus/(deficit)	703,170	14,574,219	18,925,065
Acquisition of tangible capital assets	(7,772,295)	(3,217,847)	(11,441,836)
Leased/contributed tangible capital assets	-	(7,461,501)	(12,718,370)
Amortization of tangible capital assets	6,053,081	6,053,080	5,854,618
Proceeds from sale of tangible capital assets	-	-	128,185
(Gain)/Loss on sale of tangible capital assets	-	553,032	40,994
	(1,016,044)	10,500,983	788,656
Change in prepaids	-	(141,644)	616,435
Change in net financial assets	(1,016,044)	10,359,339	1,405,091
Net financial assets, beginning of year	12,530,411	12,530,411	11,125,320
Net financial assets, end of year	11,514,367	22,889,750	12,530,411

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

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, 2017

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 (up to 181 days).

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, accrued receivables liabilities, and the fair value of contributed tangible assets. 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, 2017

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:

	Useful Life - Years
Transportation infrastructure	5-75
Environmental infrastructure	15-75
Facilities	20-100
Vehicles	5-15
Machinery and equipment	3-25
Land improvements	15-50

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 and as approved by council.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

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.

Machinery and equipment	Useful Life - Years 3-25
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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, 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget figures

The budgets originally approved by the Town for 2017, 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, 2017

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.

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

The Town adopted PSAB Standard PS3260 Liability for Contaminated Sites effective January 1, 2015. Under PS3260, contaminated sites are sites at which substances occur in concentrations that exceed an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- an environmental standard exists
- contamination exceeds the environmental standard
- the Town is directly responsible or accepts responsibility for the liability
- it is expected that future economic benefits will be given up, and
- a reasonable estimate of the liability can be made.

The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

Front ended contract liabilities

Front ended contract liabilities arise from contractual obligations with developers and are recorded at the time the contract is signed and a reasonable estimate can be made of the amount involved. When building permits are issued to the developer the obligation is fulfilled and the liability is reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

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 primarily to the capitalization and amortization of tangible capital assets. A supplementary 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	36,323,499	36,323,499
Transfers to/from other funds	-	(5,047,149)
Capital Budget	8,767,871	14,831,064
Total Council Approved Budget	45,091,370	46,107,414
Less: Tangible Capital Assets Capitalized	-	(7,772,295)
Plus: Budgeted Amortization Expenses	-	6,053,081
Adjusted Budget per Consolidated Statement of Operations	45,091,370	44,388,200

3 CASH AND CASH EQUIVALENTS

	2017 \$	2016 \$
Unrestricted cash, held at the bank and petty cash	20,764,485	13,818,952
Restricted cash, held at the bank	65,643,560	42,247,093
Total cash and cash equivalents	86,408,045	56,066,045

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:

	2017 \$	2016 \$
Guaranteed Investment Certificates, interest rate between 1.55% and 1.56%, maturing by February 5, 2018	45,540,649	25,262,132

Short term investments market value is \$45,649,605 (2016 - \$25,284,170).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

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 2017.

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.

	2017	2016
	\$	\$
Vacation pay and “banked” overtime	453,436	432,332
Council severance	102,324	100,249
Accrued post retirement non-pension benefits	398,638	378,404
Pay for performance program	26,641	28,137
Total employee future benefits payable	981,039	939,122

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 2017 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, 2017, 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, 2017

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

General Inflation

Future general inflation levels were assumed to increase at 2.0% (2016 – 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 % (2016 – 4.75%).

Health costs

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

Dental costs

Dental costs were assumed to increase at an average increase of 4.0% (2016 – 4.0%) per year.

5 DEPOSITS AND DEFERRED REVENUE

The Town has total deposits and deferred revenues of \$31,282,890 (2016 – \$23,533,960). Deferred revenue represents \$27,482,310 with the balance being held as deposits. Deferred revenue is comprised of contributions made to the Town for various purposes. The balances in the deferred revenue of the Town are summarized below:

	Beginning Balance	Inflow	Outflows	Ending Balance
	\$	\$	\$	\$
Deferred Revenue	21,624,434	11,431,995	(5,574,119)	27,482,310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

6 OBLIGATORY RESERVE FUNDS

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

	2017	2016
	\$	\$
Development charges, opening balance	17,741,650	1,913,624
Add: Developer contributions	20,041,158	31,925,310
Add: Interest earned	381,463	119,241
Deduct: Amounts used for eligible capital projects	(1,129,390)	(1,096,560)
Deduct: Credits issued	(4,128,934)	(15,119,965)
Development charges, ending balance	32,905,947	17,741,650
Parkland, opening balance	120,686	126,956
Add: Interest earned	1,249	1,596
Deduct: Amounts used for eligible capital projects	(76,814)	(7,866)
Parkland, ending balance	45,121	120,686
Federal Gas Tax, opening balance	791,211	525,861
Add: Allocation received	714,596	683,250
Add: Interest earned	10,666	5,574
Deduct: Amounts used for eligible capital projects	(276,904)	(423,474)
Federal Gas Tax, ending balance	1,239,569	791,211
Ontario Municipal Partnership Fund, opening balance	-	-
Add: Allocation received	211,381	105,234
Add: Interest earned	599	-
Deduct: Amounts used for eligible capital projects	(96,732)	(105,234)
Ontario Municipal Partnership Fund, ending balance	115,248	-
Total obligatory reserve funds	34,305,885	18,653,547



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

7 OBLIGATION UNDER TANGIBLE CAPITAL LEASE

	2017	2016
	\$	\$
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.	145,591	236,893

Interest expense for the year related to this tangible capital lease is \$9,385 (2016 - \$13,656).

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

	\$
2018	99,108
2019	57,813
	156,921
Less: Imputed interest	(11,330)
	145,591

8 NET TAXATION CHARGES

Net taxation charges consist of the following:

	2017	2016
	\$	\$
Total taxes levied by the Town	51,921,825	47,156,577
Less		
Taxes levied on behalf of the Region of York	20,192,859	18,364,983
Taxes levied on behalf of the School Boards	13,463,488	12,483,442
Total net taxation charges	18,265,478	16,308,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

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 5 and 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:

	2017	2016
	\$	\$
Grants with stipulations	919,069	683,534
Other grants	235,769	310,971
Total government transfers	1,154,838	994,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

10 TANGIBLE CAPITAL ASSETS

Cost	Balance as at December 31, 2016 \$	Additions \$	Disposals/ Transfers \$	Balance as at December 31, 2017 \$
Transportation infrastructure	54,814,887	262,685	(804,651)	54,272,921
Environmental infrastructure	83,186,057	598,278	(94,270)	83,690,065
Facilities	25,055,643	322,684	(987,207)	24,391,120
Vehicles	7,592,306	178,955	(85,000)	7,686,261
Machinery and equipment	5,806,601	838,238	(294,686)	6,350,153
Land improvements	12,622,661	760,217	(666,224)	12,716,654
Land	47,908,054	7,181,001	-	55,089,055
	236,986,209	10,142,058	(2,932,038)	244,196,229
Capital work in progress	1,316,854	1,696,079	(1,158,789)	1,854,144
	238,303,063	11,838,137	(4,090,827)	246,050,373

Accumulated amortization	Balance as at December 31, 2016 \$	Amortization for the year \$	Disposals/ Transfers \$	Balance as at December 31, 2017 \$
Transportation infrastructure	29,387,755	1,721,351	(804,651)	30,304,455
Environmental infrastructure	38,427,055	1,677,537	(94,270)	40,010,322
Facilities	10,282,727	719,601	(956,680)	10,045,648
Vehicles	2,949,086	639,708	(85,000)	3,503,794
Machinery and equipment	2,767,375	801,119	(291,712)	3,276,782
Land improvements	4,954,053	493,764	(146,693)	5,301,124
	88,768,051	6,053,080	(2,379,006)	92,442,125

Net book value	December 31, 2016 \$	December 31, 2017 \$
Transportation infrastructure	25,427,132	23,968,466
Environmental infrastructure	44,759,004	43,679,743
Facilities	14,772,916	14,345,472
Vehicles	4,643,220	4,182,467
Machinery and equipment	3,039,226	3,073,371
Land improvements	7,668,608	7,415,530
Land	47,908,054	55,089,055
	148,218,158	151,754,104
Capital work in progress	1,316,854	1,854,144
	149,535,012	153,608,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

10 TANGIBLE CAPITAL ASSETS (continued)

a) Assets under construction

Assets under construction and other capital work in progress having a value of \$1,854,143 (2016 - \$1,316,854) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Assets under tangible capital lease

	2017		2016	
	\$		\$	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Machinery and equipment	442,022	154,708	442,022	110,506
		287,314		331,516

11 CONTRACTUAL OBLIGATIONS

During the year the Town had work done on several major projects with contract values totaling \$4,677,512 (2016 - \$919,296). These contracts relate to the construction and expansion of certain permanent facilities that will be constructed in 2018 or later periods. As at December 31, 2017, \$3,276,501 (2016 - \$640,412) relating to these contracts had not been expended.

12 COMMITMENTS

The Town has entered into agreements to lease office equipment for various periods until 2019 with minimum lease payments of \$8,304.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

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 482,000 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, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million in respect of benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 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 2017 were \$1,164,776 (2016 - \$980,172).

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, 2017

16 ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:

	2017	2016
	\$	\$
Reserves		
Working Capital/Tax Stabilization	3,078,203	3,588,938
Planning Act	1,130,217	430,304
Engineering Fees	3,890,148	1,681,292
Parks Development Fees	189,325	(145,753)
Building Code Enforcement	9,263,099	5,725,465
Election	79,828	53,821
Emergency Services	472,359	465,297
Insurance	225,820	119,207
Real Estate Legal and Administration	648,473	186,323
Winter Maintenance	89,446	88,108
Farmers Market	11,607	11,115
General Capital	1,723,677	1,281,097
Public Works Roads	142,825	140,689
Parks Structures	351,112	285,859
Information Technology	454,410	148,525
Vehicle and Equipment Replacement – Tax Levy	2,267,161	1,592,843
Buildings	1,806,597	1,535,753
Library Asset Replacement	148,011	122,307
Fill and Site Alteration	(7,084)	(23,751)
Water and Sewer Rate Stabilization	563,279	554,858
Vehicle and Equipment Replacement – Water and Sewer	143,836	144,814
Infrastructure – Water and Sewer	8,681,777	6,123,821
Unexpended Capital	703,037	280,171
Library Special	84,180	59,364
Community Capital Contribution		
- Environment & Watershed Enhancement	388,616	236,551
- Ineligible Due to Level of Service	1,609,182	1,267,416
- 10% Mandatory Development Credit Reduction	2,137,792	1,188,725
- Parkland Acquisition	2,068,103	1,589,548
- Administration Facilities	2,856,394	2,045,372
- Art and Culture Heritage	971,487	716,009
- Economic Development Initiatives and Servicing	674,927	582,795
Subtotal	46,847,844	32,076,833
Supplementary Taxes (unbilled)	348,376	118,350
Total Reserves	47,196,220	32,195,233
Front Ended Capital Projects to be recovered by development charges	(23,738,650)	(19,238,646)
Investment in tangible capital assets	153,608,248	149,535,012
	177,065,818	162,491,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

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, and Finance.

(b) *Protection to persons and property*

Protection is comprised of emergency services, By-law enforcement 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 road 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) *Environmental 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 cultural services are provided through 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, 2017

18 SEGMENTED INFORMATION (continued)

(g) *Library*

The Library provides leisure, information and cultural services to the public.

(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.

	2017 \$	2016 \$	2017 \$	2016 \$
	CONSOLIDATED		GENERAL GOVERNMENT	
Expenses				
Salaries and wages	17,953,048	16,967,444	2,030,193	2,115,237
Materials	4,944,169	5,570,476	1,323,409	2,871,438
Contracted services	13,367,252	24,611,979	5,852,313	17,277,340
Amortization	6,053,080	5,854,618	455,090	370,491
	42,317,549	53,004,517	9,661,005	22,634,506
Revenues				
Net taxation charges	(18,265,478)	(16,308,132)	(18,265,478)	(16,308,132)
User charges	(22,535,973)	(22,483,356)	(868,887)	(493,580)
Charges to developers	(5,838,784)	(15,900,174)	(4,491,679)	(15,013,439)
Grants	(1,154,838)	(994,505)	(188,542)	(342,391)
Penalties on taxes	(424,757)	(443,302)	(424,757)	(443,302)
Investment income	(507,953)	(216,581)	(507,953)	(216,581)
Contributed tangible capital assets	(7,461,501)	(12,718,370)	(7,461,501)	(12,718,370)
Other	(1,255,516)	(2,906,156)	(89,732)	(1,516,599)
	(57,444,800)	(71,970,576)	(32,298,529)	(47,052,394)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

18 SEGMENTED INFORMATION (continued)

	2017	2016	2017	2016
	\$	\$	\$	\$
	PROTECTION		TRANSPORTATION	
Expenses				
Salaries and wages	5,363,817	5,007,868	2,870,769	2,641,988
Materials	315,517	215,440	1,254,841	1,063,259
Contracted services	601,419	158,840	1,347,520	1,724,481
Amortization	703,851	596,925	1,980,675	2,008,235
	<u>6,984,604</u>	<u>5,979,073</u>	<u>7,453,805</u>	<u>7,437,963</u>
Revenues				
User charges	(5,754,809)	(8,980,824)	(3,360,871)	(1,706,543)
Charges to developers	(37,884)	(478,162)	(75,857)	(76,710)
Grants	-	-	(381,845)	(411,259)
Other	(447,989)	(434,401)	(472,196)	(620,047)
	<u>(6,240,682)</u>	<u>(9,893,387)</u>	<u>(4,290,769)</u>	<u>(2,814,559)</u>
	ENVIRONMENT		RECREATION	
Expenses				
Salaries and wages	2,011,616	1,792,341	3,327,339	3,069,745
Materials	943,505	235,795	2,439,176	2,300,843
Contracted services	3,913,575	4,183,795	966,145	964,789
Amortization	1,745,471	1,724,576	952,188	965,866
	<u>8,614,167</u>	<u>7,936,507</u>	<u>7,684,848</u>	<u>7,301,243</u>
Revenues				
User charges	(9,060,101)	(7,582,934)	(1,814,702)	(1,628,883)
Charges to developers	(60,096)	(2,342)	(517,175)	(205,082)
Grants	(296,784)	(93,646)	(220,658)	(21,745)
Other	(89,274)	(152,104)	(135,458)	(155,269)
	<u>(9,506,255)</u>	<u>(7,831,026)</u>	<u>(2,687,993)</u>	<u>(2,010,979)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017

18 SEGMENTED INFORMATION (continued)

	2017 \$	2016 \$	2017 \$	2016 \$
	PLANNING		LIBRARY	
Expenses				
Salaries and wages	1,171,932	1,224,934	1,177,382	1,115,331
Materials	20,342	45,697	260,612	216,663
Contracted services	667,496	269,300	18,784	33,434
Amortization	-	-	215,805	188,525
	<u>1,859,770</u>	<u>1,539,931</u>	<u>1,672,583</u>	<u>1,553,953</u>
Revenues				
User charges	(1,656,149)	(2,071,143)	(20,454)	(19,449)
Charges to developers	(656,093)	(124,439)	-	-
Grants	(4,845)	-	(1,675,397)	(1,504,123)
Other	-	(2,177)	(20,867)	(25,559)
	<u>(2,317,087)</u>	<u>(2,197,759)</u>	<u>(1,716,718)</u>	<u>(1,549,131)</u>
	ELMINATION			
Expenses				
Materials	(1,613,233)	(1,378,659)		
	<u>(1,613,233)</u>	<u>(1,378,659)</u>		
Revenues				
Grants	1,613,233	1,378,659		
	<u>1,613,233</u>	<u>1,378,659</u>		