

**The Corporation of the
Town of Shelburne
Financial Statements
For the year ended December 31, 2018**

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Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Shelburne (the Town), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of Shelburne as at December 31, 2018 and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken

on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
April 8, 2019

The Corporation of the Town of Shelburne

Consolidated Statement of Financial Position

December 31	2018	2017
Assets and Liabilities		
Financial Assets		
Cash (Note 1)	\$ 12,953,075	\$ 11,542,860
Temporary investments (Note 2)	101,486	100,000
Taxes receivable	629,226	699,988
Trade and other receivable	935,253	1,058,072
Long-term receivables	14,225	16,100
	<u>14,633,265</u>	<u>13,417,020</u>
Liabilities		
Accounts payable and accrued liabilities	927,535	916,944
Deferred revenue (Note 3)	5,085,621	5,429,997
Long-term liabilities (Note 4)	5,292,889	5,703,211
Landfill site closure and post-closure liability (Note 5)	362,699	315,549
Post-employment benefits (Note 6)	313,197	292,362
	<u>11,981,941</u>	<u>12,658,063</u>
Net financial assets	2,651,324	758,957
Non-financial Assets		
Inventory of supplies	49,587	49,309
Prepays	1,632	1,292
Tangible capital assets (Note 7)	66,724,037	64,934,885
Accumulated surplus (Note 8)	\$ 69,426,580	\$ 65,744,443

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	2018 Budget (Note 10)	2018 Actual	2017 Actual
Revenue			
Taxation	\$ 6,813,260	\$ 6,818,319	\$ 6,532,604
Fees and user charges	3,730,384	4,064,769	3,826,336
Grants (Note 14)	2,179,528	1,267,409	1,933,132
Other income (Note 12)	1,018,457	3,787,238	3,133,448
	<u>13,741,629</u>	<u>15,937,735</u>	<u>15,425,520</u>
Expenses			
General government	1,588,532	1,432,711	1,474,867
Protection services	3,156,426	2,905,530	3,023,533
Transportation services	2,105,721	2,033,943	1,947,461
Environmental services	3,328,092	3,334,322	2,988,307
Health services	80,077	71,291	65,749
Recreation and cultural services	1,644,274	1,705,646	1,597,100
Planning and development	835,219	768,081	603,245
	<u>12,738,341</u>	<u>12,251,524</u>	<u>11,700,262</u>
	1,003,288	3,686,211	3,725,258
Restatement of opening surplus (Note 20)	<u>-</u>	<u>(4,074)</u>	<u>19,099</u>
Annual surplus	1,003,288	3,682,137	3,744,357
Accumulated surplus, beginning of year	<u>65,744,443</u>	<u>65,744,443</u>	<u>62,000,086</u>
Accumulated surplus, end of year	<u>\$ 66,747,731</u>	<u>\$ 69,426,580</u>	<u>\$ 65,744,443</u>

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

For the year ended December 31	2018 Budget (Note 10)	2018 Actual	2017 Actual
Annual surplus	\$ 1,003,288	\$ 3,682,137	\$ 3,744,357
Acquisition of tangible capital assets	(2,875,877)	(4,194,748)	(4,630,337)
Amortization of tangible capital assets	2,421,377	2,405,596	2,216,484
Gain on sale of tangible capital assets	-	(7,427)	(16,244)
Proceeds on sale of tangible capital assets	-	7,427	27,723
	(454,500)	(1,789,152)	(2,402,374)
Change in prepaids	-	(340)	2,831
Change in inventory of supplies	-	(278)	16,589
	-	(618)	19,420
Increase (decrease) in net financial assets	548,788	1,892,367	1,361,403
Net financial assets (debt), beginning of the year	758,957	758,957	(602,446)
Net financial assets, end of the year	\$ 1,307,745	\$ 2,651,324	\$ 758,957

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 Cash Flows

For the year ended December 31

2018

2017

Cash provided by (used in)

Operating activities

Annual surplus	\$ 3,682,137	\$ 3,744,357
Items not involving cash		
Landfill site closure and post-closure liability	47,150	(8,795)
Amortization of tangible capital assets	2,405,596	2,216,484
Deferred revenue recognized	(750,457)	(472,283)
Gain on sale of tangible capital assets	(7,427)	(16,244)
Change in inventory of supplies	(278)	16,589
Contribution of tangible capital assets	(2,501,315)	(2,458,266)
Post-employment benefits (police)	20,835	292,362
	<u>2,896,241</u>	<u>3,314,204</u>
Change in non-cash working capital balances		
Decrease in taxes receivable	70,762	156,520
Decrease in trade and other receivable	122,819	987,544
Increase (decrease) in accounts payable and accrued liabilities	10,591	(215,918)
Deferred revenue received	406,081	549,084
Decrease (increase) in prepaids	(340)	2,831
Increase in long-term receivables	1,875	560
	<u>3,508,029</u>	<u>4,794,825</u>

Capital transactions

Cash used to acquire tangible capital assets	(1,693,433)	(2,172,071)
Proceeds on sale of tangible capital assets	7,427	27,723
	<u>(1,686,006)</u>	<u>(2,144,348)</u>

Investing activities

Acquisition of investments	(1,486)	(100,000)
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Financing activities

Repayment of long-term liabilities	(410,322)	(657,020)
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Net change in cash and cash equivalents

1,410,215 1,893,457

Cash and cash equivalents, beginning of year

11,542,860 9,649,403

Cash and cash equivalents, end of year

\$ 12,953,075 \$ 11,542,860

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

December 31, 2018

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 -
2018 - 52.71%, 2017 - 52.98%)

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, 2018

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 other 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, 2018

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

Fees and user charges are recognized when the related service is provided.

Contributions are recognized based on the terms of the grant or the year that the related expenses occur.

Other income is recognized when receivable.

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

Taxation and Related Revenues

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.

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.

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.

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

December 31, 2018

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.

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, 2018

1. Cash

	<u>2018</u>	<u>2017</u>
Unrestricted cash and cash equivalents	\$ 7,879,183	\$ 5,883,553
Restricted cash and cash equivalents	<u>5,073,892</u>	<u>5,659,307</u>
	<u>\$ 12,953,075</u>	<u>\$ 11,542,860</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>2018</u>	<u>2017</u>
Shelburne Library Board, Cashable guaranteed investment certificates earning 2.35% (2017 - 1%), maturing April 29, 2019 (2017 - July 31, 2018)	<u>\$ 101,486</u>	<u>\$ 100,000</u>

Investments have a market value of \$101,486 (2017 - \$100,000) at the end of the year.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2018

3. Deferred Revenue

	2018	2017
Obligatory reserve funds		
Development charges	\$ 4,950,740	\$ 5,400,521
AMO Main St. revitalization grant	19,308	-
Federal gas tax	96,035	6,947
	<u>5,066,083</u>	<u>5,407,468</u>
Other		
Deferred library revenue	-	3,000
Deferred recreation revenue	19,538	19,529
	<u>\$ 5,085,621</u>	<u>\$ 5,429,997</u>

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

	AMO Main St. Revitalization Grant	Development Charges	Federal Gas Tax	Total
Obligatory reserve fund, beginning of year	\$ -	\$ 5,400,521	\$ 6,947	\$ 5,407,468
Restricted funds received during the year	44,834	56,248	186,201	287,283
Interest earned	-	98,276	984	99,260
Expenses recognized during the year	(25,526)	(604,305)	(98,097)	(727,928)
	<u>\$ 19,308</u>	<u>\$ 4,950,740</u>	<u>\$ 96,035</u>	<u>\$ 5,066,083</u>

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2018

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>2018</u>	<u>2017</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.	\$ 1,113,790	\$ 1,161,102
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.	1,442,350	1,603,163
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.	812,729	902,725
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.	1,078,389	1,146,231
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.	845,631	889,990
	<u>\$ 5,292,889</u>	<u>\$ 5,703,211</u>

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

2019	\$ 422,718
2020	435,504
2021	448,694
2022	462,300
2023	476,337
Thereafter	3,047,336

Interest expense in the amount of \$173,962 (2017 - \$193,432) 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, 2018

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 \$362,699 at December 31, 2018 (2017 - \$315,549). The liability was estimated based upon current monitoring costs of \$17,750 (2017 - \$15,000) annually inflated at a rate of 1.35% (2017 - 1.32%) per year and discounted at a rate of 3.10% (2017 - 3.10%) for 24 years (2017 - 25 years).

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2018

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 \$10,320 (2017 - \$9,152). The employee benefits liabilities as at December 31, 2018 are \$313,197 (2017 - \$292,362).

The liability is currently partially funded in the amount of \$41,888 (2017 - \$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% (2017 - 3.25%). 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:

	<u>2018</u>	<u>2017</u>
Current period benefit cost	\$ 16,568	\$ 281,310
Amortization of actuarial loss	-	-
Retirement benefit expense	<u>16,568</u>	<u>281,310</u>
Interest costs	<u>11,874</u>	<u>11,052</u>
Total expense for the year	<u>\$ 28,442</u>	<u>\$ 292,362</u>

The Corporation of the Town of Shelburne
Notes to Financial Statements

December 31, 2018

7. Tangible Capital Assets

								2018
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads and Bridges	Water and Sewer Systems	Total
Cost, beginning 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
Additions	304,575	543,062	83,938	296,569	417,932	1,047,937	1,500,735	4,194,748
Disposals	-	-	-	(40,003)	(67,307)	(29,857)	-	(137,167)
Cost, end of year	4,324,478	5,320,642	25,864,172	2,406,512	5,386,361	17,398,641	35,592,669	96,293,475
Accumulated amortization, beginning of year	-	1,123,610	9,326,471	1,277,085	2,687,301	5,718,257	7,168,285	27,301,009
Amortization	-	165,934	751,808	193,189	264,156	477,444	553,065	2,405,596
Disposals	-	-	-	(40,003)	(67,307)	(29,857)	-	(137,167)
Accumulated amortization, end of year	-	1,289,544	10,078,279	1,430,271	2,884,150	6,165,844	7,721,350	29,569,438
Net carrying amount, end of year	\$ 4,324,478	\$ 4,031,098	\$ 15,785,893	\$ 976,241	\$ 2,502,211	\$ 11,232,797	\$ 27,871,319	\$ 66,724,037

The Corporation of the Town of Shelburne
Notes to Financial Statements

December 31, 2018

7. Tangible Capital Assets (continued)

								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)
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, 2018

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 \$- (2017 - \$-).

\$2,501,315 (2017 - \$2,458,266) 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 prior year, contributed assets were reallocated to the correct asset classification.

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2018

8. Accumulated Surplus

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

	2018	2017
Investment in Tangible Capital Assets		
Tangible capital assets purchased	\$ 66,724,037	\$ 64,934,885
Capital assets financed by long-term liabilities, to be funded in future years	(5,292,889)	(5,703,211)
	<u>61,431,148</u>	<u>59,231,674</u>
Shelburne Library Board	(9,052)	(9,052)
Centre Dufferin Recreation Complex	147,964	45,770
Shelburne Business Improvement Area	28,425	25,812
Shelburne and District Fire Department	20,702	44,760
Unfunded solid waste closure and post-closure costs	(362,699)	(315,549)
Unfunded post-employment benefit (police)	(313,197)	(292,362)
	<u>(487,857)</u>	<u>(500,621)</u>
	60,943,291	58,731,053
Reserves and reserve funds (Note 9)	<u>8,483,289</u>	<u>7,013,390</u>
Accumulated surplus	<u>\$ 69,426,580</u>	<u>\$ 65,744,443</u>

During the year, the Town operating surplus of \$580,349 (2017 - \$386,928) was transferred to reserves, as approved by Council.

During the year, the Library operating deficit of \$4,716 (2017 - \$-) was financed from reserves, as approved by the Library Board.

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2018

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

	<u>2018</u>	<u>2017</u>
Reserves		
Tax stabilization	\$ 275,000	\$ -
Working funds	597,446	497,446
Post-employment benefits	41,888	21,053
Current purposes	912,703	846,836
Capital purposes	<u>6,529,300</u>	<u>5,366,032</u>
	<u>8,356,337</u>	<u>6,731,367</u>
Reserve funds		
Fire capital purposes	<u>126,952</u>	<u>282,023</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$ 8,483,289</u>	<u>\$ 7,013,390</u>

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2018

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 2018 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.

	2018 Budget	2018 Actual	2017 Actual
Annual surplus (Page 5)	\$ 1,003,288	\$ 3,682,137	\$ 3,744,357
Amortization	2,421,377	2,405,596	2,216,484
Change in unfunded liabilities	-	67,985	283,567
Change in other surpluses	-	(80,749)	(27,671)
	3,424,665	6,074,969	6,216,737
Net transfers (to) from reserves	(138,467)	(1,469,899)	(940,859)
Capital acquisitions less disposals and write-down	(2,875,877)	(4,194,748)	(4,618,858)
Debt principal repayments	(410,321)	(410,322)	(657,020)
General surplus (Note 8)	\$ -	\$ -	\$ -

The Corporation of the Town of Shelburne

Notes to Financial Statements

December 31, 2018

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	\$ 12,953,075	\$ -	\$ -	\$ -	-
Temporary investments	101,486	-	-	-	-
Trade and other receivable	816,288	74,131	44,834	-	-
Long-term receivables	-	-	-	14,225	-
Net amount receivable	<u>\$ 13,870,849</u>	<u>\$ 74,131</u>	<u>\$ 44,834</u>	<u>\$ 14,225</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	927,535	-	-	-	-
Deferred recreation revenue	19,538	-	-	-	-
Long-term liabilities	-	-	-	2,245,553	3,047,336
Total financial liabilities	<u>\$ 947,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,245,553</u>	<u>\$ 3,047,336</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, 2018

12. Other Income

	2018	2018	2017
	Budget	Actual	Actual
Development charges	664,893	604,305	280,903
Penalties and interest on taxation	\$ 105,000	\$ 111,561	\$ 121,838
Investment income	68,264	173,532	94,779
Rents, concessions and franchises	20,050	19,576	21,841
Donations	31,750	45,731	133,110
Contributed tangible capital assets	-	2,501,315	2,458,266
Gain (loss) on sale of assets	4,000	7,427	16,244
Other	124,500	323,791	6,467
	\$ 1,018,457	\$ 3,787,238	\$ 3,133,448

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 52.71% (2017 - 52.98%) proportionate interest of the following:

	2018	2017
Financial assets	\$ 293,006	\$ 624,773
Liabilities	12,880	7,966
Net financial assets	280,126	616,807
Non-financial assets	1,291,971	892,069
Accumulated surplus	\$ 1,572,097	\$ 1,508,876
Revenues	\$ 723,721	\$ 653,120
Expenses	660,500	580,272
Annual surplus (deficit)	\$ 63,221	\$ 72,848

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2018

14. Grants

	2018	2018	2017
	Budget	Actual	Actual
Operating			
Province of Ontario			
Ontario Municipal Partnership Fund (OMPF)	\$ 444,300	\$ 444,300	\$ 522,700
Conditional - Roads	2,600	3,360	5,467
- Other	123,703	311,273	85,471
	570,603	758,933	613,638
Government of Canada			
Conditional - Other	12,000	10,000	12,149
Other Municipalities			
Conditional - Other	252,251	255,782	255,126
Total operating grants	834,854	1,024,715	880,913
Tangible Capital Asset			
Province of Ontario			
Conditional - Roads	1,246,577	144,597	102,032
- Sewer and water	-	-	589,172
- Other	-	-	87,500
	1,246,577	144,597	778,704
Government of Canada			
Federal Gas Tax	\$ 98,097	\$ 98,097	\$ 177,737
Conditional - Recreation	-	-	95,778
	98,097	98,097	273,515
Total tangible capital asset grants	1,344,674	242,694	1,052,219
Total grants	2,179,528	\$ 1,267,409	\$ 1,933,132

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2018

15. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 39 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 2018 was \$307,974 (2017 - \$279,948) for current service. The contribution rate for 2018 was 9.00% to 15.80% depending on retirement age and level of income (2017 - 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, 2018. At that time the plan reported a \$4.19 billion actuarial deficit (2017 - \$5.40 billion deficit), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 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:

	2018	2017
School boards	\$ 2,284,379	\$ 2,248,105
County of Dufferin	3,483,834	3,406,845
	<u>\$ 5,768,213</u>	<u>\$ 5,654,950</u>

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2018

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:

	2018	2017
Development in trust	\$ 596,368	\$ 1,386,601
Cemetery maintenance and equipment	68,025	66,676
Cemetery perpetual care	310,080	299,055
Prepaid burial fund	9,096	9,435
	<u>\$ 983,569</u>	<u>\$ 1,761,767</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 \$557,172 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 \$50,000 on capital projects in 2019 and beyond on protection services 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, 2018

20. Restatement of Opening Surplus

In the current year, the Town's percentage share of operations of the Shelburne Fire Department decreased to 52.71% (2017 - 52.98%). As a result of the decrease in percentage, there has been a restatement of opening accumulated surplus of \$(4,074) (2017 - \$19,099).

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, 2018

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, 2018

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	2018 Total
Revenue									
Taxation	\$ 1,049,480	\$ 2,915,593	\$ 1,538,485	\$ 36,550	\$ 48,900	\$ 71,770	\$ 612,122	\$ 545,419	\$ 6,818,319
Fees and user charges	60,711	210,402	10,033	2,974,282	30,930	51,368	573,037	154,006	4,064,769
Specific grants	35,000	8,954	246,054	223,463	-	-	281,947	27,691	823,109
OMPF grant	444,300	-	-	-	-	-	-	-	444,300
Other revenue	281,249	20,692	1,008,437	1,885,579	-	7,186	539,329	44,766	3,787,238
	<u>1,870,740</u>	<u>3,155,641</u>	<u>2,803,009</u>	<u>5,119,874</u>	<u>79,830</u>	<u>130,324</u>	<u>2,006,435</u>	<u>771,882</u>	<u>15,937,735</u>
Expenses									
Salaries and benefits	963,448	2,307,251	656,795	197,236	8,449	40,046	698,962	228,256	5,100,443
Interest on debt	-	-	23,650	150,312	-	-	-	-	173,962
Materials and supplies	326,591	398,804	650,232	1,128,985	3,040	30,318	537,094	157,527	3,232,591
Contracted services	70,359	2,750	11,228	729,615	82,090	-	-	382,298	1,278,340
Other transfers	-	43,318	-	-	-	-	14,911	-	58,229
Rents and financial expenses	2,363	-	-	-	-	-	-	-	2,363
Amortization	69,950	153,407	692,038	1,034,595	-	927	454,679	-	2,405,596
	<u>1,432,711</u>	<u>2,905,530</u>	<u>2,033,943</u>	<u>3,240,743</u>	<u>93,579</u>	<u>71,291</u>	<u>1,705,646</u>	<u>768,081</u>	<u>12,251,524</u>
Restatement of opening surplus	-	(4,074)	-	-	-	-	-	-	(4,074)
Net surplus (deficit)	\$ 438,029	\$ 246,037	\$ 769,066	\$ 1,879,131	\$ (13,749)	\$ 59,033	\$ 300,789	\$ 3,801	\$ 3,682,137

The Corporation of the Town of Shelburne Notes to Financial Statements

December 31, 2018

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	285,235	611,412	-	-	468,389	-	1,410,432
OMPF grant	522,700	-	-	-	-	-	-	-	522,700
Other revenue	216,861	13,070	858,266	1,897,340	-	4,032	135,169	8,710	3,133,448
	<u>1,863,453</u>	<u>2,894,043</u>	<u>2,837,084</u>	<u>5,383,294</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)	\$ 889,623	\$ 2,435,940	\$ 31,132	\$ 18,605	\$ 116,736	\$ (25,874)	\$ 3,744,357

**The Corporation of the Town of Shelburne
Trust Funds
Financial Information
For the year ended December 31, 2018**



Independent Auditor's Report

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

Opinion

We have audited the financial information of the trust funds of The Corporation of the Town of Shelburne, which comprise the balance sheet as at December 31, 2018 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.

In our opinion, the accompanying 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, 2018 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Information* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial information, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
April 8, 2019

**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	2018 Total	2017 Total
Current Assets						
Cash	\$ 596,368	\$ 68,025	\$ 110,080	\$ 9,096	\$ 783,569	\$ 1,561,767
Investments (Note 1)	-	-	200,000	-	200,000	200,000
	\$ 596,368	\$ 68,025	\$ 310,080	\$ 9,096	\$ 983,569	\$ 1,761,767
Liabilities and Fund Balance						
Fund balance	596,368	68,025	310,080	9,096	983,569	1,761,767

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	2018 Total	2017 Total
Balance, beginning of year	\$ 1,386,601	\$ 66,675	\$ 299,056	\$ 9,435	\$1,761,767	\$ 1,673,959
Receipts						
Fees	1,370,500	-	11,024	-	1,381,524	467,502
Cemetery maintenance fee	-	1,350	-	-	1,350	1,450
Interest earned	21,692	1,248	5,938	176	29,054	21,068
	1,392,192	2,598	16,962	176	1,411,928	490,020
Expenses	2,182,425	1,248	5,938	515	2,190,126	402,212
Balance, end of year	\$ 596,368	\$ 68,025	\$ 310,080	\$ 9,096	\$ 983,569	\$ 1,761,767

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, 2018

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, 2018

1. Investments

	2018	2017
GIC earning 1.95%, maturing April 28, 2022.	\$ 100,000	\$ 100,000
GIC earning 2.1%, maturing May 26, 2022.	100,000	100,000
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Investments have a market value of \$202,581 (2017 - \$202,581) at the end of the year.

2. Letters of Credit

In addition to funds held in trust for developers, the Town also held letters of credit from developers of \$7,214,740 as at December 31, 2018.

3. 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.
