

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

The Corporation of the Town of Orangeville

Financial Statements

For the year ended December 31, 2017

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Orangeville

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Orangeville, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, changes in net 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Orangeville as at December 31, 2017 and the results of its operations, changes in net 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
December 10, 2018

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

December 31 2017 2016

Assets and Liabilities

Financial Assets

Cash and bank (Note 1)	\$ 29,772,986	\$ 12,915,811
Temporary investments (Note 2)	13,656,205	13,527,361
Taxes receivable	662,579	1,167,512
Accounts and grants receivable	5,488,909	4,140,019
Long-term investments (Note 3)	9,730,707	9,330,163
	59,311,386	41,080,866

Liabilities

Temporary borrowings (Note 5)	15,000,000	4,880,000
Accounts payable and accrued liabilities	10,647,830	8,616,284
Deferred revenue (Note 4)	15,469,387	12,349,600
Net long-term liabilities (Note 6)	16,239,841	18,632,626
Post-employment benefits (Note 10)	1,898,654	1,873,541
Landfill site post-closure liability (Note 12)	519,751	448,349
	59,775,463	46,800,400

Net debt (464,077) (5,719,534)

Non-financial Assets

Inventory held for own use	18,729	17,957
Prepaid expenses	164,046	105,804
Tangible capital assets (Note 7)	202,455,615	194,045,336

Accumulated surplus (Note 8) **\$202,174,313** **\$ 188,449,563**

Contingencies (Note 21)

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

For the year ended December 31	2017	2017	2016
	Budget	Actual	Actual
Revenue			
Taxation	\$ 34,017,965	\$ 34,377,982	\$ 32,763,973
Fees and user charges	15,770,596	15,911,002	15,414,533
Grants (Note 15)	3,372,693	4,358,387	3,194,365
Other income (Note 14)	4,786,819	8,479,246	4,886,582
Equity in income of Orangeville Hydro Limited	364,419	1,011,292	701,939
	<u>58,312,492</u>	<u>64,137,909</u>	<u>56,961,392</u>
Expenses			
General government	4,880,448	5,705,728	4,712,098
Protection services	15,326,463	14,952,995	13,890,823
Transportation services	8,921,759	8,931,563	8,426,068
Environmental services	11,118,364	9,515,774	9,700,603
Health services	114,935	89,229	94,467
Recreation and cultural services	10,081,083	9,822,397	9,401,656
Planning and development	1,387,066	1,395,472	1,452,151
	<u>51,830,118</u>	<u>50,413,158</u>	<u>47,677,866</u>
Annual surplus	6,482,374	13,724,751	9,283,526
Accumulated surplus, beginning of year	<u>188,449,562</u>	<u>188,449,562</u>	<u>179,166,036</u>
Accumulated surplus, end of year	<u>\$ 194,931,936</u>	<u>\$ 202,174,313</u>	<u>\$ 188,449,562</u>

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

The Corporation of the Town of Orangeville Consolidated Statement of Changes in Net Debt

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Annual surplus	\$ 6,482,374	\$ 13,724,751	\$ 9,283,526
Acquisition of tangible capital assets	(7,811,300)	(16,930,093)	(21,193,729)
Amortization of tangible capital assets	7,585,031	7,585,031	7,700,487
Loss on disposal of tangible capital assets	-	3,688	26,430
Proceeds on disposal of tangible capital assets	-	931,095	271,210
	<u>(226,269)</u>	<u>(8,410,279)</u>	<u>(13,195,602)</u>
Change in inventory held for own use	-	(772)	396
Change in prepaid expenses	-	(58,242)	(38,706)
	<u>-</u>	<u>(59,014)</u>	<u>(38,310)</u>
Decrease (increase) in net debt	6,256,105	5,255,458	(3,950,386)
Net debt, beginning of the year	<u>(5,719,535)</u>	<u>(5,719,535)</u>	<u>(1,769,149)</u>
Net debt, end of the year	<u>\$ 536,570</u>	<u>\$ (464,077)</u>	<u>\$ (5,719,535)</u>

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

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

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 13,724,751	\$ 9,283,526
Items not involving cash		
Income from contribution of tangible capital assets	(3,439,590)	-
Net income from Orangeville Hydro Limited accounted for using the modified equity method	(1,011,292)	(701,939)
Amortization of tangible capital assets	7,585,031	7,700,487
Future employment benefit liability	25,113	(11,819)
Landfill site post-closure liability	71,402	(17,020)
Deferred revenue recognized	(3,951,191)	(3,395,252)
Loss on disposal of tangible capital assets	3,688	26,430
	<u>13,007,912</u>	<u>12,884,413</u>
Changes in non-cash working capital items		
Taxes receivable	504,933	117,971
Accounts and grants receivable	(1,348,890)	(214,303)
Accounts payable and accrued liabilities	2,031,546	3,215,180
Deferred revenue received	7,070,978	5,100,112
Inventory held for own use	(772)	396
Prepaid expenses	(58,242)	(38,706)
	<u>21,207,465</u>	<u>21,065,063</u>
Capital transactions		
Cash used to acquire tangible capital assets	(13,490,503)	(21,193,729)
Proceeds on sale of tangible capital assets	931,095	271,210
	<u>(12,559,408)</u>	<u>(20,922,519)</u>
Investing activities		
Dividends received from Orangeville Hydro Limited	610,748	364,419
Financing activities		
Repayments of long-term liabilities	(2,392,785)	(2,128,234)
Increase (decrease) in temporary borrowings	10,120,000	3,140,000
	<u>7,727,215</u>	<u>1,011,766</u>
Net increase in cash and cash equivalents	16,986,020	1,518,729
Cash and cash equivalents, beginning of year	26,443,171	24,924,442
Cash and equivalents, end of year	\$ 43,429,191	\$ 26,443,171
Cash and cash equivalents comprised of:		
Cash	\$ 29,772,986	\$ 12,915,811
Temporary investments	13,656,205	13,527,361
	<u>\$ 43,429,191</u>	<u>\$ 26,443,172</u>

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

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

December 31, 2017

Management Responsibility

The consolidated financial statements of the Corporation of the Town of Orangeville 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.

Use of Estimates

The preparation of consolidated 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 consolidated 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 financial 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 Orangeville Library Board

Town of Orangeville Business Improvement Area

Orangeville Railway Development Corporation

Town of Orangeville Police Services Board

Government business enterprises and partnerships are separate legal entities which do not rely on the municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. The following government business enterprises are reflected in the consolidated financial statements:

Orangeville Hydro Limited

Orangeville Hydro Services Limited

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

December 31, 2017

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.												
Financial Instruments	<p>The municipality 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 and bank, temporary investments, accounts and grants receivable, temporary borrowing, 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.</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 consolidated statement of operations and accumulated surplus.</p>												
Cash and Cash Equivalents	The Town considers all short term, highly liquid investments with an original maturity of six months or less to be cash equivalents.												
Inventory Held for Own Use	Inventory held for consumption is recorded at the lower of cost and replacement cost.												
Tangible Capital Assets	<p>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 assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:</p> <table><tr><td>Land improvements</td><td>15 years</td></tr><tr><td>Buildings</td><td>15 - 40 years</td></tr><tr><td>Roads</td><td>15 - 40 years</td></tr><tr><td>Water and sewer systems</td><td>40 years</td></tr><tr><td>Equipment</td><td>5 - 20 years</td></tr><tr><td>Vehicles</td><td>5 - 9 years</td></tr></table>	Land improvements	15 years	Buildings	15 - 40 years	Roads	15 - 40 years	Water and sewer systems	40 years	Equipment	5 - 20 years	Vehicles	5 - 9 years
Land improvements	15 years												
Buildings	15 - 40 years												
Roads	15 - 40 years												
Water and sewer systems	40 years												
Equipment	5 - 20 years												
Vehicles	5 - 9 years												

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

December 31, 2017

Tangible Capital Assets

(continued)

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

The Town capitalizes interest costs associated with the acquisition or construction of a tangible capital asset until long-term financing is put in place.

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets.

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. These assets do not normally provide resources to discharge the liabilities of the municipality unless they are sold.

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 in the year that the related expenses occur.

Investment income earned on surplus funds (other than obligatory funds) are reported in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

Other income is recognized when receivable.

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.

County and School Board

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

Intangible Assets

Intangible asset, art and historic treasures, and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recognized in these consolidated financial statements.

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

December 31, 2017

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.</p> <p>Taxation revenues are recorded at the time tax billings are issued. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.</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	<p>Government transfers are recognized as revenue in the consolidated 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 consolidated statement of operations and accumulated surplus as the stipulation liabilities are settled.</p>
Trust Funds	<p>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.</p>
Post-Employment Benefits	<p>The municipality provides post-employment health, dental and life insurance benefits to eligible retired employees. The benefits earned by employees are determined using management's best estimate of expected benefit costs and are expensed as services are rendered.</p> <p>Defined contribution plan accounting is applied to the municipality's multi-employer defined benefit pension plan.</p>

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

1. Cash and Bank

	2017	2016
Unrestricted cash and cash equivalents	\$ 27,683,282	\$ 10,826,107
Restricted cash and cash equivalents	2,089,704	2,089,704
	\$ 29,772,986	\$ 12,915,811

The municipality has externally restricted funds that are segregated and will be used only for specific purposes. The Town's bank accounts are held at one chartered bank with reserve accounts earning interest at prime less 1.70%.

2. Temporary Investments

	2017	2016
Unrestricted One Investment Program money market fund.	\$ 4,102,262	\$ 4,076,555
Restricted term deposits earning 1.63% (2016 - 1.07%), maturing May 14, 2018 - June 4, 2018 (2016 - March 16, 2017 - June 5, 2017).	9,553,943	9,450,806
	\$ 13,656,205	\$ 13,527,361

Investments have a market value of \$13,665,847 (2016 - \$13,526,136) at the end of the year.

The municipality has externally restricted funds that are segregated and will be used only for specific purposes.

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

3. Long-term Investments

Long-term investments consist of investments in government business enterprises. The Town of Orangeville owns a 94.50% interest in Orangeville Hydro Limited and a 100% interest in Orangeville Hydro Services Inc. Details of the book value of these investments are as follows:

	2017	2016
Investment in Orangeville Hydro Limited		
Investment in common shares	\$ 7,815,535	\$ 7,815,535
Net equity	1,915,171	1,514,627
	9,730,706	9,330,162
 Investment in Orangeville Hydro Services Inc.		
Investment in common share	1	1
	\$ 9,730,707	\$ 9,330,163

Condensed financial results for the government business enterprises are disclosed in Note 16.

Related party transactions between the Town and its government business enterprises are as follows:

	2017	2016
Expenses		
Streetlighting maintenance and water and sewer billing charge from Orangeville Hydro Limited	\$ 432,566	\$ 399,331

Orangeville Hydro Limited also collects water and sewage billings on behalf of the Town and remits the amounts to the Town on a monthly basis.

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

4. Deferred Revenue

	2017	2016
Obligatory Reserve Funds		
Development charges act	\$ 13,378,550	\$ 9,287,066
Building permits	419,941	255,987
Recreational land	663,163	680,686
MTO transit program	34,609	216,802
Transportation grants	14,467	484,154
Federal gas tax	663,488	1,165,593
	15,174,218	12,090,288
Other		
Grants	66,852	69,241
Deposits	228,317	190,071
	\$ 15,469,387	\$ 12,349,600

The net change during the year in the restricted deferred revenue balances is made up as follows:

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Development charges	\$ 9,287,066	\$ 5,134,800	\$ 130,549	\$ (1,173,865)	\$13,378,550
Building permits	255,987	-	2,815	161,139	419,941
Recreational land	680,686	4,167	6,958	(28,648)	663,163
MTO transit program	216,802	276,298	2,509	(461,000)	34,609
Transportation grants	484,154	595,840	1,969	(1,067,496)	14,467
Federal gas tax	1,165,593	865,586	13,630	(1,381,321)	663,488
	\$12,090,288	\$ 6,876,691	\$ 158,430	\$ (3,951,191)	\$15,174,218

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

5. Temporary Borrowings

	<u>2017</u>	<u>2016</u>
Operating loan	\$ -	\$ 4,880,000
<p>Ontario Infrastructure and Lands Corporation (OILC), interim construction financing for water pollution control plant. Interest is calculated at OILC's cost of funds plus OILC's prevailing spread with interest payable monthly, with no predetermined date of repayment. The Town of Orangeville has been approved for financing up to \$22,000,000. Repayment terms of principal and interest will be determined upon completion of the water pollution control plant project.</p>	<u>15,000,000</u>	-
	<u>\$ 15,000,000</u>	<u>\$ 4,880,000</u>

The operating loan is due on demand and bears interest at the bank's prime rate less 0.75%, calculated and payable monthly.

The Town has two outstanding letters of credit in the amount of \$198,200 at the bank as security for biosolid storage with the Region of Huronia.

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

6. Long-term Liabilities

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

	2017	2016
Loan payable, 29 First Street, prime minus 0.75%, payable in monthly payments of \$733 principal plus interest, due May 2035	\$ 153,142	\$ 161,935
Loan payable, BIA, 82 Broadway, 2.54%, payable in monthly payments of \$3,467 principal and interest, due December 2019.	630,791	656,022
Loan payable, 120 Diane Drive, 2.86%, payable in monthly payments of \$7,606 principal and interest, due December 2028	860,596	926,237
Loan payable, C Line, 2.46%, payable in monthly payments of \$6,459 principal and interest, due December 2017.	-	628,608
Loan payable, Tourism Information Centre, 2.79%, payable in monthly payments of \$3,920 principal and interest, due December 2023.	259,584	298,781
Loan payable, BIA, 172 Broadway, prime minus 0.75%, payable in monthly payments of \$3,676 principal and interest, due December 2033.	628,630	659,002
Loan payable, Alder Street recreation centre, 2.99%, payable in monthly payments of \$34,912 principal and interest, due December 2025.	3,040,346	3,379,063
Loan payable, Humber College land, 1.70%, payable in monthly payments of \$16,225 principal and interest, due March 2026.	1,511,978	1,664,554
Loan payable, police station and Westdale improvement area, 2.32%, payable in monthly payments of \$19,253 principal and interest, due March 2026.	1,752,833	1,927,378
Loan payable, Westdale improvement area, 2.99%, payable in monthly payments of \$22,276 principal and interest, due November 2026.	2,158,291	2,367,450

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

6. Long-term Liabilities (continued)

Loan payable, various transportation capital projects, 2.87%, payable in monthly payments of \$27,456 principal and interest adjusted every six months, due December 2026.	2,611,533	2,862,254
Loan payable, BIA parking lot, 4.60%, payable in monthly payments of \$4,785 principal and interest, due April 2029.	506,774	540,047
Loan payable, Tony Rose Rink A replacement, 1.93%, payable in monthly payments of \$16,667 principal, due August 2017.	-	136,370
Loan payable, Capital deficit funding, 2.38%, payable in monthly payments of \$21,183 principal and interest, due December 2018.	1,197,538	1,420,044
Loan payable, Streetlights, 7.5%, payable in variable monthly payments of principal and interest, due December 2025.	873,272	930,403
Capital lease payable, Police phone system, 4.10%, payable in monthly payments of \$1,907 principal and interest, due June 2020.	54,533	74,478
	<u>\$ 16,239,841</u>	<u>\$ 18,632,626</u>

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

2018		\$ 1,723,365
2019		2,322,062
2020		1,758,452
2021		1,800,491
2022		1,856,623
Thereafter		<u>6,778,848</u>
		<u>\$ 16,239,841</u>

Interest expense in the amount of \$498,879 (2016 - \$590,603) has been recognized on the consolidated statement of operations and accumulated surplus.

The annual principal and interest payments required to service the long-term liabilities of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**The Corporation of the Town of Orangeville
Notes to the Consolidated Financial Statements**

December 31, 2017

7. Tangible Capital Assets

								2017
	Land	Land Improvements	Buildings	Roads	Water and Sewer Systems	Equipment	Vehicles	Total
Cost, beginning of year	\$14,867,670	\$ 17,665,739	\$ 60,950,981	\$ 85,308,569	\$ 117,176,436	\$15,466,815	\$ 6,126,635	\$ 317,562,845
Additions	170,527	1,150,497	5,178,978	6,939,556	1,780,742	1,142,271	567,522	16,930,093
Disposals	(828,215)	(66,971)	-	-	(79,311)	-	(33,930)	(1,008,427)
Transfers	-	(389,204)	206,712	(1,338,275)	1,338,275	182,492	-	-
Cost, end of year	14,209,982	18,360,061	66,336,671	90,909,850	120,216,142	16,791,578	6,660,227	333,484,511
Accumulated amortization, beginning of year	-	9,401,967	13,042,382	47,580,075	41,339,448	8,886,762	3,266,875	123,517,509
Amortization	-	757,635	1,107,020	2,255,717	2,032,789	929,867	502,003	7,585,031
Disposals	-	(41,410)	-	-	-	-	(32,234)	(73,644)
Accumulated amortization, end of year	-	10,118,192	14,149,402	49,835,792	43,372,237	9,816,629	3,736,644	131,028,896
Net carrying amount, end of year	\$14,209,982	\$ 8,241,869	\$ 52,187,269	\$ 41,074,058	\$ 76,843,905	\$ 6,974,949	\$ 2,923,583	\$ 202,455,615

**The Corporation of the Town of Orangeville
Notes to the Consolidated Financial Statements**

December 31, 2017

7. Tangible Capital Assets (continued)

								2016
	Land	Land Improvements	Building	Roads	Water and Sewer System	Equipment	Vehicles	Total
Cost, beginning of year	\$15,110,479	\$ 15,813,216	\$ 47,552,260	\$ 82,376,253	\$ 115,953,351	\$14,844,130	\$ 5,232,491	\$ 296,882,180
Additions	59,927	1,476,582	14,181,504	3,107,072	1,083,585	395,876	889,183	21,193,729
Disposals	(232,200)	-	-	-	-	-	(280,864)	(513,064)
Transfers	(70,536)	375,941	(782,783)	(174,756)	139,500	226,809	285,825	-
Cost, end of year	<u>14,867,670</u>	<u>17,665,739</u>	<u>60,950,981</u>	<u>85,308,569</u>	<u>117,176,436</u>	<u>15,466,815</u>	<u>6,126,635</u>	<u>317,562,845</u>
Accumulated amortization, beginning of year	-	8,803,151	12,296,993	45,338,225	39,191,822	7,693,059	2,709,196	116,032,446
Amortization	-	710,629	1,116,884	2,296,838	2,095,702	985,064	495,370	7,700,487
Disposals	-	-	-	-	-	-	(215,424)	(215,424)
Transfers	-	(111,813)	(371,495)	(54,988)	51,924	208,639	277,733	-
Accumulated amortization, end of year	<u>-</u>	<u>9,401,967</u>	<u>13,042,382</u>	<u>47,580,075</u>	<u>41,339,448</u>	<u>8,886,762</u>	<u>3,266,875</u>	<u>123,517,509</u>
Net carrying amount, end of year	<u>\$14,867,670</u>	<u>\$ 8,263,772</u>	<u>\$ 47,908,599</u>	<u>\$ 37,728,494</u>	<u>\$ 75,836,988</u>	<u>\$ 6,580,053</u>	<u>\$ 2,859,760</u>	<u>\$ 194,045,336</u>

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

7. Tangible Capital Assets (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$33,156,046 (2016 - \$28,447,967). The assets under construction include land improvements, buildings, roads, water and sewer systems and equipment.

The municipality holds various works of art and historical treasures. These items are not recognized as tangible capital assets in the consolidated financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

8. Accumulated Surplus

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

	2017	2016
Invested in tangible capital assets	\$ 202,455,615	\$ 194,045,336
Unfunded long-term liabilities	(16,239,841)	(18,632,626)
Temporary borrowings	(15,000,000)	-
Tangible capital assets to be financed in the future	(4,521,410)	(19,521,410)
Unfunded post-employment benefits	(1,898,654)	(1,873,541)
Unfunded solid waste closure and post-closure costs	(519,751)	(448,349)
General surplus	2,462,089	481,482
Equity in Orangeville Hydro	9,730,707	9,330,163
	176,468,755	163,381,055
Reserves and reserve funds (Note 9)	25,705,558	25,068,507
Accumulated surplus	\$ 202,174,313	\$ 188,449,562

**The Corporation of the Town of Orangeville
Notes to the Consolidated Financial Statements**

December 31, 2017

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

	<u>2017</u>	<u>2016</u>
Reserves	<u>7,965,077</u>	<u>11,167,815</u>
Reserve funds		
Insurance, sick leave, WSIB	42,775	42,328
Water and sewer	9,190,401	7,221,730
General capital	6,865,443	5,154,872
Other	<u>1,641,862</u>	<u>1,481,762</u>
	<u>17,740,481</u>	<u>13,900,692</u>
Reserves and reserve funds set aside for specific purpose by Council	<u>\$ 25,705,558</u>	<u>\$ 25,068,507</u>

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

10. Post-Employment Benefits

The Town provides certain benefits, including retirement benefits and other post-employment benefits, to its employees. The employee benefits liabilities as at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Post-employment benefits	\$ 1,411,776	\$ 1,330,441
Vested sick leave	3,523	3,523
Workplace Safety and Insurance Board obligations	<u>42,882</u>	<u>50,980</u>
	1,458,181	1,384,944
Unamortized actuarial gains	<u>440,473</u>	<u>488,597</u>
	<u>\$ 1,898,654</u>	<u>\$ 1,873,541</u>

The Town has not made allocations to fund these liabilities at this time and future expenditures are anticipated to be recovered from tax billings.

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

	<u>2017</u>	<u>2016</u>
Current period benefit cost	\$ 65,324	\$ 92,742
Retirement benefit interest	64,180	61,263
Amortization of unamortized actuarial gains	<u>(55,556)</u>	<u>(55,556)</u>
Total expenses related to retirement benefit	<u>\$ 73,948</u>	<u>\$ 98,449</u>

Post-employment benefits

The Town of Orangeville sponsors a defined benefit plan for retirement benefits other than pensions to substantially all 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 \$70,028 (2016 - \$75,267)

Workplace Safety and Insurance Board obligations

The Town was a Schedule 2 employer under the Workplace Safety and Insurance Act until the end of 2009 and, as such, assumed responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with Town employees.

A Workplace Safety and Insurance reserve fund, funded by contributions from the current fund, has been established to protect against any unknown future liability. The balance of the reserve at December 31, 2017 was \$150,960 (2016- \$152,927)

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

10. Post-Employment Benefits (continued)

The actuarial valuations were based on a number of assumptions about future events such as inflation rates, interest rates, medical inflation rates, wage and salary increases and employee turnover and mortality. The most recent actuarial valuations were performed in 2016. The assumptions used reflect the Town's best estimates.

Discount rate	4.75% per year
Dental premium rates	Escalate at 4% per year
Health care premium rates	Escalate at 4.667% in 2016 reducing by 0.333% per year to 4%; 4% thereafter
Future salaries	Escalate at 3% per year
Future inflation rate	2% per year

11. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 233 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS for 2017 by the municipality was \$1,777,702 (2016 - \$1,620,748). The contribution rate for 2017 was 9.0% to 15.8% depending on age and income level (2016 - 9.0% to 15.8%).

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

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

12. Landfill Site Post-Closure Liability

The estimated post-closure liability for a landfill site that closed in 1970 as at December 31, 2017 is \$519,751 (2016 - \$448,349). The liability is based on current monitoring, maintenance and consulting costs of \$13,000 on an annual basis inflated at a rate of 1.60% per year and discounted at a rate of 3.1%. Current engineering studies suggest that monitoring would be required for another 60 years.

The Town has not made allocations to fund the liability at this time and future expenses are anticipated to be recovered from taxation billings.

13. 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 Corporation of the County of Dufferin:

	2017	2016
School boards	\$ 10,537,617	\$ 10,867,082
The Corporation of the County of Dufferin	14,929,700	14,775,397
	\$ 25,467,317	\$ 25,642,479

14. Other Income (Expense)

	2017	2017	2016
	Budget	Actual	Actual
Penalties and interest on taxation	\$ 533,000	\$ 364,933	\$ 396,204
Licences, permits and rents	656,713	663,983	609,565
Other fines and penalties	204,000	190,356	203,596
Investment income	32,700	302,071	146,492
Rents, concessions and franchises	528,600	430,153	573,675
Donations	94,250	111,490	68,498
Loss on disposal of tangible capital assets	-	(3,688)	(26,430)
Contribution of tangible capital assets	-	3,439,590	-
Development charges, recreational land	1,238,265	1,202,513	1,555,964
Other	1,499,291	1,777,845	1,359,018
	\$ 4,786,819	\$ 8,479,246	\$ 4,886,582

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

15. Grants

	2017	2017	2016
	Budget	Actual	Actual
Province of Ontario			
Transportation	\$ 864,840	\$ 1,528,498	\$ 1,891,850
Protection	983,362	976,065	663,325
Recreation	34,950	85,630	47,990
Planning and Development	4,867	223,096	113,249
	1,888,019	2,813,289	2,716,414
Government of Canada			
General Government	-	30,000	9,600
Transportation	\$ 1,255,632	\$ 1,322,225	\$ 142,517
Recreation	3,000	37,125	122,965
	1,258,632	1,389,350	275,082
Other			
Transportation	\$ -	\$ 3,636	\$ -
Protection	100,000	125,000	100,000
Recreation	10,000	16,169	12,802
Planning and Development	116,042	10,943	90,067
	226,042	155,748	202,869
Total grants	\$ 3,372,693	\$ 4,358,387	\$ 3,194,365

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

16. Municipal Enterprises

The following summarizes the financial position and operations of the municipal enterprises which have been reported in these financial statements.

Investment in Orangeville Hydro Limited

Orangeville Hydro Limited is a corporation incorporated under the laws of the Province of Ontario and provides municipal electrical services. The Corporation of the Town of Orangeville owns 94.50% of the outstanding shares of Orangeville Hydro Limited. Orangeville Hydro Limited has been reported in these consolidated financial statements using the modified equity method.

Balance Sheet	<u>2017</u>	<u>2016</u>
Assets	<u>\$ 32,140,457</u>	<u>\$ 28,189,700</u>
Liabilities	21,850,854	18,323,953
Shareholders' equity	<u>10,289,603</u>	<u>9,865,747</u>
	<u>\$ 32,140,457</u>	<u>\$ 28,189,700</u>
Results of Operations		
Revenues	\$ 36,636,133	\$ 39,335,166
Expenses	<u>35,565,983</u>	<u>38,592,327</u>
Net income for the year	<u>\$ 1,070,150</u>	<u>\$ 742,839</u>
Dividends paid during the year	<u>\$ 646,294</u>	<u>\$ 385,629</u>

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

16. Municipal Enterprises (continued)

Investment in Orangeville Hydro Services Inc.

Orangeville Hydro Services Inc. is a corporation incorporated under the laws of the Province of Ontario and is currently inactive. The Corporation of the Town of Orangeville owns 100% of the outstanding shares of Orangeville Hydro Services Inc.

Balance Sheet	2017	2016
Current assets	\$ 1	\$ 1
Shareholder's equity	1	1

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

17. Financial Instrument Risk Management

Credit Risk

The municipality is exposed to credit risk through the possibility of non-collection of its accounts and grants receivable. The majority of the municipality's receivables are from rate payers and government entities. For accounts and grants 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 accounts and grants receivable, were as follows:

	0 - 30 days	31 - 90 days	91 to 365 days	1 to 2 years	3 to 5 years
Cash and bank	\$ 29,772,986	\$ -	\$ -	\$ -	\$ -
Temporary investments	13,656,205	-	-	-	-
Accounts and grants receivable	5,488,909	-	-	-	-
Net amount receivable	<u>\$ 48,918,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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:

	Current	31 - 90 days	91 to 365 days	1 to 5 years	6 years and later
Temporary borrowings	\$15,000,000	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	5,447,670	382,000	353,794	408,000	56,366
Net long-term liabilities	-	-	1,723,365	7,737,628	6,778,848
Total financial liabilities	<u>\$20,447,670</u>	<u>\$382,000</u>	<u>\$ 2,077,159</u>	<u>\$ 8,145,628</u>	<u>\$ 6,835,214</u>

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

17. Financial Instrument Risk Management (continued)

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 certain long-term liabilities. The municipality is also 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.

18. Budgets

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

	2017	2017	2016
	Budget	Actual	Actual
Annual surplus (Page 4)	\$ 6,482,374	\$ 13,724,751	\$ 9,283,526
Amortization of tangible capital assets	7,585,031	7,585,031	7,700,487
Change in unfunded liabilities	-	96,515	(28,839)
Change in Equity in Orangeville Hydro	-	(400,544)	(337,519)
	14,067,405	21,005,753	16,617,655
Net transfers to reserves	(4,545,247)	(7,047,196)	(3,991,084)
Tangible capital asset acquisitions, disposals and write-down	(7,811,300)	(15,995,310)	(20,896,088)
Prior year capital projects expended	-	(8,589,855)	11,377,628
Proceeds from long-term debt	-	15,000,000	-
Debt principal repayments	(1,710,858)	(2,392,785)	(2,128,234)
	-	1,980,607	979,877
Prior year general surplus (deficit)	-	481,482	(498,395)
General surplus (deficit) (Note 8)	\$ -	\$ 2,462,089	\$ 481,482

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

19. Trust Funds

The trust funds administered by the municipality amounting to \$3,229,819 (2016 - \$3,224,077) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2017, the trusts fund balances are as follows:

	<u>2017</u>	<u>2016</u>
Cemetery care and maintenance funds	\$ 451,434	\$ 435,367
Ferns Memorial	33,904	33,835
Development Fund	<u>2,744,481</u>	<u>2,754,875</u>
	<u>\$ 3,229,819</u>	<u>\$ 3,224,077</u>

20. Contractual Commitments

The Town of Orangeville has entered into the following contracts:

- a) A five-year contract for transit bus services at an approximate cost of \$379,000 per year, beginning January 2, 2010, with the annual costs adjusted by CPI. This contract has been extended for an additional four years with the same terms and conditions.
- b) A five-year contract for the haulage and disposal of biosolids at an approximate cost of \$767,000 per year, beginning December 1, 2010. This contract was extended for an additional two years with the same terms and conditions.

The Town of Orangeville has committed to spend approximately \$6,500,000 on capital projects in 2018 and beyond on various general government, transportation services, environmental services and community services capital projects.

21. Contingencies

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 Orangeville

Notes to the Consolidated Financial Statements

December 31, 2017

22. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

23. Segment Disclosure

The Corporation of the Town of Orangeville 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:

Recreation and Cultural Services

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

Environmental Services

Environmental services consists of costs associated with managing solid waste. This service also provides the municipality's drinking water. They process and clean sewage and ensure the municipality's water system meets all Provincial standards.

Health Services

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 Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

23. Segment Disclosure (continued)

Protection to Persons and Property

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 Services

Transportation is responsible for providing the municipality with road maintenance, winter control services, street light maintenance, parking lots, and equipment maintenance. Transportation is also responsible for providing bus services to residents throughout the Town of Orangeville.

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 equity in government business enterprises and government business partnerships that are directly attributable to a particular segments are allocated to that segment. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis. Taxation has not been allocated to individual segments.

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

23. Segment Disclosure (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Develop- ment	2017 Total
Revenue								
Fees and user charges	\$ 214,008	\$ 293,922	\$ 257,379	\$ 12,028,744	\$ 57,062	\$ 2,871,223	\$ 188,664	\$ 15,911,002
Grants	30,000	1,101,066	2,854,358	-	-	138,924	234,039	4,358,387
Equity in income of Orangeville Hydro Limited	1,011,292	-	-	-	-	-	-	1,011,292
Other revenue	1,665,736	1,587,594	2,562,995	1,839,453	-	766,600	56,868	8,479,246
	<u>2,921,036</u>	<u>2,982,582</u>	<u>5,674,732</u>	<u>13,868,197</u>	<u>57,062</u>	<u>3,776,747</u>	<u>479,571</u>	<u>29,759,927</u>
Expenses								
Salaries and benefits	3,286,818	11,806,065	1,911,572	2,303,337	47,012	5,465,304	894,842	25,714,950
Interest on debt	117,881	38,475	207,042	-	-	81,219	54,263	498,880
Materials and supplies	1,656,609	2,226,354	1,896,122	2,528,883	29,429	2,002,101	261,903	10,601,401
Contracted services	327,266	166,531	2,036,254	2,025,489	12,787	415,204	119,676	5,103,207
Other transfers	-	180,390	-	214,322	-	269,500	49,472	713,684
Rents and financial expenses	47,824	25,540	92,189	-	-	30,451	-	196,004
Amortization	269,332	509,639	2,788,384	2,443,743	-	1,558,618	15,316	7,585,032
	<u>5,705,730</u>	<u>14,952,994</u>	<u>8,931,563</u>	<u>9,515,774</u>	<u>89,228</u>	<u>9,822,397</u>	<u>1,395,472</u>	<u>50,413,158</u>
Excess (deficiency) of revenues over expenses	(2,784,694)	(11,970,412)	(3,256,831)	4,352,423	(32,166)	(6,045,650)	(915,901)	(20,653,231)
Funded through:								
Taxation	-	-	-	-	-	-	-	34,377,982
Net surplus								\$ 13,724,751

The Corporation of the Town of Orangeville Notes to the Consolidated Financial Statements

December 31, 2017

23. Segment Disclosure (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Enivronmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2016 Total
Revenue								
Fees and user charges	\$ 181,563	\$ 210,770	\$ 238,510	\$ 11,803,027	\$ 67,074	\$ 2,795,214	\$ 118,375	\$ 15,414,533
Grants	9,600	763,324	2,034,367	-	-	183,758	203,316	3,194,365
Equity in income of Orangeville Hydro Limited	701,939	-	-	-	-	-	-	701,939
Other revenue	1,114,815	1,463,184	103,950	1,069,577	9,770	1,034,880	90,406	4,886,582
	<u>2,007,917</u>	<u>2,437,278</u>	<u>2,376,827</u>	<u>12,872,604</u>	<u>76,844</u>	<u>4,013,852</u>	<u>412,097</u>	<u>24,197,419</u>
Expenses								
Salaries and benefits	3,116,242	11,192,125	1,768,710	2,221,470	58,529	5,181,313	889,345	24,427,734
Interest on debt	155,521	61,708	242,838	-	-	73,392	57,144	590,603
Materials and supplies	811,162	1,699,109	1,527,104	2,739,619	31,340	1,977,220	327,082	9,112,636
Contracted services	338,090	174,681	1,932,451	2,104,081	4,598	392,931	162,972	5,109,804
Other transfers	-	174,579	-	131,088	-	202,491	-	508,158
Rents and financial expenses	25,683	40,342	135,419	-	-	25,727	292	227,463
Amortization	265,400	548,279	2,819,546	2,504,345	-	1,548,582	15,316	7,701,468
	<u>4,712,098</u>	<u>13,890,823</u>	<u>8,426,068</u>	<u>9,700,603</u>	<u>94,467</u>	<u>9,401,656</u>	<u>1,452,151</u>	<u>47,677,866</u>
Excess (deficiency) of revenues over expenses	(2,704,181)	(11,453,545)	(6,049,241)	3,172,001	(17,623)	(5,387,804)	(1,040,054)	(23,480,447)
Funded through:								
Taxation	-	-	-	-	-	-	-	32,763,973
Net surplus								\$ 9,283,526

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

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Orangeville

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

Management's Responsibility for the Financial Statements

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 is 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 is 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 presents fairly, in all material respects, the financial position of the trust funds of the Corporation of the Town of Orangeville as at December 31, 2017 and the continuity of the trust funds for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Orangeville, Ontario
December 10, 2018

**The Corporation of the Town of Orangeville
Trust Funds
Balance Sheet**

December 31, 2017

Assets	Pre-Needs	Cemetery Perpetual Care	Ferns Memorial	Develop. Fund	2017 Total	2016 Total
						<i>(restated, see note 4)</i>
Current						
Cash	\$ 26,273	\$ 304,563	\$ 19,604	\$ 538,374	\$ 888,814	\$ 862,472
Accrued interest Receivable	-	4,570	377	29,097	34,044	46,818
Investments, at cost (Note 2)	(3,120)	-	900	-	(2,220)	900
Interfund receivables	-	177,289	14,626	2,152,072	2,343,987	2,369,581
	14,954	(30,774)	(1,703)	17,523	-	-
	\$ 38,107	\$ 455,648	\$ 33,804	\$ 2,737,066	\$3,264,625	\$ 3,279,771
Liabilities						
Due to general account	\$ 13,721	\$ 4,214	\$ (100)	\$ (7,415)	\$ 10,420	\$ 35,864
Fund Balance	24,386	451,434	33,904	2,744,481	3,254,205	3,243,907
	\$ 38,107	\$ 455,648	\$ 33,804	\$ 2,737,066	\$3,264,625	\$ 3,279,771

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

Statement of Continuity

December 31, 2017

	Pre-Needs	Cemetery Perpetual Care	Ferns Memorial	Develop. Fund	2017 Total	2016 Total
						<i>(restated, see note 4)</i>
Balance, beginning of the year	\$ 19,830	\$ 435,367	\$ 33,835	\$ 2,754,875	\$3,243,907	\$ 3,053,586
Receipts						
Perpetual care	5,280	14,455	-	-	19,735	17,445
Investment income	396	2,688	159	48,308	51,551	65,740
Fees and deposits	-	-	-	501,967	501,967	1,119,920
Loss on disposition of investments	-	(1,076)	(90)	(6,534)	(7,700)	(13,358)
	<u>5,676</u>	<u>16,067</u>	<u>69</u>	<u>543,741</u>	<u>565,553</u>	<u>1,189,747</u>
Expenses						
Transfer to Town of Orangeville	1,120	-	-	-	1,120	10,442
Payments and deposits returned	-	-	-	554,135	554,135	988,984
	<u>1,120</u>	<u>-</u>	<u>-</u>	<u>554,135</u>	<u>555,255</u>	<u>999,426</u>
Balance, end of the year	\$ 24,386	\$ 451,434	\$ 33,904	\$ 2,744,481	\$3,254,205	\$ 3,243,907

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

The Corporation of the Town of Orangeville Trust Funds Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies

Management Responsibility The financial information of the Corporation of the Town of Orangeville trust funds is 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 Accountants. 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 information, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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 balance sheet reflects all the financial assets and liabilities of the trust funds. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations.

Financial Instruments The Corporation of the Town of Orangeville trust funds 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, receivable, investments, and due to general account. 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 continuity.

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

December 31, 2017

2. Investments

Investments totaling \$859,376 (2016 - \$1,091,313) consist of corporate and government bonds with interest rates ranging from 1.994% to 5.304% (2016 - 1.360% to 5.680%). The market value of these investments was \$845,754 (2016 - \$1,066,722).

Investments totaling \$227,270 (2016 - \$-) consist of cash and Guaranteed Investment Certificates with interest rates of 1.91% - 2.10%. The market value of these investments was \$227,270.

Investments totaling \$1,075,446 (2016 - \$1,064,018) consist of term deposits with interest rates of 1.63% (2016 - 1.70%). The market value of these investments was \$1,075,446 (2016 - \$1,064,018).

Investments totaling \$181,894 (2016 - \$214,249) consist of a money market fund. The market value of this investment is \$181,894 (2016 - \$214,249).

3. Letters of Credit

In addition to funds held in trust for developers, the Municipality also held letters of credit from developers of \$9,134,571 (2016 - \$17,192,071) as at December 31, 2017.

4. Prior year adjustment

During the year, the client reviewed all trust funds balances and activity for the past seven years. It was discovered that a number of deposits and withdrawals were not correctly recorded. In order to correct these balances, the following adjustments are required:

January 1, 2016

Increase in opening surplus	\$ 17,169
Decrease in due to general	\$ (17,169)

For the year ended December 31, 2016

Increase in perpetual care receipts	\$ 1,840
Increase in transfer to Town of Orangeville	\$ 672
Increase in closing surplus	\$ 18,337
Decrease in due to general	\$ (18,337)

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

December 31, 2017

4. 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 municipality is exposed to credit risk arising from its cash and receivable.

Liquidity Risk

Liquidity risk is the risk that the municipality encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the municipality will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from due to general account. The organization has sufficient bank and investment balances to extinguish its liabilities.

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 value of 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.