

**The Corporation of the
Town of Shelburne
Financial Statements
For the year ended December 31, 2016**

The Corporation of the Town of Shelburne
Financial Statements
For the year ended December 31, 2016

Contents

The Corporation of the Town of Shelburne	
Independent Auditor's Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Financial Assets (Debt)	5
Consolidated Statement of Cash Flows	6
Summary of Significant Accounting Policies	7 - 10
Notes to Financial Statements	11 - 29

The Corporation of the Town of Shelburne Trust Funds	
Independent Auditor's Report	31
Balance Sheet	32
Statement of Continuity	33
Notes to Financial Information	34 - 35



Tel: 519 941 0681
Fax: 519 941 8272
www.bdo.ca

BDO Canada LLP
77 Broadway
Orangeville ON L9W 1K1 Canada

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, 2016 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, 2016 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
March 23, 2017

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

December 31	2016	2015
Assets and Liabilities		
Financial Assets		
Cash (Note 1)	\$ 9,649,403	\$ 10,937,154
Taxes receivable	856,508	861,262
Trade and other receivable	2,045,616	1,327,211
Long-term receivables	16,660	13,524
	<u>12,568,187</u>	<u>13,139,151</u>
Liabilities		
Temporary borrowings (Note 2)	-	1,229,397
Accounts payable and accrued liabilities	1,132,862	1,214,663
Deferred revenue (Note 3)	5,353,196	5,138,961
Long-term liabilities (Note 4)	6,360,231	3,835,797
Landfill site closure and post-closure liability (Note 5)	324,344	319,677
	<u>13,170,633</u>	<u>11,738,495</u>
Net financial assets (debt)	(602,446)	1,400,656
Non-financial Assets		
Inventory of supplies	65,898	63,799
Prepays	4,123	7,235
Tangible capital assets (Note 6)	62,532,511	54,243,973
Accumulated surplus (Note 7)	\$ 62,000,086	\$ 55,715,663
Contingent Liabilities (Note 18)		

The Corporation of the Town of Shelburne

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2016 Budget (Note 9)	2016 Actual	2015 Actual
Revenue			
Taxation	\$ 5,764,752	\$ 6,131,068	\$ 5,539,289
Fees and user charges	2,959,152	3,533,272	3,309,730
Grants (Note 13)	3,067,156	2,325,216	3,793,771
Other income (Note 11)	417,971	3,808,030	408,410
Development charges and gas tax revenue recognized (Note 3)	909,203	881,803	1,289,047
	<u>13,118,234</u>	<u>16,679,389</u>	<u>14,340,247</u>
Expenses			
General government	1,406,098	1,306,973	1,340,163
Protection services	2,837,847	2,658,438	2,494,370
Transportation services	1,897,914	1,793,919	1,673,488
Environmental services	2,738,965	2,600,197	2,521,301
Health services	65,642	49,478	51,923
Recreation and cultural services	1,493,472	1,552,540	1,596,400
Planning and development	451,738	451,947	450,353
	<u>10,891,676</u>	<u>10,413,492</u>	<u>10,127,998</u>
	2,226,558	6,265,897	4,212,249
Restatement of opening surplus (Note 19)	<u>-</u>	<u>18,526</u>	<u>34,244</u>
Annual surplus	2,226,558	6,284,423	4,246,493
Accumulated surplus, beginning of year	<u>55,715,663</u>	<u>55,715,663</u>	<u>51,469,170</u>
Accumulated surplus, end of year	<u>\$ 57,942,221</u>	<u>\$ 62,000,086</u>	<u>\$ 55,715,663</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	2016 Budget (Note 9)	2016 Actual	2015 Actual
Annual surplus	\$ 2,226,558	\$ 6,284,423	\$ 4,246,493
Acquisition of tangible capital assets	(7,046,564)	(10,245,615)	(5,570,402)
Amortization of tangible capital assets	1,947,504	1,947,503	1,805,176
Gain on sale of tangible capital assets	-	9,107	(3,000)
Proceeds on sale of tangible capital assets	-	467	14,667
	(5,099,060)	(8,288,538)	(3,753,559)
Change in prepaids	-	3,112	(6,875)
Change in inventory of supplies	-	(2,099)	16,406
	-	1,013	9,531
Increase (decrease) in net financial assets	(2,872,502)	(2,003,102)	502,465
Net financial assets (debt), beginning of the year	1,400,656	1,400,656	898,191
Net financial assets (debt), end of the year	\$ (1,471,846)	\$ (602,446)	\$ 1,400,656

The Corporation of the Town of Shelburne

Consolidated Statement of Cash Flows

For the year ended December 31

2016

2015

Cash provided by (used in)

Operating activities

Annual surplus	\$ 6,284,423	\$ 4,246,493
Items not involving cash		
Landfill site closure and post-closure liability	4,667	(8,237)
Amortization of tangible capital assets	1,947,503	1,805,176
Deferred revenue recognized	(894,297)	(1,295,430)
Gain on sale of tangible capital assets	9,107	(3,000)
Change in inventory of supplies	(2,099)	16,406
Income from contribution of tangible capital assets	(3,349,612)	-
	<u>3,999,692</u>	<u>4,761,408</u>
Change in non-cash working capital balances		
Decrease (increase) in taxes receivable	4,754	(161,282)
Increase in trade and other receivable	(718,405)	(357,937)
Increase (decrease) in accounts payable and accrued liabilities	(81,801)	540,577
Deferred revenue received	1,108,532	2,282,029
Decrease (increase) in prepaids	3,112	(6,875)
Increase in long-term receivables	(3,136)	(8,409)
	<u>4,312,748</u>	<u>7,049,511</u>

Capital transactions

Cash used to acquire tangible capital assets	(6,896,003)	(5,570,402)
Proceeds on sale of tangible capital assets	467	14,667
	<u>(6,895,536)</u>	<u>(5,555,735)</u>

Financing activities

Advances of long-term liabilities	1,760,000	-
Repayment of long-term liabilities	(464,963)	(431,119)
Change in temporary borrowings	-	1,229,397
	<u>1,295,037</u>	<u>798,278</u>

Net change in cash and cash equivalents

(1,287,751) 2,292,054

Cash and cash equivalents, beginning of year

10,937,154 8,645,100

Cash and cash equivalents, end of year

\$ 9,649,403 \$ 10,937,154

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

December 31, 2016

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 -
51.65%, 2015 - 50.37%)

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, 2016

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, taxes receivable, 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, 2016

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, 2016

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, 2016

1. Cash

	<u>2016</u>	<u>2015</u>
Unrestricted cash and cash equivalents	\$ 4,141,704	\$ 5,616,686
Restricted cash and cash equivalents	<u>5,507,699</u>	<u>5,320,468</u>
	<u>\$ 9,649,403</u>	<u>\$ 10,937,154</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 Borrowings

	<u>2016</u>	<u>2015</u>
Ontario Infrastructure and Lands Corporation (OILC), Interim construction financing for water meters and the new well water source. Interest is calculated at OILC's cost of funds plus OILC's prevailing spread with interest payable monthly, with no pre-determined date of repayment. Interim construction financing converted to long-term liabilities during the year.	<u>\$ -</u>	<u>\$ 1,229,397</u>

At December 31, 2016, the municipality had undrawn credit capacity under an operating loan facility of approximately \$1,000,000 with interest at the bank's prime rate less 0.75%.

At December 31, 2016, the municipality had a letter of credit totaling \$244,188 in favour of Hydro One Networks Inc.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

3. Deferred Revenue

	2016	2015
Obligatory reserve funds		
Development charges	\$ 5,336,426	\$ 5,099,459
Federal gas tax	3,127	27,008
	5,339,553	5,126,467
Other		
Deferred recreation revenue	13,643	12,494
	<u>\$ 5,353,196</u>	<u>\$ 5,138,961</u>

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	\$ 5,099,459	\$ 27,008	\$ 5,126,467
Restricted funds received during the year	863,557	177,737	1,041,294
Interest earned	52,838	757	53,595
Expenses recognized during the year	(679,428)	(202,375)	(881,803)
Obligatory reserve fund, end of year	<u>\$ 5,336,426</u>	<u>\$ 3,127</u>	<u>\$ 5,339,553</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

4. Long-term Liabilities

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

	<u>2016</u>	<u>2015</u>
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.	\$ 1,206,981	\$ -
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.	1,760,000	-
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.	990,364	1,075,710
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.	1,211,305	1,273,723
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	512,058
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.	932,865	974,306
	<u>\$ 6,360,231</u>	<u>\$ 3,835,797</u>

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

2017	\$ 657,020
2018	410,322
2019	422,718
2020	435,504
2021	448,694
Thereafter	3,985,973

Interest expense in the amount of \$153,711 (2015 - \$140,913) 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, 2016

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 \$324,344 at December 31, 2016 (2015 - \$319,677). The liability was estimated based upon current monitoring costs of \$15,000 (2015 - \$15,000) annually inflated at a rate of 1.29% (2015 - 1.27%) per year and discounted at a rate of 3.10% (2015 - 3.43%) for 26 years (2015 - 27 years).

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

6. Tangible Capital Assets

								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, 2016

6. Tangible Capital Assets (continued)

								2015
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads and Bridges	Water and Sewer Systems	Total
Cost, beginning of year	\$ 3,775,995	\$ 3,576,008	\$ 21,828,393	\$ 2,381,696	\$ 3,368,349	\$ 12,612,033	\$ 25,327,009	\$ 72,869,483
Additions	-	401,176	738,359	194,751	516,038	527,179	3,192,899	5,570,402
Disposals	-	-	-	(138,213)	(105,616)	-	-	(243,829)
Transfers during the year				(462,361)	462,361			
Cost, end 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
Accumulated amortization, beginning of year	-	740,971	7,327,841	1,343,877	2,291,525	4,794,670	5,880,185	22,379,069
Amortization	-	121,304	627,090	166,675	216,894	303,085	370,128	1,805,176
Disposals	-	-	-	(126,546)	(105,616)	-	-	(232,162)
Transfers during the year	-	-	-	(245,522)	245,522	-	-	-
Accumulated amortization, end of year	-	862,275	7,954,931	1,138,484	2,648,325	5,097,755	6,250,313	23,952,083
Net carrying amount, end of year	\$ 3,775,995	\$ 3,114,909	\$ 14,611,821	\$ 837,389	\$ 1,592,807	\$ 8,041,457	\$ 22,269,595	\$ 54,243,973

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

6. 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 \$5,824,877 (2015 - \$5,719,663).

\$3,349,612 (2015 - \$NIL) 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, 2016

7. Accumulated Surplus

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

	<u>2016</u>	<u>2015</u>
Investment in Tangible Capital Assets		
Tangible capital assets purchased	\$ 62,532,511	\$ 54,243,973
Capital assets financed by long-term liabilities, to be funded in future years	<u>(6,360,231)</u>	<u>(3,835,797)</u>
	<u>56,172,280</u>	<u>50,408,176</u>
Incomplete capital projects to be financed	-	(727,446)
Centre Dufferin Recreation Complex	35,429	112,715
Shelburne Business Improvement Area	17,152	18,569
Shelburne and District Fire Department	27,038	37,918
Unfunded solid waste closure and post-closure costs	<u>(324,344)</u>	<u>(319,677)</u>
	<u>(244,725)</u>	<u>(877,921)</u>
	55,927,555	49,530,255
Reserves and reserve funds (Note 8)	<u>6,072,531</u>	<u>6,185,408</u>
Accumulated surplus	<u>\$ 62,000,086</u>	<u>\$ 55,715,663</u>

During the year, the Town operating surplus of \$233,779 (2015 - \$276,614) was transferred to reserves, as approved by Council.

During the year, the Library operating deficit of \$9,499 (2015 - \$14,838) was financed from reserves, as approved by the Library Board.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

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

	<u>2016</u>	<u>2015</u>
Reserves		
Contingencies	\$ 447,446	\$ 412,573
Current purposes	664,576	423,871
Capital purposes	<u>4,749,648</u>	<u>5,128,276</u>
	<u>5,861,670</u>	<u>5,964,720</u>
 Reserve funds		
Capital purposes	<u>210,861</u>	<u>220,688</u>
 Reserves and reserve funds set aside for specific purpose by Council	 <u>\$ 6,072,531</u>	 <u>\$ 6,185,408</u>

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2016

9. 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 2016 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.

	2016 Budget	2016 Actual	2015 Actual
Annual surplus (Page 4)	\$ 2,226,558	\$ 6,284,423	\$ 4,246,493
Amortization	1,947,504	1,947,503	1,805,176
Change in unfunded liabilities	-	4,667	(8,237)
Change in other surpluses	-	89,583	(2,588)
	4,174,062	8,326,176	6,040,844
Net transfers (to) from reserves	1,394,044	112,877	(815,371)
Capital acquisitions less disposals and write-down	(7,046,564)	(10,236,041)	(5,558,735)
Capital projects expended	-	(727,446)	764,381
Proceeds from long-term debt	1,953,882	2,989,397	-
Debt principal repayments	(488,337)	(464,963)	(431,119)
	(12,913)	-	-
Prior year general surplus	12,913	-	-
General surplus (Note 7)	\$ -	\$ -	\$ -

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2016

10. 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	\$ 9,649,403	\$ -	\$ -	\$ -	-
Trade and other receivable	1,918,305	66,653	60,658	-	-
Long-term receivables	-	-	-	16,660	-
Net amount receivable	<u>\$ 11,567,708</u>	<u>\$ 66,653</u>	<u>\$ 60,658</u>	<u>\$ 16,660</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	1,132,862	-	-	-	-
Deferred recreation revenue	13,643	-	-	-	-
Long-term liabilities	-	-	-	2,374,258	3,985,973
Total financial liabilities	<u>\$ 1,146,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,374,258</u>	<u>\$ 3,985,973</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, 2016

11. Other Income

	2016	2016	2015
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 100,000	\$ 110,701	\$ 108,139
Investment income	60,558	77,783	90,123
Rents, concessions and franchises	21,850	18,834	33,575
Donations	210,513	234,199	62,839
Contributed tangible capital assets	-	3,349,612	-
Gain (loss) on sale of assets	-	(9,107)	3,000
Other	25,050	26,008	110,734
	<u>\$ 417,971</u>	<u>\$ 3,808,030</u>	<u>\$ 408,410</u>

12. 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 51.65% (2015 - 50.37%) proportionate interest of the following:

	2016	2015
Financial assets	\$ 460,001	\$ 523,475
Liabilities	3,900	10,063
Net financial assets	456,101	513,412
Non-financial assets	979,927	933,912
Accumulated surplus	<u>\$ 1,436,028</u>	<u>\$ 1,447,324</u>
Revenues	\$ 589,900	\$ 540,828
Expenses	601,196	526,289
Annual surplus (deficit)	<u>\$ (11,296)</u>	<u>\$ 14,539</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

13. Grants

	2016	2016	2015
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 598,000	\$ 598,000	\$ 696,100
Conditional - Roads	2,560	3,153	-
- Other	90,550	68,810	189,127
	<u>691,110</u>	<u>669,963</u>	<u>885,227</u>
Government of Canada			
Conditional - Other	7,040	11,790	16,163
Other Municipalities			
Conditional - Other	205,467	205,424	221,194
Total operating grants	<u>903,617</u>	<u>887,177</u>	<u>1,122,584</u>
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	380,550	380,086	961,633
- Sewer and water	-	978,781	829,777
- Other	1,615,321	55,331	50,000
	<u>1,995,871</u>	<u>1,414,198</u>	<u>1,841,410</u>
Government of Canada			
Conditional - Sewer and water	-	-	829,777
- Recreation	167,668	23,841	-
	<u>167,668</u>	<u>23,841</u>	<u>829,777</u>
Total tangible capital asset grants	<u>2,163,539</u>	<u>1,438,039</u>	<u>2,671,187</u>
Total grants	<u>\$ 3,067,156</u>	<u>\$ 2,325,216</u>	<u>\$ 3,793,771</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

14. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 36 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 2016 was \$270,121 (2015 - \$272,651) for current service. The contribution rate for 2016 was 9.0% to 15.9% depending on retirement age and level of income (2015 - 9.0% to 15.9%).

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, 2016. At that time the plan reported a \$5.7 billion actuarial deficit (2015 - \$7.0 billion deficit), based on actuarial liabilities of \$87.0 billion (2015 - \$81.9 billion) and actuarial assets of \$81.2 billion (2015 - \$74.9 billion). There has been a severe decline in financial markets. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

15. 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>2016</u>	<u>2015</u>
School boards	\$ 2,198,665	\$ 2,085,593
County of Dufferin	<u>3,241,052</u>	<u>2,927,538</u>
	<u>\$ 5,439,717</u>	<u>\$ 5,013,131</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

16. 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:

	2016	2015
Development in trust	\$ 1,303,183	\$ 1,741,996
Cemetery maintenance and equipment	65,224	63,024
Cemetery perpetual care	294,173	288,993
Prepaid burial fund	11,379	11,727
	<u>\$ 1,673,959</u>	<u>\$ 2,105,740</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.

17. 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 \$989,632 on capital projects in 2016 and beyond on various roads, and water and sewer capital projects.

18. 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, 2016

19. Restatement of Opening Surplus

In the current year, the Town's percentage share of operations of the Shelburne Fire Department increased to 51.65% (2015 - 50.37%). As a result of the increase in percentage, there has been a restatement of opening accumulated surplus of \$18,526 (2015 - \$34,244).

20. 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.

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.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2016

20. Segmented Information (continued)

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, 2016

20. 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
	<u>1,844,237</u>	<u>2,738,934</u>	<u>3,832,599</u>	<u>6,105,869</u>	<u>68,626</u>	<u>61,130</u>	<u>1,436,905</u>	<u>591,089</u>	<u>16,679,389</u>
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
	<u>1,306,973</u>	<u>2,658,438</u>	<u>1,793,919</u>	<u>2,536,614</u>	<u>63,582</u>	<u>49,478</u>	<u>1,552,540</u>	<u>451,947</u>	<u>10,413,491</u>
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 Notes to Financial Statements

December 31, 2016

20. 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	2015 Total
Revenue									
Taxation	\$ 774,101	\$ 2,320,015	\$ 1,450,677	\$ 32,250	\$ 18,950	\$ 4,000	\$ 587,889	\$ 351,407	\$ 5,539,289
Fees and user charges	51,531	133,101	9,989	2,418,044	37,048	51,965	513,749	94,303	3,309,730
Specific grants	36,161	24,438	961,633	1,734,096	13,633	-	257,249	70,461	3,097,671
OMPF grant	696,100	-	-	-	-	-	-	-	696,100
Other revenue	193,481	38,258	-	370	-	5,542	60,322	110,437	408,410
Obligatory reserve fund revenue recognized	34,433	6,274	439,863	643,744	-	-	164,733	-	1,289,047
	<u>1,785,807</u>	<u>2,522,086</u>	<u>2,862,162</u>	<u>4,828,504</u>	<u>69,631</u>	<u>61,507</u>	<u>1,583,942</u>	<u>626,608</u>	<u>14,340,247</u>
Expenses									
Salaries and benefits	902,498	1,938,746	541,407	190,045	5,585	34,188	716,995	111,139	4,440,603
Interest on debt	-	-	8,796	132,117	-	-	-	-	140,913
Materials and supplies	301,933	366,265	548,442	774,472	3,040	16,893	467,562	87,229	2,565,836
Contracted services	69,111	12,108	99,644	654,126	46,820	-	-	256,385	1,138,194
Other transfers	-	29,770	-	-	-	-	9,833	(4,400)	35,203
Rents and financial expenses	2,073	-	-	-	-	-	-	-	2,073
Amortization	64,548	147,481	475,199	715,096	-	842	402,010	-	1,805,176
	<u>1,340,163</u>	<u>2,494,370</u>	<u>1,673,488</u>	<u>2,465,856</u>	<u>55,445</u>	<u>51,923</u>	<u>1,596,400</u>	<u>450,353</u>	<u>10,127,998</u>
Restatement of opening surplus	-	34,244	-	-	-	-	-	-	34,244
Net surplus (deficit)	<u>\$ 445,644</u>	<u>\$ 61,960</u>	<u>\$ 1,188,674</u>	<u>\$ 2,362,648</u>	<u>\$ 14,186</u>	<u>\$ 9,584</u>	<u>\$ (12,458)</u>	<u>\$ 176,255</u>	<u>\$ 4,246,493</u>

**The Corporation of the Town of Shelburne
Trust Funds
Financial Information
For the year ended December 31, 2016**

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, 2016 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, 2016 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
March 23, 2017

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	2016 Total	2015 Total
Balance, beginning of year	\$ 1,741,996	\$ 63,024	\$ 288,993	\$ 11,726	\$2,105,739	\$ 1,954,280
Receipts						
Fees	54,700	-	9,118	-	63,818	197,324
Cemetery maintenance fee	-	2,200	-	-	2,200	1,850
Interest earned	15,581	292	3,875	118	19,866	24,793
	70,281	2,492	12,993	118	85,884	223,967
Expenses	509,094	292	7,813	465	517,664	72,508
Balance, end of year	\$ 1,303,183	\$ 65,224	\$ 294,173	\$ 11,379	\$1,673,959	\$ 2,105,739

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
Balance Sheet**

December 31

	Development in Trust	Cemetery Maint & Equipment	Cemetery Perpetual Care	Prepaid Burial Fund	2016 Total	2015 Total
Current Assets						
Cash	\$ 1,303,183	\$ 30,283	\$ 219,496	\$ 11,379	\$1,564,341	\$ 1,996,121
Investments (Note 2)	-	34,941	74,677	-	109,618	109,618
	\$ 1,303,183	\$ 65,224	\$ 294,173	\$ 11,379	\$1,673,959	\$ 2,105,739
Liabilities and Fund Balance						
Fund balance	1,303,183	65,224	294,173	11,379	1,673,959	2,105,739

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, 2016

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, 2016

1. Investments

	<u>2016</u>	<u>2015</u>
Term deposits earning 1.55% (2015 - 1.55%), maturing April 25, 2017 (2015 - April 25, 2017)	<u>\$ 109,618</u>	<u>\$ 109,618</u>

Investments have a market value of \$110,728 (2015 - \$110,774) 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.
