

**The Corporation of the
Town of Shelburne
Financial Statements
For the year ended December 31, 2017**

The Corporation of the Town of Shelburne
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Shelburne

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Shelburne, 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 assets (debt) and cash flows 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 organization'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 organization'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 Corporation of the Town of Shelburne as at December 31, 2017 and the results of its operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
May 30, 2018

The Corporation of the Town of Shelburne Consolidated Statement of Financial Position

December 31	2017	2016
Assets and Liabilities		
Financial Assets		
Cash (Note 1)	\$ 11,542,860	\$ 9,649,403
Temporary investments (Note 2)	100,000	-
Taxes receivable	699,988	856,508
Trade and other receivable	1,058,072	2,045,616
Long-term receivables	16,100	16,660
	13,417,020	12,568,187
Liabilities		
Accounts payable and accrued liabilities	916,944	1,132,862
Deferred revenue (Note 3)	5,429,997	5,353,196
Long-term liabilities (Note 4)	5,703,211	6,360,231
Landfill site closure and post-closure liability (Note 5)	315,549	324,344
Post-employment benefits (Note 6)	292,362	-
	12,658,063	13,170,633
Net financial assets (debt)	758,957	(602,446)
Non-financial Assets		
Inventory of supplies	49,309	65,898
Prepays	1,292	4,123
Tangible capital assets (Note 7)	64,934,885	62,532,511
Accumulated surplus (Note 8)	\$ 65,744,443	\$ 62,000,086

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Town of Shelburne Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2017 Budget (Note 9)	2017 Actual	2016 Actual
Revenue			
Taxation	\$ 6,411,542	\$ 6,532,604	\$ 6,131,068
Fees and user charges	3,480,945	3,826,336	3,533,272
Grants (Note 14)	2,518,181	1,933,132	2,527,591
Other income (Note 12)	499,640	3,133,448	4,487,458
	<u>12,910,308</u>	<u>15,425,520</u>	<u>16,679,389</u>
Expenses			
General government	1,483,554	1,474,867	1,306,973
Protection services	2,968,269	3,023,533	2,658,438
Transportation services	2,053,785	1,947,461	1,793,919
Environmental services	2,948,968	2,988,307	2,600,197
Health services	92,792	65,749	49,478
Recreation and cultural services	1,549,701	1,597,100	1,552,540
Planning and development	521,597	603,245	451,947
	<u>11,618,666</u>	<u>11,700,262</u>	<u>10,413,492</u>
	1,291,642	3,725,258	6,265,897
Restatement of opening surplus (Note 20)	-	19,099	18,526
Annual surplus	1,291,642	3,744,357	6,284,423
Accumulated surplus, beginning of year	62,000,086	62,000,086	55,715,663
Accumulated surplus, end of year	<u>\$ 63,291,728</u>	<u>\$ 65,744,443</u>	<u>\$ 62,000,086</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of the Town of Shelburne
Consolidated Statement of Changes in Net Financial Assets (Debt)**

For the year ended December 31	2017	2017	2016
	Budget (Note 9)	Actual	Actual
Annual surplus	\$ 1,291,642	\$ 3,744,357	\$ 6,284,423
Acquisition of tangible capital assets	(3,000,608)	(4,630,337)	(10,245,615)
Amortization of tangible capital assets	2,216,484	2,216,484	1,947,503
Gain on sale of tangible capital assets	-	(16,244)	9,107
Proceeds on sale of tangible capital assets	-	27,723	467
	<u>(784,124)</u>	<u>(2,402,374)</u>	<u>(8,288,538)</u>
Change in prepaids	-	2,831	3,112
Change in inventory of supplies	-	16,589	(2,099)
	<u>-</u>	<u>19,420</u>	<u>1,013</u>
Increase (decrease) in net financial assets	507,518	1,361,403	(2,003,102)
Net financial assets (debt), beginning of the year	<u>(602,446)</u>	<u>(602,446)</u>	1,400,656
Net financial assets (debt), end of the year	<u>\$ (94,928)</u>	<u>\$ 758,957</u>	<u>\$ (602,446)</u>

The Corporation of the Town of Shelburne Consolidated Statement of Cash Flows

For the year ended December 31 2017 2016

Cash provided by (used in)

Operating activities

Annual surplus	\$ 3,744,357	\$ 6,284,423
Items not involving cash		
Landfill site closure and post-closure liability	(8,795)	4,667
Amortization of tangible capital assets	2,216,484	1,947,503
Deferred revenue recognized	(472,283)	(894,297)
Gain on sale of tangible capital assets	(16,244)	9,107
Change in inventory of supplies	16,589	(2,099)
Income from contribution of tangible capital assets	(2,458,266)	(3,349,612)
Post-employment benefits liability	292,362	-
	3,314,204	3,999,692
Change in non-cash working capital balances		
Decrease in taxes receivable	156,520	4,754
Decrease (increase) in trade and other receivable	987,544	(718,405)
Increase (decrease) in accounts payable and accrued liabilities	(215,918)	(81,801)
Deferred revenue received	549,084	1,108,532
Decrease (increase) in prepaids	2,831	3,112
Increase in long-term receivables	560	(3,136)
	4,794,825	4,312,748

Capital transactions

Cash used to acquire tangible capital assets	(2,172,071)	(6,896,003)
Proceeds on sale of tangible capital assets	27,723	467
	(2,144,348)	(6,895,536)

Investing activities

Acquisition of investments	(100,000)	-
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Financing activities

Advances of long-term liabilities	-	1,760,000
Repayment of long-term liabilities	(657,020)	(464,963)
	(657,020)	1,295,037

Net change in cash and cash equivalents	1,893,457	(1,287,751)
Cash and cash equivalents, beginning of year	9,649,403	10,937,154
Cash and cash equivalents, end of year	\$ 11,542,860	\$ 9,649,403

The Corporation of the Town of Shelburne Summary of Significant Accounting Policies

December 31, 2017

Management Responsibility

The consolidated financial statements of The Corporation of the Town of Shelburne are the representations of management. They have been prepared in accordance with accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Consolidation

The consolidated statements reflect the assets, liabilities, revenues and expenses of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Town of Shelburne Public Library Board
Town of Shelburne Business Improvement Area
Centre Dufferin Recreation Complex
Shelburne and District Fire Department (proportionate -
52.98%, 2016 - 51.65%)

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The Corporation of the Town of Shelburne

Summary of Significant Accounting Policies

December 31, 2017

Financial Instruments

The organization classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash, temporary investments, trade and other receivable, temporary borrowings, accounts payable and accrued liabilities, and long-term liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the statement of operations.

Cash and Cash Equivalents

The Town considers all short term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory of Supplies

Inventory held for consumption is recorded at the lower of cost and replacement cost.

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. Amortization is provided over the estimated useful life of the asset, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following useful lives are used:

Roads and Bridges	10 - 50 years
Land Improvements	15 - 60 years
Water and Sewer Systems	10 - 100 years
Buildings	15 - 100 years
Vehicles	3 - 15 years
Equipment	5 - 50 years

Tangible capital assets received as contributions are recorded at fair value at the date of transfer and also are recorded as revenue.

Non-financial Assets

Non-financial assets have useful lives that extend beyond the current year and are not intended for sale in the ordinary course of business.

The Corporation of the Town of Shelburne Summary of Significant Accounting Policies

December 31, 2017

Deferred Revenue	Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.
Revenue Recognition	<p>Fees and user charges are recognized when the related service is provided.</p> <p>Contributions are recognized based on the terms of the grant or the year that the related expenses occur.</p> <p>Other income is recognized when receivable.</p>
Taxation and Related Revenues	<p>Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Town Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated 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.</p> <p>Assessments and the related property taxes are subject to appeal. 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 allowance for anticipated uncollectable amounts.</p> <p>The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.</p>
Government Transfers	Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. 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.

The Corporation of the Town of Shelburne Summary of Significant Accounting Policies

December 31, 2017

County and School Boards

The municipality collects taxation revenue on behalf of the school boards and the County of Dufferin. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Dufferin are not reflected in these consolidated financial statements.

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these consolidated financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

1. Cash

	<u>2017</u>	<u>2016</u>
Unrestricted cash and cash equivalents	\$ 5,883,553	\$ 4,141,704
Restricted cash and cash equivalents	<u>5,659,307</u>	<u>5,507,699</u>
	<u>\$ 11,542,860</u>	<u>\$ 9,649,403</u>

The Town has internally and externally restricted funds that are segregated and will be used only for specific purposes. The Town's bank and savings accounts are held at one financial institution. All accounts earn interest at the bank's prime rate less 1.7%.

2. Temporary Investments

	<u>2017</u>	<u>2016</u>
Shelburne Library Board, Cashable guaranteed investment certificates earning 1%, maturing July 31, 2018	<u>\$ 100,000</u>	<u>\$ -</u>

Investments have a market value of \$100,000 (2016 - \$-) at the end of the year.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

3. Deferred Revenue

	2017	2016
Obligatory reserve funds		
Development charges	\$ 5,400,521	\$ 5,336,426
Federal gas tax	6,947	3,127
	5,407,468	5,339,553
Other		
Deferred library revenue	3,000	-
Deferred recreation revenue	19,529	13,643
	\$ 5,429,997	\$ 5,353,196

The net change during the year in the obligatory reserve fund balances is made up as follows:

	Development Charges	Federal Gas Tax	Total
Obligatory reserve fund, beginning of year	\$ 5,336,426	\$ 3,127	\$ 5,339,553
Restricted funds received during the year	282,688	180,884	463,572
Interest earned	62,310	673	62,983
Expenses recognized during the year	(280,903)	(177,737)	(458,640)
Obligatory reserve fund, end of year	\$ 5,400,521	\$ 6,947	\$ 5,407,468

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

4. Long-term Liabilities

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2017	2016
Long-term capital financing for new well, Ontario Infrastructure and Land Corporation (OILC), 3.10%, payable \$41,471 principal and interest semi-annually, due June 2036.	\$ 1,161,102	\$ 1,206,981
Long-term capital financing for Sister Streets, Ontario Infrastructure and Land Corporation (OILC), 2.52%, payable \$100,104 principal and interest semi-annually, due December 2026.	1,603,163	1,760,000
Long-term capital financing for STP Phase II, Ontario Strategic Infrastructure Financing Authority (OSIFA), 2.67%, payable \$56,751 principal and interest semi-annually, due July 2026.	902,725	990,364
Long-term capital financing for STP Phase III, Ontario Infrastructure Projects Corporation (OIPC), 4.21%, payable \$57,696 principal and interest semi-annually, due December 2030.	1,146,231	1,211,305
Long-term capital financing for Marie and Jane Street, Ontario Infrastructure and Land Corporation (OILC), 2.11%, payable \$131,409 principal and interest semi-annually, due November 2017.	-	258,716
Long-term capital financing for new well and water meters, Ontario Infrastructure and Land Corporation (OILC), 3.43%, payable \$37,254 principal and interest semi-annually, due April 2033.	889,990	932,865
	\$ 5,703,211	\$ 6,360,231

Principal payments for the next 5 fiscal years and thereafter are estimated as follows:

2018	\$	410,322
2019		422,718
2020		435,504
2021		448,694
2022		462,300
Thereafter		3,523,673

Interest expense in the amount of \$193,432 (2016 - \$153,711) has been recognized on the consolidated statement of operations and accumulated surplus.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

5. Landfill Site Closure and Post-Closure Liability

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The Town of Shelburne has estimated the closure and post-closure liability to be \$315,549 at December 31, 2017 (2016 - \$324,344). The liability was estimated based upon current monitoring costs of \$15,000 (2016 - \$15,000) annually inflated at a rate of 1.32% (2016 - 1.29%) per year and discounted at a rate of 3.10% (2016 - 3.10%) for 25 years (2016 - 26 years).

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

6. Post-Employment Benefits

The Town of Shelburne sponsors a defined benefit plan for retirement benefits other than pensions to all police employees. The plan provides extended health care, dental and life insurance benefits to employees to a maximum of age 65. Total benefit payments paid by the Town on behalf of retirees during the year were \$9,152 (2016 - \$-). The employee benefits liabilities as at December 31, 2017 are \$292,362 (2016 - \$-).

The liability is currently partially funded in the amount of \$21,053 through reserves. The additional liability is expected to be funded through budget allocations to the post-employment benefits reserve.

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2017.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates.

The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 3.25% (2016 - -%). For extended health care costs, an 6.75% annual rate of increase was assumed for 2018, reducing by 0.333% per year to 3.75% in 2027. For dental costs, a 3.75% annual rate of increase was assumed.

The total expenses related to retirement benefits other than pensions include the following components:

	2017	2016
Current period benefit cost	\$ 281,310	\$ -
Amortization of actuarial loss	-	-
	281,310	-
Retirement benefit expense	11,052	-
Interest costs	-	-
	292,362	-
Total expense for the year	\$ 292,362	\$ -

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2017

7. Tangible Capital Assets

	2017							
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads and Bridges	Water and Sewer Systems	Total
Cost, beginning of year	\$ 4,019,903	\$ 4,669,695	\$ 25,357,182	\$ 2,282,135	\$ 4,541,819	\$ 16,401,189	\$ 30,837,191	\$ 88,109,114
Additions	-	88,282	932,121	109,472	168,256	1,149,881	2,182,325	4,630,337
Disposals	-	(10,000)	-	(241,661)	(134,869)	(117,027)	-	(503,557)
Transfers during the year	-	29,603	(509,069)	-	460,530	(1,053,482)	1,072,418	-
Cost, end of year	4,019,903	4,777,580	25,780,234	2,149,946	5,035,736	16,380,561	34,091,934	92,235,894
Accumulated amortization, beginning of year	-	983,229	8,617,186	1,320,886	2,569,481	5,421,434	6,664,387	25,576,603
Amortization	-	150,381	709,285	191,110	252,689	409,121	503,898	2,216,484
Disposals	-	(10,000)	-	(234,911)	(134,869)	(112,298)	-	(492,078)
Transfers during the year	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	-	1,123,610	9,326,471	1,277,085	2,687,301	5,718,257	7,168,285	27,301,009
Net carrying amount, end of year	\$ 4,019,903	\$ 3,653,970	\$ 16,453,763	\$ 872,861	\$ 2,348,435	\$ 10,662,304	\$ 26,923,649	\$ 64,934,885

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2017

7. Tangible Capital Assets (continued)

								2016
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads and Bridges	Water and Sewer Systems	Total
Cost, beginning of year	\$ 3,775,995	\$ 3,977,184	\$ 22,566,752	\$ 1,975,873	\$ 4,241,132	\$ 13,139,212	\$ 28,519,908	\$ 78,196,056
Additions	219,802	354,302	2,160,246	306,262	379,569	2,935,255	3,890,179	10,245,615
Disposals	-	-	-	-	(322,230)	(10,327)	-	(332,557)
Transfers during the year	24,106	338,209	630,184	-	243,348	337,049	(1,572,896)	-
Cost, end of year	4,019,903	4,669,695	25,357,182	2,282,135	4,541,819	16,401,189	30,837,191	88,109,114
Accumulated amortization, beginning of year	-	862,275	7,954,931	1,138,484	2,648,325	5,097,755	6,250,313	23,952,083
Amortization	-	134,704	648,505	182,402	231,034	334,006	416,852	1,947,503
Disposals	-	-	-	-	(312,656)	(10,327)	-	(322,983)
Transfers during the year	-	(13,750)	13,750	-	2,778	-	(2,778)	-
Accumulated amortization, end of year	-	983,229	8,617,186	1,320,886	2,569,481	5,421,434	6,664,387	25,576,603
Net carrying amount, end of year	\$ 4,019,903	\$ 3,686,466	\$ 16,739,996	\$ 961,249	\$ 1,972,338	\$ 10,979,755	\$ 24,172,804	\$ 62,532,511

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

7. Tangible Capital Assets (continued)

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$- (2016 - \$5,824,877).

\$2,458,266 (2016 - \$3,349,612) in contributed roads and bridges, and water and sewer systems capital assets were recognized as tangible capital asset additions in the consolidated financial statements during the year.

The municipality holds various works of art at the Town Hall gallery. These items are not recorded as assets in the consolidated financial statements.

During the year, contributed assets were reallocated to the correct asset classification.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

8. Accumulated Surplus

Accumulated surplus consists of individual fund surplus (deficit) including reserves as follows:

	2017	2016
Investment in Tangible Capital Assets		
Tangible capital assets purchased	\$ 64,934,885	\$ 62,532,511
Capital assets financed by long-term liabilities, to be funded in future years	<u>(5,703,211)</u>	<u>(6,360,231)</u>
	<u>59,231,674</u>	<u>56,172,280</u>
Shelburne Library Board	(9,052)	-
Centre Dufferin Recreation Complex	45,770	35,429
Shelburne Business Improvement Area	25,812	17,152
Shelburne and District Fire Department	44,760	27,038
Unfunded solid waste closure and post-closure costs	(315,549)	(324,344)
Unfunded post-employment benefit	<u>(292,362)</u>	<u>-</u>
	<u>(500,621)</u>	<u>(244,725)</u>
	58,731,053	55,927,555
Reserves and reserve funds (Note 9)	<u>7,013,390</u>	<u>6,072,531</u>
Accumulated surplus	<u>\$ 65,744,443</u>	<u>\$ 62,000,086</u>

During the year, the Town operating surplus of \$386,928 (2016 - \$233,779) was transferred to reserves, as approved by Council.

During the year, the Library operating deficit of \$- (2016 - \$9,499) was financed from reserves, as approved by the Library Board.

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2017

9. Reserves and Reserve Funds Set Aside for Specific Purpose by Council

	<u>2017</u>	<u>2016</u>
Reserves		
Contingencies	\$ 497,446	\$ 447,446
Post-employment benefits	21,053	-
Current purposes	846,836	664,576
Capital purposes	<u>5,366,032</u>	<u>4,749,648</u>
	<u>6,731,367</u>	<u>5,861,670</u>
 Reserve funds		
Fire capital purposes	<u>282,023</u>	<u>210,861</u>
 Reserves and reserve funds set aside for specific purpose by Council	 <u>\$ 7,013,390</u>	 <u>\$ 6,072,531</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

10. Budgets

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2017 budget amounts for the Town of Shelburne approved by Council have been reclassified to conform to the presentation of the consolidated statement of operations and changes in net financial assets. Amortization is not included in the cash-based budget approved by Council. For comparative purposes, budget figures have been adjusted for amortization based upon actual. The following is a reconciliation of the budget approved by Council.

	2017 Budget	2017 Actual	2016 Actual
Annual surplus (Page 4)	\$ 1,291,642	\$ 3,744,357	\$ 6,284,423
Amortization	2,216,484	2,216,484	1,947,503
Change in unfunded liabilities	-	283,567	4,667
Change in other surpluses	-	(27,671)	89,583
	3,508,126	6,216,737	8,326,176
Net transfers (to) from reserves	149,501	(940,859)	112,877
Capital acquisitions less disposals and write-down	(3,000,608)	(4,618,858)	(10,236,041)
Capital projects expended	-	-	(727,446)
Proceeds from long-term debt	-	-	2,989,397
Debt principal repayments	(657,019)	(657,020)	(464,963)
General surplus (Note 8)	\$ -	\$ -	\$ -

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

11. Financial Instrument Risk Management

Credit Risk

The municipality is exposed to credit risk through the possibility of non-collection of its trade and other receivable. The majority of the municipality's receivables are from rate payers and government entities. For trade and other receivable, the municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding greater than 91 days, an impairment allowance is set up. The amounts outstanding at year end, which is the municipality's maximum exposure to credit risk related to trade and other receivable were as follows:

	0 - 30 days	31 - 90 days	91 to 365 days	1 to 2 years	3 to 10 years
Cash	\$ 11,542,860	\$ -	\$ -	\$ -	-
Temporary investments	100,000	-	-	-	-
Trade and other receivable	950,701	65,112	42,259	-	-
Long-term receivables	-	-	-	16,100	-
Net amount receivable	<u>\$ 12,593,561</u>	<u>\$ 65,112</u>	<u>\$ 42,259</u>	<u>\$ 16,100</u>	<u>-</u>

Liquidity Risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality has a planning and budgeting process in place to help determine the funds required to support the municipality's normal operating requirements on an ongoing basis. The municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements for a period of at least 90 days. The following table set out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	0 - 30 days	31 - 90 days	91 to 365 days	1 to 5 years	6 years and later
Accounts payable and accrued liabilities	916,944	-	-	-	-
Deferred recreation revenue	19,529	-	-	-	-
Long-term liabilities	-	-	-	2,179,538	3,523,673
Total financial liabilities	<u>\$ 936,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,179,538</u>	<u>\$ 3,523,673</u>

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and the value of fixed rate long-term liabilities.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

12. Other Income

	2017	2017	2016
	Budget	Actual	Actual
Development charges	296,549	280,903	679,428
Penalties and interest on taxation	\$ 103,876	\$ 121,838	\$ 110,701
Investment income	61,265	94,779	77,783
Rents, concessions and franchises	24,150	21,841	18,834
Donations	10,500	133,110	234,199
Contributed tangible capital assets	-	2,458,266	3,349,612
Gain (loss) on sale of assets	3,000	16,244	(9,107)
Other	300	6,467	26,008
	\$ 499,640	\$ 3,133,448	\$ 4,487,458

13. Government Business Partnerships

The following summarizes the financial position and operations of the government business partnerships which have been reported in these consolidated financial statements using the proportionate consolidation method:

Shelburne & District Fire Department

Shelburne & District Fire Department is a joint fire board under the shared control of the Town of Shelburne, the Township of Amaranth, the Township of Melancthon, the Town of Mono and the Township of Mulmur. Shelburne & District Fire Department provides fire suppression services, fire prevention services, training and education to Shelburne and the surrounding municipalities. The consolidated financial statements include the municipality's 52.98% (2016 - 51.65%) proportionate interest of the following:

	2017	2016
Financial assets	\$ 624,773	\$ 460,001
Liabilities	7,966	3,900
Net financial assets	616,807	456,101
Non-financial assets	892,069	979,927
Accumulated surplus	\$ 1,508,876	\$ 1,436,028
Revenues	\$ 653,120	\$ 589,900
Expenses	580,272	601,196
Annual surplus (deficit)	\$ 72,848	\$ (11,296)

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

14. Grants

	2017	2017	2016
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 522,700	\$ 522,700	\$ 598,000
Conditional - Roads	2,600	5,467	3,153
- Other	66,483	85,471	68,810
	<u>591,783</u>	<u>613,638</u>	<u>669,963</u>
Government of Canada			
Conditional - Other	11,000	12,149	11,790
Other Municipalities			
Conditional - Other	247,363	255,126	205,424
Total operating grants	<u>850,146</u>	<u>880,913</u>	<u>887,177</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	1,030,798	102,032	380,086
- Sewer and water	375,000	589,172	978,781
- Other	84,500	87,500	55,331
	<u>1,490,298</u>	<u>778,704</u>	<u>1,414,198</u>
Government of Canada			
Federal Gas Tax	\$ 177,737	\$ 177,737	\$ 202,375
Conditional - Recreation	-	95,778	23,841
	<u>177,737</u>	<u>273,515</u>	<u>226,216</u>
Total tangible capital asset grants	<u>1,668,035</u>	<u>1,052,219</u>	<u>1,640,414</u>
Total grants	<u>2,518,181</u>	<u>\$ 1,933,132</u>	<u>\$ 2,527,591</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

15. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 40 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2017 was \$279,948 (2016 - \$270,121) for current service. The contribution rate for 2017 was 9.00% to 15.80% depending on retirement age and level of income (2016 - 9.00% to 15.80%).

OMERS is a multi-employer pension plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2017. At that time the plan reported a \$5.40 billion actuarial deficit (2016 - \$5.72 billion deficit), based on actuarial liabilities of \$93.61 billion (2016 - \$86.96 billion) and actuarial assets of \$88.21 billion (2016 - \$81.24 billion). Ongoing adequacy of the current contribution rates will need to be monitored as decline in the financial markets may lead to increased future funding requirements.

16. Operations of School Boards and the County of Dufferin

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Dufferin:

	<u>2017</u>	<u>2016</u>
School boards	\$ 2,248,105	\$ 2,198,665
County of Dufferin	<u>3,406,845</u>	<u>3,241,052</u>
	<u>\$ 5,654,950</u>	<u>\$ 5,439,717</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

17. Trust Funds

The municipality acts as a trustee for a number of third parties administering the assets on their behalf. Assets held in trust are not included on the statement of financial position as assets of the municipality nor have their activities been included in the statement of operations. Amounts held in trust at the year-end are as follows:

	<u>2017</u>	<u>2016</u>
Development in trust	\$ 1,386,601	\$ 1,303,183
Cemetery maintenance and equipment	66,675	65,224
Cemetery perpetual care	299,056	294,174
Prepaid burial fund	9,435	11,379
	<u>\$ 1,761,767</u>	<u>\$ 1,673,960</u>

The development in trust includes construction deposits held by the municipality for developers. The cemetery maintenance and equipment fund and cemetery perpetual care fund includes amounts for the future care and maintenance of the cemetery. The prepaid burial fund includes deposits held by the municipality for burials.

18. Contractual Commitments

The Town of Shelburne has entered into the following contracts:

- a) A five-year contract for the treatment and maintenance of the Shelburne Water Supply and operations and maintenance of the Shelburne Waste Water Treatment, at an approximate cost of \$526,586 per year, beginning January 1, 2015, with the annual cost adjusted by the CPI index and any new costs impacted by new regulations.

The Town of Shelburne has committed to spend approximately \$748,800 on capital projects in 2018 and beyond on various roads, and water and sewer capital projects.

19. Contingent Liabilities

The Town has been served with various claims as a result of accidents and other incidents. The Town is not aware of any possible settlements in excess of its liability insurance coverage. The outcomes of these claims are not determinable at this time. Should any liability be determined and not covered by insurance, it will be recognized in the period when determined.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

20. Restatement of Opening Surplus

In the current year, the Town's percentage share of operations of the Shelburne Fire Department increased to 52.98% (2016 - 51.65%). As a result of the increase in percentage, there has been a restatement of opening accumulated surplus of \$19,099 (2016 - \$18,526).

21. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

22. Segmented Information

The Corporation of the Town of Shelburne is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, environmental, planning, community, and water services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Recreational and Cultural

This service area provides services meant to improve the health and development of the municipality's citizens. Recreational programs and cultural programs like swimming and skating lessons are provided at the recreation complex. Also, the municipality provides library services to assist with its citizens' informational needs.

Environmental

Environmental services consists of providing waste disposal to citizens and expenses relating to a closed landfill.

Health

Health services are comprised of public health services which works to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities. Also, the municipality provides cemetery services including cemetery maintenance and care.

Planning and Development

This department provides a number of services including town planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process. This department also includes the economic development committee and the downtown business improvement area.

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2017

22. Segmented Information (continued)

Protection

Protection is comprised of police services, fire protection and bylaw enforcement. The police services works to ensure the safety and protection of the citizens and their property. The fire department is responsible for providing fire suppression services, fire prevention programs, training, and education. The by-law enforcement department works to ensure that citizens and their property are protected by ensuring the Town's bylaws are being adhered to.

Transportation

Transportation is responsible for providing the municipality with road maintenance, winter control services, street light maintenance, parking lots, and equipment maintenance.

Sewer and Water

This service provides the municipality's drinking water. They process and clean sewage and ensure the municipality's water system meets all Provincial standards.

General Government

This item related to the revenues and expenses that relate to the operations of the municipality itself and cannot be directly attributed to a specific segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The revenues and expenses and government business partnerships that are directly attributable to a particular segment are allocated to that segment. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, payments in-lieu and penalties and interest

allocated to those segments that are funded by these amounts based on the approved budget for the year.

OMPF Grant

allocated to segments based on the approved budget for the year.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2017

22. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenue									
Taxation	\$ 1,017,135	\$ 2,701,142	\$ 1,676,809	\$ 48,550	\$ 53,900	\$ 41,570	\$ 562,888	\$ 430,610	\$ 6,532,604
Fees and user charges	70,256	170,936	16,774	2,825,992	18,184	38,751	547,392	138,051	3,826,336
Specific grants	36,501	8,895	107,499	611,412	-	-	468,389	-	1,232,696
OMPF grant	522,700	-	-	-	-	-	-	-	522,700
Other revenue	216,861	13,070	855,104	1,619,598	-	4,032	135,169	8,710	2,852,544
Obligatory reserve fund revenue recognized	-	-	180,899	277,741	-	-	-	-	458,640
	<u>1,863,453</u>	<u>2,894,043</u>	<u>2,837,085</u>	<u>5,383,293</u>	<u>72,084</u>	<u>84,353</u>	<u>1,713,838</u>	<u>577,371</u>	<u>15,425,520</u>
Expenses									
Salaries and benefits	1,008,881	2,467,967	588,634	226,183	3,401	37,243	685,628	143,677	5,161,614
Interest on debt	-	-	30,161	163,271	-	-	-	-	193,432
Materials and supplies	267,372	357,412	673,181	874,135	2,280	27,663	460,970	39,879	2,702,892
Contracted services	129,097	3,067	34,711	740,402	35,271	-	-	419,689	1,362,237
Other transfers	-	45,113	-	-	-	-	16,150	-	61,263
Rents and financial expenses	2,340	-	-	-	-	-	-	-	2,340
Amortization	67,177	149,974	620,774	943,363	-	842	434,354	-	2,216,484
	<u>1,474,867</u>	<u>3,023,533</u>	<u>1,947,461</u>	<u>2,947,354</u>	<u>40,952</u>	<u>65,748</u>	<u>1,597,102</u>	<u>603,245</u>	<u>11,700,262</u>
Restatement of opening surplus	-	19,099	-	-	-	-	-	-	19,099
Net surplus (deficit)	\$ 388,586	\$ (110,391)	\$ 889,624	\$ 2,435,939	\$ 31,132	\$ 18,605	\$ 116,736	\$ (25,874)	\$ 3,744,357

**The Corporation of the Town of Shelburne
Notes to Financial Statements**

December 31, 2017

22. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Sewer and Water	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenue									
Taxation	\$ 943,224	\$ 2,507,547	\$ 1,478,348	\$ 44,550	\$ 46,500	\$ 19,920	\$ 632,437	\$ 458,542	\$ 6,131,068
Fees and user charges	59,175	149,692	15,491	2,645,170	22,126	37,043	501,918	102,657	3,533,272
Specific grants	32,920	79,757	383,239	978,781	-	-	252,519	-	1,727,216
OMPF grant	598,000	-	-	-	-	-	-	-	598,000
Other revenue	185,918	1,938	1,524,960	2,036,126	-	4,167	25,031	29,890	3,808,030
Obligatory reserve fund revenue recognized	25,000	-	430,561	401,242	-	-	25,000	-	881,803
	1,844,237	2,738,934	3,832,599	6,105,869	68,626	61,130	1,436,905	591,089	16,679,389
Expenses									
Salaries and benefits	925,475	2,091,061	559,229	193,351	10,862	34,966	650,558	143,363	4,608,865
Interest on debt	-	-	5,433	148,278	-	-	-	-	153,711
Materials and supplies	252,439	358,417	666,065	686,345	3,040	13,670	467,801	65,304	2,513,081
Contracted services	61,711	51,741	31,098	717,344	49,680	-	659	247,680	1,159,913
Other transfers	-	12,385	-	-	-	-	20,335	(4,400)	28,320
Rents and financial expenses	2,098	-	-	-	-	-	-	-	2,098
Amortization	65,250	144,834	532,094	791,296	-	842	413,187	-	1,947,503
	1,306,973	2,658,438	1,793,919	2,536,614	63,582	49,478	1,552,540	451,947	10,413,491
Restatement of opening surplus	-	18,526	-	-	-	-	-	-	18,526
Net surplus (deficit)	\$ 537,264	\$ 99,022	\$ 2,038,680	\$ 3,569,255	\$ 5,044	\$ 11,652	\$ (115,635)	\$ 139,142	\$ 6,284,424

**The Corporation of the Town of Shelburne
Trust Funds
Financial Information
For the year ended December 31, 2017**



Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Shelburne

We have audited the accompanying financial information of the trust funds of The Corporation of the Town of Shelburne, which comprise the balance sheet as at December 31, 2017 and the statement of continuity of the trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial information 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 financial information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial information 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 organization'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 financial information.

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 financial information present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Town of Shelburne as at December 31, 2017 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
May 30, 2018

**The Corporation of The Town of Shelburne
Trust Funds
Balance Sheet**

December 31

	Development in Trust	Cemetery Maint & Equipment	Cemetery Perpetual Care	Prepaid Burial Fund	2017 Total	2016 Total
Current Assets						
Cash	\$ 1,386,601	\$ 66,675	\$ 99,056	\$ 9,435	\$1,561,767	\$ 1,564,341
Investments (Note 1)	-	-	200,000	-	200,000	109,618
	\$ 1,386,601	\$ 66,675	\$ 299,056	\$ 9,435	\$1,761,767	\$ 1,673,959
Liabilities and Fund Balance						
Fund balance	1,386,601	66,675	299,056	9,435	1,761,767	1,673,959

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Corporation of The Town of Shelburne
Trust Funds
Statement of Continuity**

December 31

	Development in Trust	Cemetery Maint & Equipment	Cemetery Perpetual Care	Prepaid Burial Fund	2017 Total	2016 Total
Balance, beginning of year	\$ 1,303,183	\$ 65,224	\$ 294,173	\$ 11,379	\$1,673,959	\$ 2,105,739
Receipts						
Fees	462,618	-	4,884	-	467,502	63,818
Cemetery maintenance fee	-	1,450	-	-	1,450	2,200
Interest earned	16,903	604	3,428	133	21,068	19,866
	479,521	2,054	8,312	133	490,020	85,884
Expenses	396,103	603	3,429	2,077	402,212	517,664
Balance, end of year	\$ 1,386,601	\$ 66,675	\$ 299,056	\$ 9,435	\$1,761,767	\$ 1,673,959

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the Town of Shelburne Trust Funds Summary of Significant Accounting Policies

December 31, 2017

Management Responsibility	The financial information of the The Corporation of the Town of Shelburne Trust Funds are the representation of management. They have been prepared in accordance with accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing except that tangible capital assets are expensed in the statement of continuity in the year of acquisition.
Use of Estimates	The preparation of the financial information in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial information, and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.
Basis of Consolidation	These trust funds have not been consolidated with the consolidated financial statements of the municipality.
Accrual Basis of Accounting	Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
Financial Instruments	<p>The organization classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash, due to Town of Shelburne, and investments. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.</p> <p>Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the statement of operations.</p>

**The Corporation of the Town of Shelburne
Trust Funds
Notes to Financial Statements**

December 31, 2017

1. Investments

	2017	2016
Term deposits earning 1.55%, maturing April 25, 2017	\$ -	\$ 109,618
GIC earning 1.95%, maturing April 28, 2022.	100,000	-
GIC earning 2.1%, maturing May 26, 2022.	100,000	-
	\$ 200,000	\$ 109,618

Investments have a market value of \$202,581 (2016 - \$110,728) at the end of the year.

2. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its bank balance.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of the fixed income denominated investments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.
