

**The Corporation of the
Township of King**
Consolidated Financial Statements
For the year ended December 31, 2016

**The Corporation of
the Township of King**
Consolidated Financial Statements
For the year ended December 31, 2016

	Contents
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Change in Net Debt	6
Notes to the Consolidated Financial Statements	7-25



Tel: 705 726 6331
Fax: 705 722 6588
www.bdo.ca

BDO Canada LLP
300 Lakeshore Drive, Suite 300
Barrie ON L4N 0B4 Canada

Independent Auditor's Report

To the Mayor and Councillors of The Corporation of the Township of King

We have audited the accompanying consolidated financial statements of The Corporation of the Township of King, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change 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 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 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 controls 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, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of King as at December 31, 2016 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
June 26, 2017

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Financial Position

December 31	2016	2015 (Restated - Note 2)
Financial assets		
Cash (Note 3)	\$ 29,433,145	\$ 40,704,280
Short term investments (Note 3)	15,000,000	-
Taxes receivable	7,851,843	9,696,353
User charges and sewer receivable (Note 6)	10,992,386	12,311,352
Trade and other receivables	<u>5,860,924</u>	<u>5,470,585</u>
	<u>69,138,298</u>	<u>68,182,570</u>
Financial liabilities		
Accounts payable and accrued liabilities	14,339,091	16,566,739
Accrued interest on long term debt	189,960	219,570
Developer and other deposits	4,895,111	3,547,757
Deferred revenue - general	770,834	563,178
Deferred revenue - obligatory reserve funds (Note 7)	30,925,192	29,252,953
Employee future benefits and other liabilities (Note 8)	2,091,516	1,968,443
Solid waste landfill closure and post closure liability (Note 10)	2,735,361	2,445,904
Long-term debt (Note 11)	<u>18,122,065</u>	<u>21,172,802</u>
	<u>74,069,130</u>	<u>75,737,346</u>
Net debt	<u>(4,930,832)</u>	<u>(7,554,776)</u>
Non-financial assets		
Prepaid expenses	71,733	411,014
Tangible capital assets (Note 13)	<u>181,119,683</u>	<u>173,562,537</u>
	<u>181,191,416</u>	<u>173,973,551</u>
Accumulated surplus (Note 12)	<u>\$ 176,260,584</u>	<u>\$ 166,418,775</u>

Commitments (Note 16), Contingencies (Note 17)

Approved by

Mayor

Treasurer

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 4)		(Restated - Note 2)
Revenues			
Property taxation (Note 5)	\$ 23,908,180	\$ 23,785,459	\$ 21,380,821
Taxation from other governments (Note 5)	1,545,376	1,624,976	1,518,115
User fees	5,355,807	6,056,831	6,378,623
Water and wastewater user charges	4,490,902	6,160,628	4,842,351
Government grants (Note 14)	771,739	613,999	777,897
Contributions from developers	8,047,953	9,261,195	12,464,672
Investment income	116,260	178,964	87,846
Penalties and interest on taxes and water billings	920,000	1,224,940	1,310,996
Local area charges	-	674,356	151,808
Environmental services	113,500	158,359	142,016
Lease revenue	158,000	90,895	164,371
Donations	8,300	52,981	26,997
Other	652,529	1,553,332	2,151,735
	<u>46,088,546</u>	<u>51,436,915</u>	<u>51,398,248</u>
Expenses			
General government	5,821,076	5,579,215	5,282,969
Protection to persons and property	4,767,002	4,635,129	4,559,640
Transportation services	12,119,460	10,963,715	10,167,356
Environmental services	7,992,942	8,016,654	7,164,471
Recreational and cultural services	7,167,657	8,808,554	8,218,147
Planning and development	2,096,767	3,591,839	3,086,724
	<u>39,964,904</u>	<u>41,595,106</u>	<u>38,479,307</u>
Annual surplus	6,123,642	9,841,809	12,918,941
Accumulated surplus, beginning of year	166,418,775	166,418,775	153,499,834
Accumulated surplus, end of year	<u>\$ 172,542,417</u>	<u>\$ 176,260,584</u>	<u>\$ 166,418,775</u>

See accompanying notes to the consolidated financial statements

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Cash Flows

Year ended December 31

2016

2015

(Restated -
Note 2)

Operating activities

Annual surplus	\$ 9,841,809	\$ 12,918,941
Amortization expense	6,342,485	6,156,359
(Gain)/Loss on sale of tangible capital assets	140,349	(37,502)
Changes in non-cash items		
Taxes receivable	1,844,510	(687,024)
User charges receivable and sewer receivable	1,318,966	2,566,358
Trade and other receivables	(390,339)	693,610
Prepaid expenses	339,281	(150,646)
Accounts payable and accrued liabilities	(2,227,648)	3,447,741
Accrued interest on long term debt	(29,610)	(1,764)
Developer and other deposits	1,347,354	(226,631)
Deferred revenue - general	207,656	75,927
Deferred revenue - Mill	-	(853,683)
Deferred revenue - obligatory reserve funds	1,672,239	(1,533,071)
Employee benefits and other liabilities	123,073	(59,851)
Solid waste landfill closure and post closure liability	289,457	88,619
Cash provided by operating activities	<u>20,819,582</u>	<u>22,397,383</u>

Financing activities

Principal repayment on long-term debt	(400,000)	(436,000)
New long-term debt - Nobleton	-	6,000,000
Sinking fund contributions	(2,650,737)	(2,180,845)
Cash used in financing activities	<u>(3,050,737)</u>	<u>3,383,155</u>

Investing activities

Purchase of tangible capital assets	(14,142,434)	(11,646,501)
Proceeds from sale of tangible capital assets	102,454	37,502
Purchase of guaranteed investment certificates	(15,000,000)	-
Cash used in investing activities	<u>(29,039,980)</u>	<u>(11,608,999)</u>

Net increase (decrease) in cash

(11,271,135) 14,171,539

Cash, beginning of year

40,704,280 26,532,741

Cash, end of year

\$ 29,433,145 \$ 40,704,280

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Change in Net Debt

Year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 4)		(Restated - Note 2)
Annual surplus	\$ <u>6,123,642</u>	\$ <u>9,841,809</u>	\$ <u>12,918,941</u>
Acquisition of tangible capital assets	(13,478,382)	(14,142,434)	(11,646,501)
Amortization of tangible capital assets	6,239,962	6,342,485	6,156,359
Proceeds from sale of tangible capital assets	-	102,454	37,502
(Gain)/loss on sale of tangible capital assets	<u>-</u>	<u>140,349</u>	<u>(37,502)</u>
	(7,238,420)	(7,557,146)	(5,490,142)
Change in prepaid expenses	<u>-</u>	<u>339,281</u>	<u>(150,646)</u>
(Increase) / decrease in net debt	(1,114,778)	2,623,944	7,278,153
Net debt, beginning of year	<u>(7,554,776)</u>	<u>(7,554,776)</u>	<u>(14,832,929)</u>
Net debt, end of year	\$ <u>(8,669,554)</u>	\$ <u>(4,930,832)</u>	\$ <u>(7,554,776)</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

1. Summary of significant accounting policies

Nature of operations

The Corporation of the Township of King (the "Township") is a lower-tier municipality located in the Regional Municipality of York, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislations.

Management's responsibility for the financial statements

The consolidated financial statements of the Township are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Township. They include the activities of all organizations, committees of Council and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned and controlled by the Township. These include:

Library Board	100%	
The Holland Marsh Drainage System Joint Municipal Services Board		59.15%

All interfund assets, liabilities, revenues and expenses have been eliminated on consolidation.

The Corporation of the Township of King's portion of The Holland Marsh Drainage System Joint Municipal Services Board has been included in these consolidated financial statements on a proportionate consolidation basis.

Basis of accounting

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

Revenue recognition

Tax revenue is recognized as revenue when it is authorized and the taxable event occurs. Penalties and interest are recognized as revenue in the year they are earned.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has become available.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenses are made.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

Developer contributions and fees for services are recognized over the period of service or when required expenses occur if applicable.

Sales of other services and other revenues are recognized on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and cash held in financial institutions.

Government transfers

Government transfers are recognized in the consolidated financial statements when the transfer is authorized and any eligibility criteria have been met, except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Deferred revenue – general

Deferred revenue includes user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

Deferred revenue – obligatory

Deferred revenue includes funds received for specific purposes such as development charge contribution, parkland and federal gas tax revenue which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes. These funds, by their nature, are restricted in their use and, until applied to applicable capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on development charges, gas tax and parkland obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue – obligatory reserve fund balances.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

	<u>Useful life - years</u>
Land improvements	15 - 50
Facilities	20 - 45
Vehicles	2 - 25
Machinery and equipment	3 - 10
Transportation infrastructure	15 - 75
Environmental infrastructure	80 - 100

Tangible capital assets under construction are not amortized until the asset is available for productive use. For larger scale linear infrastructure projects (such as sanitary sewer and concurrent road works), these assets are not amortized until all contracts/phases of the project are complete. No amortization is charged in the year of acquisition.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at time of registration.

(iii) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

Employee future benefits

The Township accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The Township has adopted the following valuation methods and assumptions:

Actuarial cost method:

Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

Funding policy:

The post retirement non-pension benefits and the vested sick leave benefits are funded on a pay-as-you-go basis. The Township funds these benefits on a cash basis as the benefits are paid. No assets have been formally segregated and restricted to provide the post retirement non-pension and vested sick leave benefits.

Accounting policies:

Actuarial gains and losses are recognized as income or expenses in the year the determination of the gain or loss occurred. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value. Vacation entitlements are accrued for as entitlements are earned. The Township's fiscal year-end is December 31 and the measurement date of the Township's obligation is as such.

Solid waste landfill closure and post closure liability

Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation and are recognized as the landfill site's capacity is used.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expense during the year. The principal estimates used in the preparation of these consolidated financial statements are the employee future benefits liability, the solid waste landfill closure and post-closure liability, the allowance for doubtful accounts and the historical cost and estimated useful lives of tangible capital assets. Actual results could differ from those estimates.

Pension plan

The Township makes contributions to the Ontario Municipal Retirement System ("OMERS"), which is a multi-employer pension plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by eligible employees based on the length of credited service and the average earnings. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Township uses defined contribution plan accounting principles for the Plan because insufficient information is available to apply defined benefit plan accounting principles. As such, the Township's contributions due during the year are expensed as incurred.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

2. Prior period adjustment

During the review of its tangible capital assets, the Township identified that the assumption of a subdivision had occurred in 2015, but its assets had not yet been incorporated into the financial records of the Township.

The assets assumed included watermains, storm sewers, sanitary sewers, roads, sidewalks, curbs, storm water management pond, and street lighting. The total value of the assets assumed is \$3,699,074.

The impact of the above noted prior period adjustment is as follows:

	<u>2015</u>
Statement of Financial Position	
Increase in tangible capital assets	\$ <u>3,649,048</u>
Increase in accumulated surplus	\$ <u>3,649,048</u>
Statement of Operations	
Increase in revenue	
Contributions from developers	\$ <u>3,699,074</u>
Total increase in revenue	<u>3,699,074</u>
Increase in amortization expenses	
Transportation services	46,686
Environmental services	<u>3,340</u>
Total increase in expenses	<u>50,026</u>
Increase in annual surplus	\$ <u>3,649,048</u>

3. Cash and short term investments

	<u>2016</u>	<u>2015</u>
Cash and short term investments are comprised of the following:		
Cash held at financial institutions	\$ 29,433,145	\$ 40,704,280
Guaranteed investment certificate, CIBC Wood Gundy, bearing interest of 1.61%, maturing June 16, 2017	10,000,000	-
Guaranteed investment certificate, CIBC Wood Gundy, bearing interest of 1.51%, maturing October 18, 2017	<u>5,000,000</u>	-
Total cash and short term investments	\$ <u>44,433,145</u>	\$ <u>40,704,280</u>

Cash and short term investments are allocated as follows:

Unrestricted	\$ 13,507,953	\$ 11,451,327
Restricted (obligatory reserve funds set aside for specific purposes by legislation and Mill funds)	<u>30,925,192</u>	<u>29,252,953</u>
	\$ <u>44,433,145</u>	\$ <u>40,704,280</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

3. Cash and cash equivalents and short term investments (continued)

The Township has an available bank operating credit line in the amount of \$5,000,000. Outstanding indebtedness bears interest at prime less 0.375%. At year end the Township has not utilized any amount under this credit facility (2015 - \$NIL).

The Township also has an available demand installment loan in the amount of \$3,000,000. Outstanding indebtedness bears interest at prime. At year end the Township has not utilized any amount under this credit facility (2015 - \$NIL).

4. Budget reconciliation

The authority of Council is required before monies can be spent by the Township. Approvals are given in the form of an annually approved budget. The budget approved by the Council on January 25, 2016 differs from the budget in the Consolidated Statement of Operations as the approved budget has been adjusted to account for the material changes due to PSAB reporting requirements.

	<u>2016</u>
Budgeted deficits for the year, as approved	
Operating	\$ 4,392,134
Capital	<u>(5,512,891)</u>
Total budgeted deficits for the year as approved	(1,120,757)
Add:	
Capital expenditures	13,478,382
Less:	
Amortization	(6,205,047)
HMDSJMSB	<u>(28,936)</u>
Budgeted surpluses for the year, per statement of operations	\$ <u>6,123,642</u>

5. Tax Revenue

	<u>2016</u>	<u>2015</u>
Property taxes	\$ 23,785,459	\$ 21,380,821
Payments in lieu	1,624,976	1,518,115
Collections for other governments		
Province of Ontario – school tax	15,539,447	15,036,081
Region of York – regional tax	<u>28,080,157</u>	<u>26,664,680</u>
Total collected	69,030,039	64,599,697
Transfers		
Province of Ontario – school tax	(15,539,447)	(15,036,081)
Region of York – regional tax	<u>(28,080,157)</u>	<u>(26,664,680)</u>
Available for Township use	\$ <u>25,410,435</u>	\$ <u>22,898,936</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

6. User charges and sewer receivable

In June 2006, Council for the Township of King approved By-law 2006-68, further amended by By-law 2007-110, which provided for the installation of sanitary sewers within a designated sewer service area in the village of King City. The total costs for this project amounted to \$47.1M, of which \$30.2M was to be funded from the existing benefitting landowners and \$16.9M from growth (development charges). The funding for the existing benefitting landowners was reduced by way of grants, contributions from developers, and a contribution by the Township. The net amount to be recovered from the existing benefitting landowners was \$19.4M. This amount was spread over the total number of landowners, 1,553, to be serviced in the village and each benefitting landowner was assessed a lump sum amount of \$12,541. The Township of King provided a number of payment options to the benefitting landowners, one of these options were to include an annual charge, with applicable interest, on their property tax bill for the life of the debenture, 10 years. For landowners that selected the 10-year debenture payment option, the Township recorded a corresponding receivable that declines each year by the amount of the annual charge of \$1,664 per residential unit equivalent.

In April 2010, Council for the Township of King approved By-law 2010-38, further amended by By-law 2011-105, which provided for the installation of sanitary sewers within a designated sewer service area in the village of Nobleton. The total costs for this project were estimated at \$22.7M, of which \$4.0M was to be funded from growth (development charges), \$2.5M from contributions and \$16.2M from the existing benefitting landowners. This amount was spread over the total number of landowners, 860, to be serviced in the village and each benefitting landowner was assessed a lump sum amount of \$18,790. The Township of King provided a number of payment options to the benefitting landowners, one of these options were to include an annual charge, with applicable interest, on their property tax bill for the life of the debenture, 15 years. For landowners that selected the 15-year debenture payment option, the Township recorded a corresponding receivable that declines each year by the amount of the annual charge of \$1,775 per residential unit equivalent.

7. Deferred revenue – obligatory reserve funds

There is provincial and municipal legislation which restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

	<u>2016</u>	<u>2015</u>
Development charges, opening balance	\$ 24,697,959	\$ 25,116,094
Add: Developer contributions	7,829,337	3,180,604
Interest earned	159,097	138,098
Deduct: Amounts used for eligible capital projects	<u>(7,735,507)</u>	<u>(3,736,837)</u>
Development charges, ending balance	<u>24,950,886</u>	<u>24,697,959</u>
	<u>2016</u>	<u>2015</u>
Parkland reserve, opening balance	4,551,400	4,724,980
Add: Developer contributions	1,812,174	1,298,837
Interest earned	31,801	25,543
Deduct: Amounts used for eligible capital projects	<u>(424,663)</u>	<u>(1,497,960)</u>
Parkland reserve, ending balance	<u>5,970,712</u>	<u>4,551,400</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

7. Deferred revenue – obligatory reserve funds (continued)

	<u>2016</u>	<u>2015</u>
Gas Tax reserve, opening balance	3,594	944,950
Add: Municipal funding	604,993	576,184
Interest earned	-	3,594
Deduct: Amounts used for eligible capital projects	<u>(604,993)</u>	<u>(1,521,134)</u>
Gas Tax reserve, ending balance	<u>3,594</u>	<u>3,594</u>
Total deferred revenue – obligatory reserve funds	\$ <u>30,925,192</u>	\$ <u>29,252,953</u>

Cash needed to fund these obligatory reserves is \$30,925,192 (2015 - \$29,252,953)

Actual cash and short term investments was \$44,433,145 (2015 - \$40,704,280) (Note 3)

8. Employee future benefits and other liabilities

The Township provides certain employee benefits that will require funding in future periods. Under the Township's sick leave plan, unused sick leave can accumulate and employees with five years of active service are entitled to a maximum benefit of 50% of the employee's annual salary at the date of retirement, termination or death. The Township also pays certain health, dental and travel life insurance benefits on behalf of its retired employees.

The Township recognizes the cost of its post retirement non-pension benefit costs and sick leave obligations in the period in which the employee rendered the services.

	<u>2016</u>	<u>2015</u>
Accrued post-retirement non-pension benefits	\$ 894,161	\$ 815,419
Vested sick leave benefits	589,415	584,619
Vacation pay	<u>607,940</u>	<u>568,405</u>
	\$ <u>2,091,516</u>	\$ <u>1,968,443</u>

The actuarial results for each of the plans as at December 31, 2016 are as follows:

	Post Retirement Non-Pension Benefits	Vested Sick Leave Benefits	Total <u>2016</u>	Total <u>2015</u>
Accrued benefit obligation, beginning of year	\$ 815,419	\$ 584,619	\$ 1,400,038	\$ 1,455,205
Current service cost (net of benefits paid)	47,257	(17,816)	29,441	(108,098)
Interest cost	<u>31,485</u>	<u>22,612</u>	<u>54,097</u>	<u>52,931</u>
Accrued benefit liability, end of year	\$ <u>894,161</u>	\$ <u>589,415</u>	\$ <u>1,483,576</u>	\$ <u>1,400,038</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

8. Employee future benefits and other liabilities (continued)

Actuarial evaluations for accounting purposes are performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2014, at which date there was no unamortized actuarial losses. The average remaining service period of the active employees covered by the benefit plan is twenty years for 2016.

The assumptions used in the December 31, 2014 actuarial valuation and the projections for fiscal 2016 were:

General inflation

Future general inflation levels were assumed to be 2.00% (2015 – 2.00%).

Interest (discount) rate

The present value of the post-employment benefit liability was determined using a discount rate of 3.60% (2015 – 3.60%).

Health costs

Health costs were assumed to be at a rate of 6.40% for 2016, decreasing to 6.10% in 2017 and then decreasing over the next 5 years to a rate of 4.60% and remain at 4.60% thereafter (2015 – assumed to be at a rate of 6.70% decreasing to 6.40% in 2016 then decreasing over the next 6 years to a rate of 4.60% thereafter).

Dental costs

Dental costs were assumed to be at a rate of 4.60% for 2016 and remain at 4.60% thereafter (2015 – assumed to be at a rate of 4.60% and remain at 4.60% thereafter).

9. Pension agreement

OMERS provides pension services to more than 470,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the plan was conducted at December 31, 2016. The value of net assets is \$81.8 billion and \$87.5 billion for liabilities, indicating a deficit of \$5.7 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Township to OMERS for 2016 were \$1,008,301 (2015 - \$926,654).

10. Solid waste landfill closure and post closure liability

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Township's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities. The reported liability as at year end was \$2,735,361 (2015 - \$2,445,904) and reflects a discount rate of 3.14% (2015 – 5.0%).

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

10. Solid waste landfill closure and post closure liability (continued)

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill using the best information available to management. The Miller Road landfill is expected to reach its capacity in 3 years and the estimated remaining capacity is 7,400 (2015 - 7,400) cubic meters which is 13% (2015 - 13%) of the site's total capacity. The estimated length of time needed for post-closure care is 25 years. The 10th Concession landfill is closed and has an estimated time of 9 years of post-closure care remaining. The total estimated future expenses for closure and post-closure care are \$3,078,510 (2015 - \$ 2,780,210) leaving an amount to be recognized of \$343,149 (2015 - \$334,306) when the Miller Road landfill reaches full capacity.

The most recent valuation was prepared on December 31, 2016. Future events may result in significant changes to the estimated total expenses and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

A reserve of \$480,424 (2015 - \$480,424) is established to finance the future landfill closure and post-closure costs.

11. Long-term debt

The long-term debt incurred by the Township and outstanding at the end of the year consists of the following:

<u>By-law</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2016</u>	<u>2015</u>
2006-106	Construction of sewage works in the community of King City	4.4% to 4.6%	2017	\$ 11,084,000	\$ 11,084,000
2008-76	Construction of roads and road Repairs in the Township	5.0%	2019	10,000,000	10,000,000
2011-01	Construction of sewage works in the community of Nobleton	3.8%	2026	4,000,000	4,400,000
2011-01	Construction of road and watermain in the community of Nobleton	2.6%	2025	6,000,000	6,000,000
Total value of sinking fund assets, including amounts earned to retire the outstanding long-term debt				<u>(12,961,935)</u>	<u>(10,311,198)</u>
				<u>\$ 18,122,065</u>	<u>\$ 21,172,802</u>

Principal repayments, including sinking fund payments, for each of the next five years and thereafter are as follows:

2017	\$ 2,773,649
2018	2,105,381
2019	1,282,718
2020	7,562,177
2021	942,519
Thereafter	<u>3,455,621</u>
	<u>\$ 18,122,065</u>

The long-term debt issued in the name of the Township, has been approved by by-law. The annual principal and interest payments required to service these debts are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

11. Long-term debt (continued)

The Township anticipates future earnings of sinking funds to retire the debt at the end of its term. The sinking fund asset is held with the Region of York. Interest expense on long term debt in 2016 amounted to \$1,328,816 (2015 - \$1,267,186).

The Township is contingently liable for the tile drainage loans as at December 31, 2016 of \$16,561 (2015 - \$21,468). As the responsibility for payment of principal and interest charges for tile drainage loans have been assumed by individuals, it is not recorded on the consolidated statement of financial position.

12. Accumulated surplus

	<u>2016</u>	<u>2015</u> (Restated - Note 2)
Accumulated surplus is comprised of the following:		
Reserves set aside for specific purposes by Council		
Acquisition of tangible capital assets	\$ 12,819,422	\$ 11,109,376
Recreation and culture programs and facilities	334,191	278,170
Working capital	1,832,625	1,832,625
Sick leave	813,073	713,073
Personnel matters	369,045	377,322
Planning matters	310,988	310,988
Heritage preservation	38,931	38,931
Environmental matters	480,424	480,424
Election expenditures	80,848	50,848
Current operations	3,537,066	1,922,822
King City sewer capital costs	<u>20,133</u>	<u>20,133</u>
	<u>20,636,746</u>	<u>17,134,712</u>
Reserve funds set aside for specific purpose by Council		
Acquisition of capital assets	41,068	40,815
Repayment of water and sewer debentures	(1,225,930)	1,438,847
Water system capital expenditures	<u>1,940,725</u>	<u>1,928,794</u>
	<u>755,863</u>	<u>3,408,456</u>
Total reserves and reserve funds	<u>21,392,609</u>	<u>20,543,168</u>
Surpluses		
Invested in tangible capital assets	181,119,683	173,562,537
Less: Lease Obligation Library	(16,557)	(5,002)
Less: amount financed by long-term debt and Interest on long-term debt	(18,122,065)	(21,172,802)
	(189,960)	(219,570)
General	(3,712,678)	(2,498,590)
Library	(610)	3,087
HMDSJMSB	617,039	620,294
Unfunded		
Employee benefits and post-employment liabilities	(2,091,516)	(1,968,443)
Solid waste landfill and post-closure liabilities	<u>(2,735,361)</u>	<u>(2,445,904)</u>
Total surpluses	<u>154,867,975</u>	<u>145,875,607</u>
Accumulated surplus	\$ <u>176,260,584</u>	\$ <u>166,418,775</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

13. Tangible capital assets

Cost	Balance as at December 31, 2015 (Restated - Note 2)	Additions	Disposals/ Transfers	Balance as at December 31, 2016
Land	\$ 21,178,465	\$ -	\$ -	\$ 21,178,465
Land improvements	7,421,210	3,761,039	-	11,182,249
Facilities	35,683,058	493,092	-	36,176,150
Vehicles	15,264,871	1,168,496	(313,639)	16,119,728
Machinery and equipment	1,958,948	234,158	(164,229)	2,028,877
Transportation infrastructure	118,949,881	5,993,220	(916,248)	124,026,853
Environmental infrastructure	63,917,424	44,828	-	63,962,252
	<u>264,373,857</u>	<u>11,694,833</u>	<u>(1,394,116)</u>	<u>274,674,574</u>
Assets under construction	12,046,442	9,351,614	(7,040,650)	14,357,406
	<u>\$ 276,420,299</u>	<u>\$ 21,046,447</u>	<u>\$ (8,434,766)</u>	<u>\$ 289,031,980</u>

Accumulated amortization	Balance as at December 31, 2015 (Restated - Note 2)	Amortization	Disposals	Balance as at December 31, 2016
Land improvements	\$ 3,694,511	\$ 300,858	\$ -	\$ 3,995,369
Facilities	11,433,261	739,813	-	12,173,074
Vehicles	9,241,775	996,909	(294,586)	9,944,098
Machinery and equipment	734,795	289,570	(164,229)	860,136
Transportation infrastructure	68,745,897	3,281,150	(829,135)	71,197,912
Environmental infrastructure	9,007,523	734,185	-	9,741,708
	<u>\$ 102,857,762</u>	<u>\$ 6,342,485</u>	<u>\$ (1,287,950)</u>	<u>\$ 107,912,297</u>

Net book value	Balance as at December 31, 2015 (Restated - Note 2)	Balance as at December 31, 2016
Land	\$ 21,178,465	\$ 21,178,465
Land improvements	3,726,699	7,186,880
Facilities	24,249,797	24,003,076
Vehicles	6,023,096	6,175,630
Machinery and equipment	1,224,153	1,168,741
Transportation infrastructure	50,203,984	52,828,941
Environmental infrastructure	54,909,901	54,220,544
	<u>161,516,095</u>	<u>166,762,277</u>
Assets under construction	12,046,442	14,357,406
	<u>\$ 173,562,537</u>	<u>\$ 181,119,683</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

13. Tangible capital assets (continued)

Cost	Balance as at December 31, <u>2014</u>		Disposals/ Transfers (Restated – Note 2)	Balance as at December 31, <u>2015</u>	
		<u>Additions</u>			
Land	\$ 21,178,459	\$ 6	\$ -	\$ 21,178,465	
Land improvements	6,717,809	703,401	-	7,421,210	
Facilities	35,566,208	116,850	-	35,683,058	
Vehicles	13,695,778	1,569,093	-	15,264,871	
Machinery and equipment	1,899,459	210,479	(150,990)	1,958,948	
Transportation infrastructure	110,436,978	8,512,903	-	118,949,881	
Environmental infrastructure	<u>39,792,753</u>	<u>24,228,422</u>	<u>(103,751)</u>	<u>63,917,424</u>	
	229,287,444	35,341,154	(254,741)	264,373,857	
Assets under construction	<u>35,637,344</u>	<u>5,085,407</u>	<u>(28,676,309)</u>	<u>12,046,442</u>	
	\$ <u>264,924,788</u>	\$ <u>40,426,561</u>	\$ <u>(28,931,050)</u>	\$ <u>276,420,299</u>	

Accumulated amortization	Balance as at December 31, <u>2014</u>		Disposals (Restated – Note 2)	Balance as at December 31, <u>2015</u>	
		<u>Amortization</u>			
Land improvements	\$ 3,402,404	\$ 292,107	\$ -	\$ 3,694,511	
Facilities	10,695,984	737,277	-	11,433,261	
Vehicles	8,392,940	848,835	-	9,241,775	
Machinery and equipment	597,899	287,886	(150,990)	734,795	
Transportation infrastructure	65,473,776	3,272,121	-	68,745,897	
Environmental infrastructure	<u>8,289,390</u>	<u>718,133</u>	<u>-</u>	<u>9,007,523</u>	
	\$ 96,852,393	\$ 6,156,359	\$ (150,990)	\$ 102,857,762	

Assets under construction

Assets under construction and other capital work in progress having cost of \$14,357,406 (2015 - \$12,046,442) have not been amortized. Amortization of these assets will commence when the assets are put into service.

14. Government grants

Government grant revenue is comprised of the following types of grants:

	<u>2016</u>	<u>2015</u>
Federal grants	\$ 15,670	\$ 26,509
Provincial grants	572,888	751,388
Other grants	<u>25,441</u>	<u>-</u>
	\$ <u>613,999</u>	\$ <u>777,897</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

15. Insurance coverage

The Township is self-insured for insurance claims up to \$10,000 for any individual claim and for any number of claims arising out of a single occurrence. Outside insurance coverage is in place for claims in excess of \$10,000 to a maximum of \$5,000,000 per claim occurrence. The Township has not made any provisions for self-insurance claims under \$10,000 in the reserves. Claim costs during the year amounted to \$49,488 (2015- \$24,176)

During the year the Township's total paid premium were \$376,286 (2015 - \$390,074), which has been reported as an expense in the consolidated statement of operations.

16. Commitments

The Township has numerous contracts with a variety of suppliers for future capital projects that are budgeted in the next fiscal year.

17. Contingencies

In the ordinary course of business, various claims and lawsuits are brought against the Township. After reviewing the merits of these actions and claims with counsel and the insurers, it is management's opinion that any uninsured liability arising from these claims is not determinable. Accordingly, no provision has been made in the accounts for these claims. Any liability as a result of these claims will be recognized at the time the amount is known or can be reasonably estimated.

18. Comparative figures

Certain of these comparative figures have been reclassified to conform with the current year presentation.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2016

19. Segmented information

The Township provides a wide range of services to its residents. For management reporting purposes the Township's operations and activities are organized and reported by department. The following departments have been separately disclosed in the segmented information, along with a description of their services.

Accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

For each reported segment, revenues and expenses represent amounts directly attributable to the segment.

Governance & Corporate Support

Include Council, Office of the CAO, Clerks, Finance, Human Resources, Communications, Economic Development, and Information Technology services.

Fire & Emergency Services

King Fire and Emergency Services provide fire services to the residents of King. They are responsible to provide fire suppression service, fire prevention programs, training and education.

Bylaw & Building Services

The Township ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of building permit applications.

Environmental Services

The Township provides drinking water to its citizens and collects wastewater. The solid waste and recycling program includes curbside collection of recyclables, organics, yard waste and garbage.

Roads & Related Services

This includes the safety and maintenance of the Township's paved roads, sidewalks, street lights, trees, and traffic control devices.

Planning & Drainage Services

The Township creates plans for King's future. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods through Township planning, community development, and parks planning.

Parks & Facilities

The Township provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs.

The Township maintains numerous recreation facilities, as well as indoor community space for booking and community use. It also maintains parks and playgrounds, open spaces and trail systems.

Public Library Services

The provision of library services contributes towards the information needs of the Township's citizens. The library also provides programs to local residents.

The Corporation of the Township of King
Notes to the Consolidated Financial Statements

Year ended December 31

19. Segment information (continued)

	Consolidated		Governance & Corporate Support		Fire & Emergency Services	
	2016	2015 (Restated - note 2)	2016	2015	2016	2015
Revenues						
Taxation	\$ 25,404,239	\$ 22,898,936	\$ -	\$ -	\$ -	\$ -
User charges	12,217,458	11,313,275	708,233	575,872	313,294	238,283
Grants	613,999	777,897	536,909	425,200	-	-
Others	13,201,219	16,408,140	78,782	(3,910,478)	451,190	335,795
	<u>51,436,915</u>	<u>51,398,248</u>	<u>1,323,924</u>	<u>(2,909,406)</u>	<u>764,484</u>	<u>574,078</u>
Expenses						
Salaries, wages and benefits	15,875,387	13,713,605	3,343,149	2,877,970	1,593,572	1,633,483
Amortization	6,342,485	6,156,359	115,258	117,272	632,256	609,366
Materials and Supplies	11,008,666	11,823,544	1,682,876	1,852,684	988,667	890,616
Contracted Services	7,056,994	5,359,390	437,934	348,201	-	-
Interest on long term debt	1,022,117	1,267,186	-	-	-	-
Others	289,457	159,223	-	-	-	-
	<u>41,595,106</u>	<u>38,479,307</u>	<u>5,579,217</u>	<u>5,196,127</u>	<u>3,214,495</u>	<u>3,133,465</u>
Net surplus / (deficit)	\$ 9,841,809	\$ 12,918,941	\$ (4,255,293)	\$ (8,105,533)	\$ (2,450,011)	\$ (2,559,387)

The Corporation of the Township of King
Notes to the Consolidated Financial Statements

Year ended December 31

19. Segment information (continued)

	Bylaw & Building Services 2016	2015	Environmental Services 2016	2015 (Restated - note 2)	Roads & Related Services 2016	2015 (Restated - note 2)
Revenues						
Taxation	\$ -	\$ -	\$ -	\$ 18,248	\$ -	\$ -
User charges	1,553,358	2,479,965	6,249,599	4,842,351	1,176,089	1,088,267
Grants	23,841	-	-	-	(150,369)	100,954
Others	1,577,199	2,479,965	2,709,367	7,777,998	5,348,511	5,362,991
			8,958,966	12,638,597	6,374,231	6,552,212
Expenses						
Salaries, wages and benefits	1,108,895	1,076,919	923,339	790,077	2,624,811	2,174,978
Amortization	-	-	769,486	753,433	3,698,955	3,576,580
Materials and supplies	384,897	97,072	4,455,213	3,830,683	1,462,570	2,802,250
Contracted services	231,363	274,250	1,407,034	1,353,526	2,680,570	1,307,592
Interest on long term debt	-	-	522,452	703,557	499,665	563,629
Others	-	-	289,457	95,733	-	21,341
	1,725,155	1,448,241	8,366,981	7,527,009	10,966,571	10,446,370
Net surplus / (deficit)	\$ (147,956)	\$ 1,031,724	\$ 591,985	\$ 5,111,588	\$ (4,592,340)	\$ (3,894,158)

The Corporation of the Township of King
Notes to the Consolidated Financial Statements

Year ended December 31

19. Segment information (continued)

	Planning & Development, Drainage		Parks & Facilities		Public Library Services	
	2016	2015	2016	2015	2016	2015
Revenues						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 1,471,124	\$ 1,409,710
User charges	613,900	547,726	2,305,058	2,266,543	21,735	38,128
Grants	110,632	101,565	62,652	82,055	54,175	68,123
Others	1,336,503	1,529,976	2,098,001	3,984,827	224,291	83,675
	<u>2,061,035</u>	<u>2,179,267</u>	<u>4,465,711</u>	<u>6,333,425</u>	<u>1,771,325</u>	<u>1,599,636</u>
Expenses						
Salaries, wages and benefits	1,053,373	973,233	4,052,475	3,691,324	1,175,773	1,096,795
Amortization	47,636	47,636	954,178	927,612	124,716	124,460
Materials and supplies	387,961	232,405	2,227,736	1,991,318	367,226	289,202
Contracted services	2,109,064	1,839,646	191,029	236,175	-	-
Interest on long term debt	-	-	-	-	-	-
Others	-	-	1,471,124	1,451,859	-	-
	<u>3,598,034</u>	<u>3,092,920</u>	<u>8,896,542</u>	<u>8,298,288</u>	<u>1,667,715</u>	<u>1,510,457</u>
Net surplus / (deficit)	\$ (1,536,999)	\$ (913,653)	\$ (4,430,831)	\$ (1,964,863)	\$ 103,610	\$ 89,179

The Corporation of the Township of King
Notes to the Consolidated Financial Statements

Year ended December 31

19. Segment information (continued)

	Tax Revenue		Eliminations	
	2016	2015	2016	2015
Revenues				
Taxation	\$ 25,410,435	\$ 22,880,688	\$ (1,477,320)	\$ (1,409,710)
User charges	-	-	(723,808)	(763,860)
Grants	-	-	-	-
Others	1,149,209	1,243,356	(218,476)	-
	<u>26,559,644</u>	<u>24,124,044</u>	<u>(2,419,604)</u>	<u>(2,173,570)</u>
Expenses				
Salaries, wages and benefits	-	-	-	(601,174)
Amortization	-	-	-	-
Materials and supplies	-	-	(948,480)	(162,686)
Contracted services	-	-	-	-
Interest on long term debt	-	-	-	-
Others	-	-	(1,471,124)	(1,409,710)
	-	-	<u>(2,419,604)</u>	<u>(2,173,570)</u>
Net surplus / (deficit)	\$ 26,559,644	\$ 24,124,044	\$ -	\$ -