

**The Corporation of the
Town of Orangeville
Financial Statements
For the year ended December 31, 2015**

The Corporation of the Town of Orangeville
Financial Statements
For the year ended December 31, 2015

Contents

| | |
|---|---------|
| The Corporation of the Town of Orangeville | |
| Independent Auditor's Report | 2 |
| Consolidated Statement of Financial Position | 3 |
| Consolidated Statement of Operations and Accumulated Surplus | 4 |
| Consolidated Statement of Changes in Net Debt | 5 |
| Consolidated Statement of Cash Flows | 6 |
| Summary of Significant Accounting Policies | 7 - 10 |
| Notes to the Consolidated Financial Statements | 11 - 33 |
| | |
| The Corporation of the Town of Orangeville Trust Funds | |
| Independent Auditor's Report | 35 |
| Balance Sheet and Statement of Continuity | 36 |
| Notes to the Financial Statements | 37 - 39 |



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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, 2015 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, 2015 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
June 20, 2016

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

| December 31 | 2015 | 2014 |
|--|----------------------|-------------------------|
| | | (restated) (Note 22) |
| Assets and Liabilities | | |
| Financial Assets | | |
| Cash and bank (Note 1) | \$ 10,483,997 | \$ 5,125,633 |
| Temporary investments (Note 2) | 14,440,445 | 14,280,222 |
| Taxes receivable | 1,079,476 | 1,639,235 |
| Accounts and grants receivable | 3,925,716 | 3,546,055 |
| Long-term investments (Note 3) | 8,992,644 | 8,762,431 |
| | 38,922,278 | 33,353,576 |
| Liabilities | | |
| Temporary borrowings (Note 5) | 1,740,000 | 2,660,000 |
| Accounts payable and accrued liabilities | 5,195,098 | 3,309,496 |
| Deferred revenue (Note 4) | 10,644,740 | 9,713,621 |
| Net long-term liabilities (Note 6) | 20,760,860 | 21,259,955 |
| Post-employment benefits (Note 10) | 1,885,360 | 1,841,362 |
| Landfill site post-closure liability (Note 12) | 465,369 | 480,676 |
| | 40,691,427 | 39,265,110 |
| Net debt | (1,769,149) | (5,911,534) |
| Non-financial Assets | | |
| Inventory held for own use | 18,353 | 21,836 |
| Prepaid expenses | 67,098 | 193,856 |
| Tangible capital assets (Note 7) | 180,849,734 | 177,883,018 |
| | 180,935,185 | 178,107,710 |
| Accumulated surplus (Note 8) | \$179,166,036 | \$172,187,176 |
| Contingencies (Note 21) | | |

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

| For the year ended December 31 | 2015 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------------------|
| | Budget | Actual | Actual (restated) (Note 22) |
| Revenue | | | |
| Taxation | \$ 30,883,046 | \$ 31,321,102 | \$ 29,251,503 |
| Fees and user charges | 15,966,153 | 15,622,870 | 15,269,746 |
| Grants (Note 15) | 3,487,617 | 1,762,005 | 1,812,529 |
| Other income (Note 14) | 1,930,959 | 1,298,108 | 657,607 |
| Obligatory reserve funds revenue recognized | 1,260,927 | 4,104,035 | 2,260,035 |
| Equity in income of Orangeville Hydro Limited | 242,250 | 516,400 | 675,879 |
| | <u>53,770,952</u> | <u>54,624,520</u> | <u>49,927,299</u> |
| Expenses | | | |
| General government | 4,593,435 | 4,627,722 | 4,383,567 |
| Protection services | 14,027,365 | 13,325,827 | 13,773,835 |
| Transportation services | 9,738,029 | 9,167,387 | 10,471,842 |
| Environmental services | 10,269,704 | 9,594,584 | 9,450,625 |
| Health services | 109,564 | 86,712 | 88,811 |
| Recreation and cultural services | 9,377,845 | 9,023,075 | 9,173,717 |
| Planning and development | 1,897,967 | 1,820,353 | 1,833,206 |
| | <u>50,013,909</u> | <u>47,645,660</u> | <u>49,175,603</u> |
| Annual surplus | 3,757,043 | 6,978,860 | 751,696 |
| Accumulated surplus, beginning of year | 172,187,176 | 172,187,176 | 171,602,084 |
| Prior period adjustment (Note 22) | - | - | (166,604) |
| Accumulated surplus, end of year | <u>\$ 175,944,219</u> | <u>\$ 179,166,036</u> | <u>\$ 172,187,176</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 | 2015 Budget | 2015 Actual | 2014 Actual |
|--|-----------------------|-----------------------|-----------------------|
| Annual surplus | \$ 3,757,043 | \$ 6,978,860 | \$ 751,696 |
| Acquisition of tangible capital assets | (14,813,490) | (11,098,847) | (7,966,144) |
| Amortization of tangible capital assets | 7,671,928 | 7,664,929 | 7,661,145 |
| Loss on disposal of tangible capital assets | - | 447,176 | 1,243,093 |
| Proceeds on disposal of tangible capital assets | - | 20,026 | 68,949 |
| | <u>(7,141,562)</u> | <u>(2,966,716)</u> | 1,007,043 |
| Change in inventory held for own use | - | 3,483 | 4,931 |
| Change in prepaid expenses | - | 126,758 | (188,288) |
| | - | <u>130,241</u> | <u>(183,357)</u> |
| Increase (decrease) in net financial assets | (3,384,519) | 4,142,385 | 1,575,382 |
| Net debt, beginning of the year | <u>(5,911,534)</u> | <u>(5,911,534)</u> | <u>(7,486,916)</u> |
| Net debt, end of the year | <u>\$ (9,296,053)</u> | <u>\$ (1,769,149)</u> | <u>\$ (5,911,534)</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 | 2015 | 2014 |
|--|----------------------|----------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Annual surplus | \$ 6,978,860 | \$ 751,696 |
| Items not involving cash | | |
| Income from contribution of tangible capital assets | (23,446) | - |
| Net income from Orangeville Hydro Limited accounted for using the modified equity method | (516,400) | (675,879) |
| Amortization of tangible capital assets | 7,664,929 | 7,661,145 |
| Future employment benefit liability | 43,998 | 34,924 |
| Landfill site post-closure liability | (15,307) | 189,546 |
| Deferred revenue recognized | (4,104,035) | (2,260,035) |
| Loss on disposal of tangible capital assets | 447,176 | 1,243,093 |
| | <u>10,475,775</u> | <u>6,944,490</u> |
| Changes in non-cash working capital items | | |
| Taxes receivable | 559,759 | 802,837 |
| Accounts and grants receivable | (379,661) | 26,396 |
| Accounts payable and accrued liabilities | 1,885,602 | (2,570,340) |
| Deferred revenue received | 5,035,154 | 4,185,506 |
| Inventory held for own use | 3,483 | 4,931 |
| Prepaid expenses | 126,758 | (188,288) |
| | <u>17,706,870</u> | <u>9,205,532</u> |
| Capital transactions | | |
| Cash used to acquire tangible capital assets | (11,075,401) | (7,966,144) |
| Proceeds on sale of tangible capital assets | 20,026 | 68,949 |
| | <u>(11,055,375)</u> | <u>(7,897,195)</u> |
| Investing activities | | |
| Dividends received from Orangeville Hydro Limited | 286,187 | 400,487 |
| Financing activities | | |
| Proceeds from long-term liabilities | 1,178,847 | 2,450,000 |
| Repayments of long-term liabilities | (1,677,942) | (1,247,911) |
| Decrease in temporary borrowings | (920,000) | (1,660,000) |
| | <u>(1,419,095)</u> | <u>(457,911)</u> |
| Net increase in cash and bank | 5,518,587 | 1,250,913 |
| Cash and bank, beginning of year | 19,405,855 | 18,154,942 |
| Cash and bank, end of year | \$ 24,924,442 | \$ 19,405,855 |
| Cash and cash equivalents comprised of: | | |
| Cash | \$ 10,483,997 | \$ 5,125,633 |
| Temporary investments | 14,440,445 | 14,280,222 |
| | <u>\$ 24,924,442</u> | <u>\$ 19,405,855</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, 2015

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 as prescribed by the Ministry of Municipal Affairs and Housing.

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, 2015

| | | | | | | | | | | | | | |
|-----------------------------------|--|-------------------|----------|-----------|---------------|-------|---------------|-------------------------|----------|-----------|--------------|----------|-------------|
| 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 three 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, 2015

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, 2015

| | |
|--------------------------------------|--|
| 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, 2015

1. Cash and Bank

| | 2015 | 2014 |
|--|----------------------|---------------------|
| Unrestricted cash and cash equivalents | \$ 8,394,293 | \$ 3,035,929 |
| Restricted cash and cash equivalents | 2,089,704 | 2,089,704 |
| | \$ 10,483,997 | \$ 5,125,633 |

The municipality has internally and 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

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Unrestricted One Investment Program money market fund. | \$ 4,054,599 | \$ 4,022,830 |
| Restricted term deposits earning 1.0% (2014 - 1.4% - 1.45%), maturing February 5, 2016 - February 11, 2016 (2014 - January 5, 2015 - May 4, 2015). | 5,267,929 | 6,202,700 |
| Unrestricted term deposits earning 0.95% - 1.0% (2014 - 1.4% - 1.45%), maturing January 5, 2016 - February 11, 2016 (2014 - January 5, 2015 - May 4, 2015). | 5,117,917 | 4,054,692 |
| | \$ 14,440,445 | \$ 14,280,222 |

Investments have a market value of \$14,440,445 (2014 - \$14,310,140) at the end of the year.

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

December 31, 2015

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:

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Investment in Orangeville Hydro Limited | | |
| Investment in common shares | \$ 7,815,535 | \$ 7,815,535 |
| Net equity | 1,177,108 | 946,895 |
| | 8,992,643 | 8,762,430 |
| Investment in Orangeville Hydro Services Inc. | | |
| Investment in common share | 1 | 1 |
| | \$ 8,992,644 | \$ 8,762,431 |

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:

| | 2015 | 2014 |
|--|------------|------------|
| Expenses | | |
| Streetlighting maintenance and water and sewer billing charge from Orangeville Hydro Limited | \$ 570,021 | \$ 477,305 |

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, 2015

4. Deferred Revenue

| | 2015 | 2014 |
|---------------------------------|-------------------|------------------|
| Obligatory Reserve Funds | | |
| Development charges act | \$ 7,785,210 | \$ 8,710,480 |
| Building permits | 236,485 | 257,814 |
| Recreational land | 680,500 | 265,755 |
| Parking revenues | 25 | 25 |
| MTO transit program | 227,485 | 279,757 |
| Transportation grants | 1,044,288 | - |
| Federal gas tax | 454,160 | 72,090 |
| | 10,428,153 | 9,585,921 |
| Other | | |
| Grants | 39,907 | 31,445 |
| Deposits | 176,680 | 96,255 |
| | 10,644,740 | 9,713,621 |

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 | \$ 8,710,480 | \$ 2,261,969 | \$ 112,170 | \$ (3,299,409) | \$ 7,785,210 |
| Building permits | 257,814 | - | 1,015 | (22,344) | 236,485 |
| Recreational land | 265,755 | 447,893 | 2,746 | (35,894) | 680,500 |
| Parking revenues | 25 | - | - | - | 25 |
| MTO transit program | 279,757 | 259,848 | 4,209 | (316,329) | 227,485 |
| Transportation grants | - | 1,044,288 | - | - | 1,044,288 |
| Federal gas tax | 72,090 | 810,027 | 2,102 | (430,059) | 454,160 |
| | \$ 9,585,921 | \$ 4,824,025 | \$ 122,242 | \$ (4,104,035) | \$10,428,153 |

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

December 31, 2015

5. Temporary Borrowings

| | <u>2015</u> | <u>2014</u> |
|----------------|---------------------|---------------------|
| Operating loan | <u>\$ 1,740,000</u> | <u>\$ 2,660,000</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, 2015

6. Long-term Liabilities

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

| | 2015 | 2014 |
|---|------------------|-------------|
| Loan payable, 29 First Street, prime minus 0.75%, payable in monthly payments of \$733 principal plus interest, due May 2023. | \$ 170,728 | \$ 179,521 |
| Loan payable, BIA, 82 Broadway, 2.54%, payable in monthly payments of \$3,138 principal and interest, due December 2019. | 680,572 | 704,555 |
| Loan payable, 120 Diane Drive, 2.86%, payable in monthly payments of \$7,606 principal and interest, due December 2018. | 990,029 | 1,052,114 |
| Loan payable, C Line, 1.90%, payable in monthly payments of \$6,459 principal and interest, due December 2016. | 915,647 | 973,590 |
| Loan payable, Tourism Information Centre, 2.79%, payable in monthly payments of \$3,920 principal and interest, due December 2018. | 336,900 | 374,004 |
| Loan payable, BIA, 172 Broadway, 2.13%, payable in monthly payments of \$3,643 principal and interest, due December 2017. | 688,735 | 717,886 |
| Loan payable, Alder Street recreation centre, 1.92%, payable in monthly payments of \$39,601 principal and interest, due December 2016, maturing 2025. | 3,719,545 | 3,999,196 |
| Loan payable, Humber College land, 5.15%, payable in monthly payments of \$19,045 principal and interest, due March 2016, maturing 2026. | 1,819,181 | 1,950,339 |
| Loan payable, police station and Westdale improvement area, 5.15%, payable in monthly payments of \$22,052 principal and interest, due March 2016, maturing 2026. | 2,106,420 | 2,258,288 |
| Loan payable, Westdale improvement area, 4.91%, payable in monthly payments of \$25,150 principal and interest, due November 2016, maturing 2026. | 2,547,828 | 2,720,270 |

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

December 31, 2015

6. Long-term Liabilities (continued)

| | | |
|---|-----------------------------|-----------------------------|
| Loan payable, various transportation capital projects, 2.87% adjusted every six months, payable in monthly payments of \$27,456 principal and interest adjusted every six months, due December 2018, maturing 2026. | 3,105,889 | 3,342,928 |
| Loan payable, BIA parking lot, 4.60%, payable in monthly payments of \$4,785 principal and interest, due April 2019, maturing 2029. | 571,758 | 602,190 |
| Loan payable, Tony Rose Rink A replacement, 1.93%, payable in monthly payments of \$16,667 principal, due August 2017. | 337,623 | 535,074 |
| Loan payable, Capital deficit funding, 2.38%, payable in monthly payments of \$21,183 principal and interest, due December 2018. | 1,637,521 | 1,850,000 |
| Loan payable, Streetlights, 2.36%, payable in variable monthly payments of principal and interest, due December 2025. | 1,038,615 | - |
| Capital lease payable, Police phone system, 4.10%, payable in monthly payments of \$1,907 principal and interest, due June 2020. | 93,869 | - |
| | <u>\$ 20,760,860</u> | <u>\$ 21,259,955</u> |

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

| | |
|------------|-----------------------------|
| 2016 | \$ 12,056,985 |
| 2017 | 1,548,687 |
| 2018 | 5,105,307 |
| 2019 | 1,215,042 |
| 2020 | 120,396 |
| Thereafter | <u>714,443</u> |
| | <u>\$ 20,760,860</u> |

Interest expense in the amount of \$797,350 (2014 - \$788,136) 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, 2015

7. Tangible Capital Assets

| | | | | | | | | 2015 |
|---|--------------|-------------------|---------------|---------------|-------------------------|--------------|--------------|----------------|
| | Land | Land Improvements | Buildings | Roads | Water and Sewer Systems | Equipment | Vehicles | Total |
| Cost, beginning of year | \$15,125,894 | \$ 14,784,920 | \$ 41,124,232 | \$ 81,609,364 | \$ 115,431,269 | \$13,686,736 | \$ 5,016,952 | \$ 286,779,367 |
| Additions | 4 | 543,022 | 6,539,187 | 2,225,857 | 228,273 | 1,084,164 | 478,340 | 11,098,847 |
| Disposals | (15,419) | (21,383) | (131,256) | (617,079) | (21,326) | (99,105) | (90,466) | (996,034) |
| Transfers | - | 506,657 | 20,097 | (841,889) | 315,135 | 172,335 | (172,335) | - |
| Cost, end 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 |
| Accumulated amortization, beginning of year | - | 8,158,733 | 11,179,628 | 43,285,637 | 37,103,082 | 6,766,130 | 2,403,139 | 108,896,349 |
| Amortization | - | 657,747 | 1,140,555 | 2,350,794 | 2,095,573 | 963,472 | 456,788 | 7,664,929 |
| Disposals | - | (20,186) | (23,190) | (291,349) | (6,833) | (97,581) | (89,693) | (528,832) |
| Transfers | - | 6,857 | - | (6,857) | - | 61,038 | (61,038) | - |
| Accumulated amortization, end of year | - | 8,803,151 | 12,296,993 | 45,338,225 | 39,191,822 | 7,693,059 | 2,709,196 | 116,032,446 |
| Net carrying amount, end of year | \$15,110,479 | \$ 7,010,065 | \$ 35,255,267 | \$ 37,038,028 | \$ 76,761,529 | \$ 7,151,071 | \$ 2,523,295 | \$ 180,849,734 |

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

December 31, 2015

7. Tangible Capital Assets (continued)

| | 2014 (restated - Note 22) | | | | | | | |
|---|------------------------------|----------------------|---------------|---------------|---------------------------|--------------|--------------|----------------|
| | Land | Land Improvements | Building | Roads | Water and Sewer System | Equipment | Vehicles | Total |
| Cost, beginning of year | \$14,772,215 | \$ 14,288,399 | \$ 44,300,275 | \$ 83,536,875 | \$ 109,864,839 | \$11,164,007 | \$ 5,157,603 | \$ 283,084,213 |
| Additions | 850,612 | 785,275 | 1,508,830 | 3,469,056 | 122,268 | 1,003,490 | 226,613 | 7,966,144 |
| Disposals | - | (118,427) | - | (1,877,228) | (1,897,952) | (13,018) | (364,365) | (4,270,990) |
| Transfers | (496,933) | (170,327) | (4,684,873) | (3,519,339) | 7,342,114 | 1,532,257 | (2,899) | |
| Cost, end of year | 15,125,894 | 14,784,920 | 41,124,232 | 81,609,364 | 115,431,269 | 13,686,736 | 5,016,952 | 286,779,367 |
| Accumulated amortization, beginning of year | - | 7,584,582 | 10,156,065 | 42,053,557 | 36,156,045 | 5,978,507 | 2,265,396 | 104,194,152 |
| Amortization | - | 692,374 | 1,009,595 | 2,564,507 | 2,231,028 | 716,074 | 447,567 | 7,661,145 |
| Disposals | - | (108,594) | - | (1,330,368) | (1,203,734) | (7,660) | (308,592) | (2,958,948) |
| Transfers | - | (9,629) | 13,968 | (2,059) | (80,257) | 79,209 | (1,232) | - |
| Accumulated amortization, end of year | - | 8,158,733 | 11,179,628 | 43,285,637 | 37,103,082 | 6,766,130 | 2,403,139 | 108,896,349 |
| Net carrying amount, end of year | \$15,125,894 | \$ 6,626,187 | \$ 29,944,604 | \$ 38,323,727 | \$ 78,328,187 | \$ 6,920,606 | \$ 2,613,813 | \$ 177,883,018 |

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

December 31, 2015

7. Tangible Capital Assets (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$8,564,999 (2014 - \$3,105,258). The assets under construction include buildings, roads, 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:

| | 2015 | 2014 |
|---|----------------|----------------|
| | | (restated) |
| | | (Note 22) |
| Invested in tangible capital assets | \$ 180,849,734 | \$ 177,883,018 |
| Unfunded long-term liabilities | (20,760,860) | (21,259,955) |
| Unfunded post-employment benefits | (1,885,360) | (1,841,362) |
| Tangible capital assets already financed (to be financed in the future) | (1,733,636) | 1,134,789 |
| Unfunded solid waste closure and post-closure costs | (465,369) | (480,676) |
| General surplus (deficit) | (461,647) | (1,905,382) |
| Equity in Orangeville Hydro | 8,992,644 | 8,762,431 |
| Business improvement area | 18,193 | 12,080 |
| Orangeville Railway Development Corporation | (54,941) | (21,681) |
| | 164,498,758 | 162,283,262 |
| Reserves and reserve funds (Note 9) | 14,667,278 | 9,903,914 |
| Accumulated surplus | \$ 179,166,036 | \$ 172,187,176 |

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

December 31, 2015

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

| | 2015 | 2014 |
|---|----------------------|---------------------|
| Reserves | | |
| Working funds | \$ 423,565 | \$ 336,004 |
| Insurance, sick leave and WSIB | 158,585 | 159,260 |
| Current purposes | 1,247,727 | 985,990 |
| Capital purposes | 171,674 | 183,780 |
| | 2,001,551 | 1,665,034 |
| Reserve funds | | |
| Working funds | 4,111,518 | 3,386,484 |
| Water and sewer | 6,978,984 | 4,054,692 |
| Capital purposes | 1,575,225 | 797,704 |
| | 12,665,727 | 8,238,880 |
| Reserves and reserve funds set aside for specific purpose by Council | \$ 14,667,278 | \$ 9,903,914 |

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

December 31, 2015

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>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Post-employment benefits | \$ 1,284,789 | \$ 1,640,494 |
| Vested sick leave | 4,794 | 9,682 |
| Workplace Safety and Insurance Board obligations | <u>59,056</u> | <u>67,446</u> |
| | 1,348,639 | 1,717,622 |
| Unamortized actuarial gains | <u>536,721</u> | <u>123,740</u> |
| | <u>\$ 1,885,360</u> | <u>\$ 1,841,362</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>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Current period benefit cost | \$ 88,864 | \$ 92,125 |
| Retirement benefit interest | 66,417 | 63,877 |
| Amortization of unamortized actuarial gains | <u>(24,816)</u> | <u>(24,816)</u> |
| Total expenses related to retirement benefit | <u>\$ 130,465</u> | <u>\$ 131,186</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 \$76,831 (2014 - \$70,270).

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 fund at December 31, 2015 was \$158,585 (2014 - \$159,260).

The Corporation of the Town of Orangeville

Notes to the Consolidated Financial Statements

December 31, 2015

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 2015. 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 213 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 2015 by the municipality was \$3,232,971 (2014 - \$3,074,160). The contribution rate for 2015 was 9.0% to 15.8% depending on income level (2014 - 9.0% to 15.9%).

OMERS is a multi-employer pension plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2015. At that time the plan reported a \$7.0 billion actuarial deficit (2014 - \$7.1 billion deficit), based on actuarial liabilities of \$81.9 billion (2014 - \$76.9 billion) and actuarial assets of \$74.9 billion (2014 - \$69.8 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, 2015

12. Landfill Site Post-Closure Liability

The estimated post-closure liability for a landfill site that closed in 1970 as at December 31, 2015 is \$465,369 (2014 - \$480,676). The liability is based on current monitoring, maintenance and consulting costs of \$13,000 on an annual basis inflated at a rate of 1.10% per year and discounted at a rate of 3.0%. 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:

| | 2015 | 2014 |
|---|---------------|---------------|
| School boards | \$ 10,694,352 | \$ 10,568,068 |
| The Corporation of the County of Dufferin | 14,241,056 | 13,820,180 |
| | \$ 24,935,408 | \$ 24,388,248 |

14. Other Income (Expense)

| | 2015 | 2015 | 2014 |
|---|--------------|--------------|-------------|
| | Budget | Actual | Actual |
| Penalties and interest on taxation | \$ 533,000 | \$ 448,695 | \$ 665,007 |
| Licences, permits and rents | 105,000 | 120,989 | 129,349 |
| Other fines and penalties | 241,500 | 183,389 | 217,162 |
| Investment income | 17,300 | 163,135 | 129,801 |
| Rents, concessions and franchises | 578,326 | 556,619 | 546,870 |
| Donations | 5,300 | 101,763 | 186,151 |
| Loss on disposal of tangible capital assets | - | (447,176) | (1,243,093) |
| Contribution of tangible capital assets | - | 23,446 | - |
| Other | 450,533 | 147,248 | 26,360 |
| | \$ 1,930,959 | \$ 1,298,108 | \$ 657,607 |

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

December 31, 2015

15. Grants

| | 2015 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|
| | Budget | Actual | Actual |
| Operating | | | |
| Province of Ontario | | | |
| Conditional - Roads | \$ - | \$ 2,368 | \$ 2,400 |
| - Sewer and Water | - | - | 850 |
| - Other | 402,141 | 522,998 | 812,201 |
| | 402,141 | 525,366 | 815,451 |
| Government of Canada | | | |
| Conditional - Other | 4,800 | 10,312 | 13,810 |
| Other Municipalities | | | |
| Conditional - Sewer and water | 328,751 | 324,378 | 310,000 |
| - Other | 673,219 | 676,603 | 556,884 |
| | 1,001,970 | 1,000,981 | 866,884 |
| Total operating grants | 1,408,911 | 1,536,659 | 1,696,145 |
| Tangible Capital Asset | | | |
| Province of Ontario | | | |
| Conditional - Roads | 1,898,706 | 180,346 | - |
| - Sewer and water | - | - | 27,740 |
| - Other | - | - | 88,644 |
| | 1,898,706 | 180,346 | 116,384 |
| Government of Canada | | | |
| Conditional - Roads | 180,000 | - | - |
| - Other | - | 45,000 | - |
| | 180,000 | 45,000 | - |
| Total tangible capital asset grants | 2,078,706 | 225,346 | 116,384 |
| Total grants | \$ 3,487,617 | \$ 1,762,005 | \$ 1,812,529 |

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

December 31, 2015

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>2015</u> | <u>2014</u> |
|--------------------------------|----------------------|----------------------|
| | | (restated) |
| Assets | <u>\$ 28,934,280</u> | <u>\$ 27,848,765</u> |
| Liabilities | 19,425,743 | 18,587,024 |
| Shareholders' equity | <u>9,508,537</u> | <u>9,261,741</u> |
| | <u>\$ 28,934,280</u> | <u>\$ 27,848,765</u> |
| Results of Operations | | |
| Revenues | \$ 34,899,060 | \$ 32,112,786 |
| Expenses | <u>34,349,420</u> | <u>31,400,747</u> |
| Net income for the year | <u>\$ 549,640</u> | <u>\$ 712,039</u> |
| Dividends paid during the year | <u>\$ 302,844</u> | <u>\$ 423,796</u> |

In the current year, Orangeville Hydro Limited adopted International Financial Reporting Standards (IFRS). As a result of adopting IFRS certain balances in Orangeville Hydro's prior year statements were restated.

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

December 31, 2015

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 | 2015 | 2014 |
|----------------------|-------------|-------------|
| Current assets | \$ 1 | \$ 1 |
| Shareholder's equity | 1 | 1 |

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

December 31, 2015

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 | \$ 10,483,997 | \$ - | \$ - | \$ - | \$ - |
| Temporary investments | 5,069,644 | 9,370,801 | - | - | - |
| Accounts and grants receivable | 3,925,716 | - | - | - | - |
| Net amount receivable | <u>\$ 19,479,357</u> | <u>\$ 9,370,801</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 | \$ 1,740,000 | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued liabilities | 5,195,098 | - | - | - | - |
| Net long-term liabilities | - | - | 12,056,985 | 7,989,432 | 714,443 |
| Total financial liabilities | <u>\$ 6,935,098</u> | <u>\$ -</u> | <u>\$ 12,056,985</u> | <u>\$ 7,989,432</u> | <u>\$ 714,443</u> |

The Corporation of the Town of Orangeville

Notes to the Consolidated Financial Statements

December 31, 2015

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 2015 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.

| | 2015 | 2015 | 2014 |
|---|--------------|--------------|----------------|
| | Budget | Actual | Actual |
| Annual surplus (deficit) (Page 4) | \$ 3,757,043 | \$ 6,978,860 | \$ 751,696 |
| Amortization of tangible capital assets | 7,664,928 | 7,664,929 | 7,661,145 |
| Change in unfunded liabilities | - | 28,691 | 224,470 |
| Change in other surpluses (deficits) | (1,000) | (203,066) | (241,922) |
| | 11,420,971 | 14,469,414 | 8,395,389 |
| Net transfers to reserves | (3,547,759) | (4,763,365) | (1,297,178) |
| Tangible capital asset acquisitions, disposals and write-down | (14,813,490) | (10,631,644) | (6,654,102) |
| Prior year capital projects expended (funded) | - | 2,868,425 | (1,583,355) |
| Proceeds from long-term debt | 8,207,299 | 1,178,847 | 2,450,000 |
| Debt principal repayments | (1,267,021) | (1,677,942) | (1,247,911) |
| | - | 1,443,735 | 62,843 |
| Prior year general surplus (deficit) | - | (1,905,382) | (1,968,225) |
| General surplus (deficit) (Note 8) | \$ - | \$ (461,647) | \$ (1,905,382) |

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

December 31, 2015

19. Trust Funds

The trust funds administered by the municipality amounting to \$3,036,417 (2014 - \$2,849,974) 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, 2015, the trusts fund balances are as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|---------------------|---------------------|
| Cemetery care and maintenance funds | \$ 426,059 | \$ 414,930 |
| Ferns Memorial | 36,187 | 35,954 |
| Development Fund | <u>2,574,171</u> | <u>2,399,090</u> |
| | <u>\$ 3,036,417</u> | <u>\$ 2,849,974</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 was extended for an additional two 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 \$27,600,000 on capital projects in 2016 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, 2015

22. Prior Period Adjustments

During the year, the client identified water and wastewater assets that were incorrectly valued. A prior period adjustment is required to correct these assets.

As at January 1, 2014, tangible capital assets decreased by \$166,604 and opening accumulated surplus decreased by \$166,604.

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:

Community 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

Environmental services consists of costs associated with managing solid waste.

Transit

Transit services is responsible for providing bus services to residents throughout the Town of Orangeville.

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.

The Corporation of the Town of Orangeville

Notes to the Consolidated Financial Statements

December 31, 2015

23. Segment Disclosure (continued)

Planning and Development

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

Protection 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

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

Water and Waste 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 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 as follows:

Taxation, payments in-lieu and penalties and interest.

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

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

December 31, 2015

23. Segment Disclosure (continued)

| For the year ended December 31 | General Government | Protection Services | Transporta- tion Services | Sewer and Water | Environmental Services | Health Services | Transit | Recreation and Cultural Services | Planning and Develop- ment | 2015 Total |
|---|-----------------------|------------------------|------------------------------|---------------------|---------------------------|--------------------|-------------------|--|----------------------------------|---------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 3,758,532 | \$ 11,275,597 | \$ 8,456,698 | \$ - | \$ - | \$ - | \$ 626,422 | \$ 5,637,798 | \$ 1,566,055 | \$ 31,321,102 |
| Fees and user charges | 138,918 | 1,392,806 | 95,138 | 10,971,345 | 7,936 | 68,291 | 169,587 | 2,553,299 | 225,550 | 15,622,870 |
| Grants | 29,920 | 864,383 | 182,714 | 324,378 | 92,210 | 2,500 | - | 136,599 | 129,301 | 1,762,005 |
| Equity in income of Orangeville Hydro Limited | 516,400 | - | - | - | - | - | - | - | - | 516,400 |
| Other revenue | 687,080 | 88,047 | (189,635) | 18,953 | - | 27,273 | - | 654,543 | 11,847 | 1,298,108 |
| Obligatory reserve fund revenue recognized | - | - | 687,453 | 3,042,017 | - | - | 316,328 | 58,237 | - | 4,104,035 |
| | <u>5,130,850</u> | <u>13,620,833</u> | <u>9,232,368</u> | <u>14,356,693</u> | <u>100,146</u> | <u>98,064</u> | <u>1,112,337</u> | <u>9,040,476</u> | <u>1,932,753</u> | <u>54,624,520</u> |
| Expenses | | | | | | | | | | |
| Salaries and benefits | 3,130,026 | 10,609,037 | 1,992,674 | 2,103,523 | - | 42,180 | 105,919 | 4,935,740 | 861,555 | 23,780,654 |
| Interest on debt | 16,290 | - | 734,774 | - | - | - | - | - | 60,539 | 811,603 |
| Materials and supplies | 497,207 | 1,585,900 | 1,436,810 | 2,755,562 | 21,797 | 26,500 | 3,674 | 1,970,245 | 523,837 | 8,821,532 |
| Contracted services | 679,559 | 433,968 | 1,377,287 | 2,009,488 | (5,835) | 16,546 | 604,780 | 435,347 | 165,073 | 5,716,213 |
| Other transfers | - | 151,418 | - | 153,961 | - | - | 23,000 | 71,793 | 174,782 | 574,954 |
| Rents and financial expenses | 48,117 | 74,634 | 51,165 | 61,711 | - | 1,486 | - | 18,307 | 20,354 | 275,774 |
| Amortization | 256,523 | 470,870 | 2,837,304 | 2,494,377 | - | - | - | 1,591,643 | 14,213 | 7,664,930 |
| | <u>4,627,722</u> | <u>13,325,827</u> | <u>8,430,014</u> | <u>9,578,622</u> | <u>15,962</u> | <u>86,712</u> | <u>737,373</u> | <u>9,023,075</u> | <u>1,820,353</u> | <u>47,645,660</u> |
| Net surplus (deficit) | \$ 503,128 | \$ 295,006 | \$ 802,354 | \$ 4,778,071 | \$ 84,184 | \$ 11,352 | \$ 374,964 | \$ 17,401 | \$ 112,400 | \$ 6,978,860 |

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

December 31, 2015

23. Segment Disclosure (continued)

| For the year ended December 31 | General Government | Protection Services | Transporta- tion Services | Sanitary Sewer and Water | Environmental Services | Health Services | Transit | Recreation and Cultural Services | Planning and Development | 2014 Total |
|---|-----------------------|------------------------|------------------------------|--------------------------------|---------------------------|--------------------|-------------------|--|-----------------------------|-------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 2,925,150 | \$ 10,238,026 | \$ 9,067,966 | \$ - | \$ - | \$ - | \$ 585,030 | \$ 5,265,271 | \$ 1,170,060 | \$ 29,251,503 |
| Fees and user charges | 166,521 | 1,414,471 | 127,076 | 10,628,737 | 8,974 | 55,787 | 178,130 | 2,443,865 | 246,185 | 15,269,746 |
| Grants | 6,853 | 847,304 | 2,400 | 338,590 | 297,722 | - | - | 150,694 | 168,966 | 1,812,529 |
| Equity in income of Orangeville Hydro Limited | 675,879 | - | - | - | - | - | - | - | - | 675,879 |
| Other revenue | 987,786 | 53,962 | (507,258) | (640,416) | - | 34,828 | - | 726,293 | 2,412 | 657,607 |
| Obligatory reserve fund revenue recognized | - | - | 1,611,631 | 355,937 | - | - | 252,918 | 9,322 | 30,227 | 2,260,035 |
| | <u>4,762,189</u> | <u>12,553,763</u> | <u>10,301,815</u> | <u>10,682,848</u> | <u>306,696</u> | <u>90,615</u> | <u>1,016,078</u> | <u>8,595,445</u> | <u>1,617,850</u> | <u>49,927,299</u> |
| Expenses | | | | | | | | | | |
| Salaries and benefits | 3,118,613 | 10,987,004 | 2,159,823 | 2,001,496 | (306) | 40,059 | 107,243 | 4,782,899 | 759,081 | 23,955,912 |
| Interest on debt | 59,097 | - | 523,759 | - | - | - | - | 209,307 | 55,069 | 847,232 |
| Materials and supplies | 452,491 | 1,212,704 | 1,702,028 | 2,588,205 | 12,909 | 27,314 | 6,012 | 1,961,517 | 761,288 | 8,724,468 |
| Contracted services | 716,482 | 962,534 | 2,060,027 | 2,114,346 | 203,330 | 21,438 | 637,324 | 411,946 | 145,656 | 7,273,083 |
| Other transfers | - | 144,916 | - | 150,216 | - | - | 22,200 | 47,283 | 110,851 | 475,466 |
| Rents and financial expenses | 27,144 | 80,482 | 54,558 | 52,360 | - | - | - | 19,290 | 4,463 | 238,297 |
| Amortization | 9,740 | 386,195 | 3,198,868 | 2,328,069 | - | - | - | 1,741,475 | (3,202) | 7,661,145 |
| | <u>4,383,567</u> | <u>13,773,835</u> | <u>9,699,063</u> | <u>9,234,692</u> | <u>215,933</u> | <u>88,811</u> | <u>772,779</u> | <u>9,173,717</u> | <u>1,833,206</u> | <u>49,175,603</u> |
| Net surplus (deficit) | \$ 378,622 | \$ (1,220,072) | \$ 602,752 | \$ 1,448,156 | \$ 90,763 | \$ 1,804 | \$ 243,299 | \$ (578,272) | \$ (215,356) | \$ 751,696 |

**The Corporation of the
Town of Orangeville
Trust Funds
Financial Statements
For the year ended December 31, 2015**



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Orangeville ON L9W 1K1 Canada

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, 2015 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, 2015 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
June 20, 2016

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

December 31, 2015

| Assets | Cemetery Perpetual Care | Ferns Memorial | Develop. Fund | 2015 Total | 2014 Total |
|-------------------------------|-------------------------------|-------------------|---------------------|--------------------|---------------------|
| Current | | | | | |
| Cash | \$ 179,253 | \$ 16,064 | \$ 476,090 | \$ 671,407 | \$ 485,733 |
| Accrued interest | - | - | 13,248 | 13,248 | 14,809 |
| Receivable | - | 900 | - | 900 | 900 |
| Investments, at cost (Note 2) | 271,760 | 20,000 | 2,084,833 | 2,376,593 | 2,362,991 |
| | \$ 451,013 | \$ 36,964 | \$ 2,574,171 | \$3,062,148 | \$ 2,864,433 |
| Liabilities | | | | | |
| Due to general account | \$ 24,954 | \$ 777 | - | \$ 25,731 | \$ 14,459 |
| Fund Balance | 426,059 | 36,187 | 2,574,171 | 3,036,417 | 2,849,974 |
| | \$ 451,013 | \$ 36,964 | \$ 2,574,171 | \$3,062,148 | \$ 2,864,433 |

Statement of Continuity

December 31, 2015

| | Cemetery Perpetual Care | Ferns Memorial | Develop. Fund | 2015 Total | 2014 Total |
|---|-------------------------------|-------------------|---------------------|--------------------|---------------------|
| Balance, beginning of the year | \$ 414,930 | \$ 35,954 | \$ 2,399,090 | \$2,849,974 | \$ 5,502,260 |
| Receipts | | | | | |
| Perpetual care | 22,330 | - | - | 22,330 | 12,855 |
| Investment income | 11,196 | 1,010 | 48,060 | 60,266 | 104,437 |
| Fees and deposits | 4,120 | - | 732,515 | 736,635 | 125,964 |
| Gain (loss) on disposition of investments | - | - | (7,054) | (7,054) | 13,740 |
| | 37,646 | 1,010 | 773,521 | 812,177 | 256,996 |
| Expenses | | | | | |
| Transfer to Town of Orangeville | 26,517 | 777 | - | 27,294 | 12,552 |
| Payments and deposits returned | - | - | 598,440 | 598,440 | 2,896,730 |
| | 26,517 | 777 | 598,440 | 625,734 | 2,909,282 |
| Balance, end of the year | \$ 426,059 | \$ 36,187 | \$ 2,574,171 | \$3,036,417 | \$ 2,849,974 |

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, 2015

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, 2015

2. Investments

Investments totaling \$1,278,772 (2014 - \$1,208,826) consist of corporate and government bonds with interest rates ranging from 1.370% to 5.680% (2014 - 2.433% to 5.68%). The market value of these investments was \$1,196,191 (2014 - \$1,196,191).

Investments totaling \$1,053,424 (2014 - \$1,118,670) consist of term deposits with interest rates of 1.00% (2014 - 1.41% to 1.61%). The market value of these investments was \$1,053,424 (2014 - \$1,199,636).

Investments totaling \$44,397 (2014 - \$35,195) consist of a money market fund. The market value of this investment is \$44,397 (2014 - \$35,495).

3. Letters of Credit

In addition to funds held in trust for developers, the Municipality also held letters of credit from developers of \$13,674,999 (2014 - \$13,287,249) as at December 31, 2015.

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

December 31, 2015

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.