

**THE CORPORATION OF THE
TOWN OF GRAVENHURST
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

THE CORPORATION OF THE TOWN OF GRAVENHURST
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Gravenhurst, which comprise of the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations, the consolidated change in its net financial assets and consolidated cash flows 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 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 consolidated financial position of The Corporation of the Town of Gravenhurst as at December 31, 2017, and the consolidated results of its operations, the consolidated change in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The comparative financial statements as at December 31, 2016 have been restated as disclosed in note 2 to the financial statements.

Huntsville, Ontario
May 15, 2018

Pahapill and Associates Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

THE CORPORATION OF THE TOWN OF GRAVENHURST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016 (Note 2)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 16,567,027	\$ 13,096,566
Accounts receivable	3,150,547	2,946,643
	19,717,574	16,043,209
LIABILITIES		
Accounts payable and accrued liabilities	3,613,672	2,636,042
Prepaid property taxes	1,640,027	1,434,467
Deferred revenue (Note 6)	1,773,141	1,376,006
Municipal debt (Note 7)	19,494,766	20,506,182
	26,521,606	25,952,697
NET FINANCIAL ASSETS (DEBT)	(6,804,032)	(9,909,488)
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 10, Schedule 1)	83,679,867	89,375,192
Inventories of supplies	189,808	212,337
Prepaid expenses	291,575	272,731
	84,161,250	89,860,260
ACCUMULATED SURPLUS	\$ 77,357,218	\$ 79,950,772

CONTINGENT LIABILITIES (Note 9)

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF GRAVENHURST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget 2017 (Note 12)	Actual 2017	Actual 2016 (Note 2)
REVENUE			
Property taxes	\$ 14,421,414	\$ 14,484,657	\$ 13,547,149
User fees	2,866,052	3,846,618	3,526,247
Government transfers	1,838,777	2,283,009	2,282,371
Other	525,000	598,783	738,186
TOTAL REVENUE	19,651,243	21,213,067	20,093,953
EXPENSES			
General government	4,298,994	4,427,114	3,962,220
Protection to persons and property	2,191,596	2,082,512	1,890,250
Transportation services	9,539,627	9,628,768	8,944,783
Environmental services	162,980	141,362	356,042
Health services	148,752	166,068	183,351
Recreation and culture	6,446,866	6,332,399	6,987,734
Planning and development	1,068,615	1,028,398	1,128,858
TOTAL EXPENSES	23,857,430	23,806,621	23,453,238
ANNUAL SURPLUS (DEFICIT)	(4,206,187)	(2,593,554)	(3,359,285)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	79,950,772	79,950,772	83,310,057
ACCUMULATED SURPLUS, END OF YEAR	\$ 75,744,585	\$ 77,357,218	\$ 79,950,772

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF GRAVENHURST
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget 2017 (Note 12)	Actual 2017	Actual 2016 (Note 2)
Annual surplus (deficit)	\$ (4,206,187)	\$ (2,593,554)	\$ (3,359,285)
Acquisition of tangible capital assets	(3,906,069)	(3,906,069)	(2,367,254)
Amortization of tangible capital assets	8,524,923	8,524,923	8,198,188
Allocation from work in progress	1,033,340	1,033,340	545,157
Loss (gain) on sale of tangible capital assets	-	(6,605)	(30,350)
Proceeds on sale of tangible capital assets	-	49,736	49,785
Acquisition and consumption of supplies inventories	-	22,529	720
Use of prepaid expenses	-	(18,844)	5,855
Increase (decrease) in net financial assets	1,446,007	3,105,456	3,042,816
Net financial assets (debt), beginning of year	(9,909,488)	(9,909,488)	(12,952,304)
Net financial assets (debt), end of year	\$ (8,463,481)	\$ (6,804,032)	\$ (9,909,488)

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWN OF GRAVENHURST
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016 (Note 2)
Operating transactions		
Annual surplus (deficit)	\$ (2,593,554)	\$ (3,359,285)
Non-cash charges to operations:		
Amortization	8,524,923	8,198,188
Loss (gain) on sale of tangible capital assets	(6,605)	(30,350)
	5,924,764	4,808,553
Changes in non-cash assets and liabilities:		
Accounts receivable	(203,904)	805,278
Accounts payable and accrued liabilities	977,630	340,743
Prepaid property taxes	205,560	61,803
Deferred revenue-general	397,135	174,532
Inventories of supplies	22,529	720
Prepaid expenses	(18,844)	5,855
	1,380,106	1,388,931
Cash provided by operating transactions	7,304,870	6,197,484
Capital transactions		
Acquisition of tangible capital assets	(3,906,069)	(2,367,254)
Allocation from work in progress	1,033,340	545,157
Proceeds on disposal of tangible capital asset	49,736	49,785
Cash applied to capital transactions	(2,822,993)	(1,772,312)
Investing transactions		
Cash provided by investing transactions	-	-
Financing transactions		
Debt principal repayments	(1,011,416)	(968,156)
Cash applied to financing transactions	(1,011,416)	(968,156)
Net change in cash and cash equivalents	3,470,461	3,457,016
Cash and cash equivalents, beginning of year	13,096,566	9,639,550
Cash and cash equivalents, end of year	\$ 16,567,027	\$ 13,096,566
Cash flow supplementary information:		
Taxation and investment interest income received	\$ 622,501	\$ 566,827
Interest paid	852,305	895,428
Net interest received (paid)	\$ (229,804)	\$ (328,601)

The accompanying notes and schedules are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

The Corporation of the Town of Gravenhurst is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Planning Act, Building Code Act and other related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Gravenhurst (the "Municipality") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended in the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues, expenses and reserve and reserve fund balances of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated entities

The following local boards are consolidated:

Gravenhurst Public Library Board
Gravenhurst Business Improvement Area

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Accounting for school board and the District of Muskoka transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the District Municipality of Muskoka are not reflected in these consolidated financial statements.

(iii) Trust funds

Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

(b) Basis of Accounting**(i) Accrual basis of accounting**

Sources of financing and expenditures are reported on the accrual basis of accounting. This method recognizes revenues as they become available and measurable; expenditures 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.

(ii) Non-financial assets

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

(a) Tangible capital assets

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

Land improvements - 10 to 30 years
Buildings - 10 to 75 years
Machinery, equipment and furniture - 5 to 20 years
Computer hardware and software - 3 years
Vehicles - 5 to 25 years
Roads - 5 to 30 years
Bridges and culverts - 35 to 75 years
Street lighting - 10 to 30 years
Storm system - 40 to 100 years

Amortization is taken in the month of purchase up to the month of disposal. Assets under construction are not amortized until the asset is available for productive use.

The Municipality has a capitalization threshold of \$2,500; individual tangible capital assets, or pooled assets of lesser value are expensed in the year of purchase.

(b) Inventories of supplies

Inventories held for consumption are recorded at cost.

(iii) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

(iv) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(v) Deferred revenue

The Municipality receives gas tax revenue from the Federal Government, development charge contributions, payments in lieu of parkland and building permit fees under the authority of provincial legislation and Municipal by-laws. These funds are restricted in their use and until applied to the applicable expenditures are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended. The Municipality also defers recognition of certain government grants which have been collected but for which the related expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the services are performed.

- (vi) Taxation and related revenues
Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. 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 Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.
- (vii) Pensions
The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.
- (viii) Use of estimates
The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles established by PSAB 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 financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future. The estimates are reviewed periodically and any resulting adjustments are reported in earnings in the year in which they become known.

2. RESTATEMENT

In accordance with the 2017 asset management plan, the comparative figures included in these financial statements have been restated to conform with the accounting and reporting practices adopted for the current year. The most significant change relates to the reporting of capital assets, which had previously been reported as expenditures in the financial statements in the year of acquisition. The comparative figures also did not include a benefit accrual that was being held in trust for the Town of Gravenhurst.

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Municipality applied a consistent methods of estimating the replacement cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset.

The effects of this restatement are as follows:

Year ended December 31, 2016

THE CORPORATION OF THE TOWN OF GRAVENHURST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

ACCUMULATED SURPLUS	
Accumulated surplus, as previously reported	66,465,206
Net book value of tangible capital assets recorded	13,194,140
Benefit funds held in trust not previously accrued	291,426
ACCUMULATED SURPLUS, AS RESTATED	\$ 79,950,772

ANNUAL SURPLUS (DEFICIT)	
Annual surplus (deficit) as previously reported	1,171,099
Change in assets capitalized	(572,411)
Amortization expense not previously recorded	(3,962,974)
Gain on disposal of assets not previously recorded	5,001
ANNUAL SURPLUS (DEFICIT), AS RESTATED	\$ (3,359,285)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for bank account balances as of December 31, 2017 consists of the following:

	2017	2016
General Account	\$ 2,822,979	\$ 6,248,826
Petty Cash	1,710	1,410
Reserve Funds - Restricted		
Community Reinvestment	5,792,774	4,194,082
Discretionary Reserve Funds	4,983,366	-
Terence Haight Endowment	974,454	955,273
Henderson Endowment (Gravenhurst Public Library Board)	450,193	457,982
Other	47,203	25,257
Obligatory Reserve Funds - Restricted		
Development Charges	1,234,592	942,459
Parkland Dedication	252,274	214,655
Federal Gas Tax	7,482	56,622
	\$ 16,567,027	\$ 13,096,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

4. OPERATIONS OF SCHOOL BOARDS AND THE DISTRICT OF MUSKOKA

Further to Note 1(a)(ii), the Municipality is required to collect property taxes and payments-in-lieu of taxes on the behalf of the school boards and the District of Muskoka. The amounts collected, remitted and outstanding are as follows:

	2017 School Boards	2017 District	2017 Total	2016 Total
Payable (receivable) at the beginning of the year	\$ 21,827	\$ 48,747	\$ 70,574	\$ 72,828
Taxation and payments-in-lieu, net of adjustments	7,117,658	14,323,485	21,441,143	21,158,414
Remitted during the year	(7,148,819)	(14,074,421)	(21,223,240)	(21,160,668)
Payable (receivable) at the end of the year	\$ (9,334)	\$ 297,811	\$ 288,477	\$ 70,574

5. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$517,905 (2016 \$507,875) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

6. DEFERRED REVENUE

The 2017 continuity of transactions within the obligatory reserve funds are described below:

	Balance beginning of year	Contributions received	Interest earned	Amounts taken into revenue	Balance end of year
Parkland Dedication	\$ 240,965	\$ 51,778	\$ 2,924	\$ (62,602)	\$ 233,065
Development charges	1,135,041	234,112	13,960	(175,149)	1,207,964
Building Code Act	-	267,713	-	-	267,713
Federal gas tax	-	372,999	994	(309,594)	64,399
	\$ 1,376,006	\$ 926,602	\$ 17,878	\$ (547,345)	\$ 1,773,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

7. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2017	2016
2004 Debenture payable to District Municipality of Muskoka, for the Muskoka Wharf, repayable in semi-annual instalments of \$337,343 including interest at 5.685% per annum, due October 2024.	\$ 3,851,883	\$ 4,288,870
2009 Debenture payable to District Municipality of Muskoka for purchase of Pineridge Gate, repayable in annual instalments of principal of varying amounts in each of the years 2010 to 2019, interest is paid semi-annual at 3.65%, due November 2019.	2,780,000	2,952,000
2011 Debenture payable to District Municipality of Muskoka, for the Centennial Centre Expansion and Aquatic Facility, repayable in semi-annual instalments of \$181,450 including interest at 3.88% per annum, due December 2041.	5,634,208	5,774,408
2011 Debenture payable to District Municipality of Muskoka, for the Town Hall and Health Clinic, repayable in semi-annual instalments of \$89,975 including interest at 3.76% per annum, due December 2036.	2,427,675	2,513,904
2012 Debenture payable to District Municipality of Muskoka, for the Centennial Centre and Aquatic Facility, repayable in annual instalments of principal of varying amounts in each of the years 2013 to 2024, interest is paid semi-annual at varying interest rates ranging from 1.45% to 3.55%, due November 2024.	4,801,000	4,977,000
	\$ 19,494,766	\$ 20,506,182

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2018	\$ 1,057,377	\$ 812,914
2019	3,518,130	764,650
2020	960,773	601,113
2021	1,006,406	556,065
2022	1,054,139	508,354
2023 onwards	11,897,941	2,979,335
	\$ 19,494,766	\$ 6,222,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2017	2016
Principal payments	\$ 1,011,416	\$ 968,156
Interest	852,305	895,428
	\$ 1,863,721	\$ 1,863,584

The annual principal and interest payments required to service the Municipality's debt were within the annual debt repayment limit of \$1,994,454 prescribed by the Ministry of Municipal Affairs and Housing.

8. CREDIT FACILITY AGREEMENT

The Municipality has a revolving credit facility agreement with the National Bank. The amount available at any time is limited to \$3,100,000 (2016 \$3,100,000) to finance general operating requirements. Any balance borrowed will accrue interest at the bank's prime lending rate less 0.75% per annum. Council authorized the temporary borrowing limit by By-law 2017-02, of which NIL (2016 NIL) was used at the end of the year.

9. CONTINGENT LIABILITIES

In the normal course of business, the municipality is named to lawsuits related to its operations. Management is of the view that these lawsuits are without merit and any settlement would not be material to the financial position of the municipality.

10. TANGIBLE CAPITAL ASSETS

Schedule 1 provides information on the tangible capital assets of the Municipality by major asset class. Additional information relating to these assets is provided below.

(a) Contributed tangible capital assets

The Municipality records all tangible capital assets contributed by external parties at the fair market value. During the year \$NIL (2016 \$24,500) such contributions were recorded.

(b) Tangible capital assets recorded at nominal value

There were no tangible capital assets assigned a nominal value in the financial statements.

(c) Works of art and historical artifacts

Works of art and historical artifacts owned by the Municipality are not included in the tangible capital assets reported on the Consolidated Statement of Financial Position. The Municipality has on loan a number of paintings and other pieces of artwork that are prominently displayed in municipal buildings from the Historical Society.

(d) Capitalization of interest

The Municipality has a policy of capitalizing borrowing costs related to the acquisition of qualifying tangible capital assets net of any investment income earned on the unexpended portion of the borrowings. Other borrowing costs are expensed when incurred.

THE CORPORATION OF THE TOWN OF GRAVENHURST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

11. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule and segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

General Government

This segment includes Council, Corporate Administration, Clerks and Finance. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery. General Government also includes the operation of non-municipal buildings such as the Train Station, Seniors Centre and Ryde School.

Protection to Persons and Property

This segment includes fire, police, emergency measures, building inspection, and bylaw enforcement.

Transportation Services

Transportation Services include roadway systems and winter control.

Environmental Services

This segment includes the urban storm sewer system.

Health Services

This segment represents the revenues and expenses related to the operation of cemeteries.

Recreation and Culture

This segment includes parks, recreation programs, recreation facilities, community services, library, opera house, barge concerts, wharf properties and the Muskoka heritage centre.

Planning and Development

This segment includes activities related to planning, zoning and economic development.

Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and the municipality's annual Ontario Municipal Partnership Fund unconditional grant.

In preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of rent to specific segments.

THE CORPORATION OF THE TOWN OF GRAVENHURST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2017

11. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
REVENUE									
Property taxes	\$ 6,144,869	\$ 1,356,124	\$ 2,544,205	\$ 2,205	\$ 95,480	\$ 3,459,677	\$ 798,854	\$ 83,243	\$ 14,484,657
User fees	405,752	772,725	697,184	-	42,610	1,301,962	626,385	-	3,846,618
Government transfers	19,276	-	374,437	-	-	97,085	11,711	1,780,500	2,283,009
Other	489,429	5,232	166,155	-	8,728	14,423	169,434	(254,618)	598,783
TOTAL REVENUE	7,059,326	2,134,081	3,781,981	2,205	146,818	4,873,147	1,606,384	1,609,125	21,213,067
EXPENSES									
Salaries, wages and benefits	1,916,374	1,351,575	1,480,751	7,856	99,104	1,826,509	758,259	-	7,440,428
Long-term debt charges (interest)	229,764	-	52,294	-	-	570,247	-	-	852,305
Operating expenses	1,921,989	440,165	1,881,035	83,026	65,812	2,333,690	263,249	-	6,988,966
Amortization	358,987	290,772	6,214,688	50,480	1,152	1,601,953	6,890	-	8,524,922
TOTAL EXPENSES	4,427,114	2,082,512	9,628,768	141,362	166,068	6,332,399	1,028,398	-	23,806,621
ANNUAL SURPLUS (DEFICIT)	\$ 2,632,212	\$ 51,569	\$ (5,846,787)	\$ (139,157)	\$ (19,250)	\$ (1,459,252)	\$ 577,986	\$ 1,609,125	\$ (2,593,554)

THE CORPORATION OF THE TOWN OF GRAVENHURST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

11. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
REVENUE									
Property taxes	\$ 3,123,773	\$ 1,491,934	\$ 2,952,213	\$ 2,205	\$ 96,850	\$ 4,820,126	\$ 994,748	\$ 65,300	\$ 13,547,149
User fees	404,437	681,061	752,300	-	61,313	1,031,300	595,836	-	3,526,247
Government transfers	1,352	-	531,930	-	-	42,200	72,889	1,634,000	2,282,371
Other	844,324	250	-	-	9,918	56,889	75,550	(248,745)	738,186
TOTAL REVENUE	4,373,886	2,173,245	4,236,443	2,205	168,081	5,950,515	1,739,023	1,450,555	20,093,953
EXPENSES									
Salaries, wages and benefits	1,753,597	1,281,995	1,213,499	212,671	112,829	1,833,765	771,071	-	7,179,427
Long-term debt charges (interest)	234,481	-	39,228	-	-	621,719	-	-	895,428
Operating expenses	1,665,400	354,248	2,334,103	136,194	62,085	2,282,144	346,021	-	7,180,195
Amortization	308,742	254,007	5,357,953	7,177	8,437	2,250,106	11,766	-	8,198,188
TOTAL EXPENSES	3,962,220	1,890,250	8,944,783	356,042	183,351	6,987,734	1,128,858	-	23,453,238
ANNUAL SURPLUS (DEFICIT)	\$ 411,666	\$ 282,995	\$ (4,708,340)	\$ (353,837)	\$ (15,270)	\$ (1,037,219)	\$ 610,165	\$ 1,450,555	\$ (3,359,285)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

12. BUDGET FIGURES

The unaudited budget adopted for the current year was prepared on a fund basis, and has been restated to conform with the accounting and reporting standards adopted for the current year actual results. Town Council approved a balanced budget as required under the Municipal Act. The budget in the financial statements has been restated in order to comply with PSAB requirements to prepare the financial statements on a full accrual basis.

The following schedule provides additional detail regarding the 2017 unconsolidated municipal operating surplus.

SUPPLEMENTARY MUNICIPAL INFORMATION

	Municipal Budget 2017
CONSOLIDATED ANNUAL SURPLUS (DEFICIT)	(4,206,187)
Transfer (to) from municipal reserves	(3,307,320)
Transfer to unfunded liabilities	(1,011,416)
Municipal amortization	8,524,923
MUNICIPAL SURPLUS (DEFICIT)	\$ -

13. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. 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, 2017. The results of this valuation disclosed total actuarial liabilities of \$93,614 million with respect to benefits accrued for service with actuarial assets at that date of \$88,211 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi employer plan, any 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 Plan surplus or deficit.

The amount contributed to OMERS for 2017 was \$475,632 (2016 \$457,093) for current service and is included as an expense on the Consolidated Statement of Operations.

14. COMPARATIVE FIGURES

Certain 2016 amounts in these financial statements have been reclassified to conform with their presentation in 2017.

THE CORPORATION OF THE TOWN OF GRAVENHURST
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 1

	Land and Land Improvements	Buildings	Machinery, Equipment and Furniture	Vehicles	Roads and Bridges	Storm Systems	Assets Under Construction	TOTAL 2017	TOTAL 2016 (Note 2)
COST									
Balance, beginning of year	\$ 28,874,975	\$ 31,008,955	\$ 6,137,160	\$ 6,791,669	\$ 112,948,292	\$ 3,535,549	\$ 1,536,660	\$ 190,631,260	\$ 189,248,423
Additions and betterments	312,144	1,088,687	229,853	715,248	352,469	-	1,209,668	3,906,089	2,367,254
Allocation from Work in Progress	-	-	-	-	-	-	(1,033,340)	(1,033,340)	(545,157)
Disposals and writedowns	-	(128,061)	(219,775)	(300,935)	-	-	-	(648,771)	(439,260)
BALANCE, END OF YEAR	28,987,119	31,987,581	6,147,238	7,205,982	113,298,761	3,535,549	1,712,988	192,855,218	190,631,260
ACCUMULATED AMORTIZATION									
Balance, beginning of year	6,254,476	11,584,531	3,781,855	3,989,082	74,902,199	743,925	-	101,256,088	93,477,705
Annual amortization	719,936	1,339,644	492,803	448,131	5,473,930	50,479	-	8,524,923	8,198,188
Amortization disposals	(13,168)	(107,019)	(199,790)	(285,683)	-	-	-	(605,640)	(419,825)
BALANCE, END OF YEAR	6,961,244	12,817,156	4,074,868	4,151,550	80,376,129	794,404	-	109,175,351	101,256,088
TANGIBLE CAPITAL ASSETS-NET	\$ 22,025,875	\$ 19,150,425	\$ 2,072,370	\$ 3,054,432	\$ 32,922,632	\$ 2,741,145	\$ 1,712,988	\$ 83,679,867	\$ 89,375,192

THE CORPORATION OF THE TOWN OF GRAVENHURST

SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS

2017

	2017	2016
RESERVES AND RESERVE FUNDS		
Working Capital	\$ 1,352,096	\$ 1,352,096
Tax Stabilization	517,518	231,318
Legal	-	23,100
Insurance	-	23,101
Employee Benefit	291,426	-
Strategic Property	56,587	-
Elections	80,838	60,741
Accessibility	14,371	14,371
Hall of Fame	22,194	22,194
Community Improvement Plan	73,739	-
Planning	12,006	62,071
Fleet and Heavy Equipment	229,029	207,001
Furniture and Light Equipment	154,135	122,654
Information Systems and Technology	209,027	136,061
Facilities	1,194,578	1,617,917
Fire and Emergency Services	168,765	137,152
Emergency Service Stations	-	2,029
Infrastructure	1,328,995	624,522
Wharf Capital	326,215	-
Gravenhurst Public Library Board	37,352	29,961
Opera House Capital Improvements	22,373	16,083
Gravenhurst Business Improvement Area	29,415	8,995
Community Reinvestment	4,969,492	4,247,326
TOTAL RESERVES AND RESERVE FUNDS	11,090,151	8,938,693
	-	-
ENDOWMENTS		
Henderson Endowment (Gravenhurst Public Library Board)	450,636	458,425
Terence Haight Endowment	979,575	960,394
TOTAL ENDOWMENTS	1,430,211	1,418,819
	-	-
OTHER		
Tangible Capital Assets	83,679,867	89,375,192
General Operating Surplus(Deficit)	651,755	724,250
Amounts to be Recovered	(19,494,766)	(20,506,182)
TOTAL OTHER	64,836,856	69,593,260
	-	-
ACCUMULATED SURPLUS	\$ 77,357,218	\$ 79,950,772

THE CORPORATION OF THE TOWN OF GRAVENHURST

SUPPLEMENTARY UNAUDITED SCHEDULE OF INTERNAL FINANCING

2017

The Town of Gravenhurst finances some of their capital expenditures from their reserves as opposed to borrowing externally. The loans from reserves are interest bearing and have specific terms of repayment. Interest is calculated using Infrastructure Ontario lending rates for Municipalities.

The following are the existing loans in place at December 31, 2017:

Description	Amount Borrowed	Loan Due	Balance Due at the end of 2017	Balance Due at the end of 2016
2001 Freightline Pumper - Fire Department	160,000	2016	-	11,494
2013 Chev Silverado - Fire Department	35,382	2016	-	9,012
2013 Fire Explorer	43,861	2016	-	11,169
2014 Roof Repair - 190 Harvie St	44,000	2016	-	22,220
2014 Roof Repair - Terence Haight Carnegie Arts Centre - 275 Muskoka Rd S	26,162	2016	-	13,212
2001 John Deere Loader	75,000	2016	-	6,757
2006 Freightliner Plow Truck #44	159,526	2017	-	36,266
2006 Freightliner Plow Truck #45	172,081	2017	-	39,120
2009 Sterling Plow Truck #46	88,782	2018	8,755	28,240
2009 Sterling Plow Truck #47	179,722	2018	17,016	56,725
2014 Ford F150 Truck #7	24,501	2018	6,310	18,558
2016 Hopkins Bridge Deck Replacement	32,185	2018	16,253	-
2016 Library Roof	54,034	2018	27,287	-
2016 Gateway Signage (Hwy 11)	26,545	2018	15,020	-
2003 Case 590 TR-11	101,430	2019	9,574	27,381
2004 Sterling Tandem Plow Truck #41	189,816	2019	31,694	62,179
2004 Sterling Tandem Plow Truck #42	189,816	2019	31,694	62,179
2004 Sterling Plow Truck #43	166,202	2019	32,440	59,700
2008 Pierce Contender Pumper - Fire Department	267,944	2020	68,314	116,322
2015 Freightliner Plow Truck #51	219,100	2020	178,229	219,100
2016 Chevrolet Silverado	63,385	2020	48,011	-
2016 Infrastructure Radio Equipment	44,055	2020	33,369	-
2016 Infrastructure Gravel Roads Improvements	150,840	2020	114,253	-
2016 Peninsula Road Improvements	77,817	2020	58,942	-
2016 Chevrolet Silverado Truck #31	32,567	2020	24,668	-
2016 Chevrolet Silverado Truck #32	32,567	2020	24,668	-
2015 John Deer Loader	202,400	2020	153,306	-
2017 Case 590 Backhoe	170,420	2020	129,083	-
2017 Opera House Facade Improvements	60,000	2020	45,447	-
2017 Franklin Park Improvements	185,030	2020	107,996	-
2008 Pierce Pumper - Fire Department	243,000	2021	82,309	124,043
2012 Terrastar Plow Truck #48	86,107	2021	35,738	52,949
2016 Kluey's Bay Dock	80,985	2021	51,449	-
2016 Pineridge Gate Storm Water Management	180,000	2021	145,424	-
2016 Muskoka Bay Storm Outfall	69,807	2021	56,398	-
2010 Pierce Pumper- Fire Department	399,943	2022	233,819	284,416
2014 International Plow Truck #50	243,223	2024	177,743	222,047
2014 Roof Repairs - Opera House - 295 Muskoka Rd S	156,870	2024	113,054	142,556
2014 Roof Repairs - Centennial Centre - 101 Centennial Dr	106,000	2025	86,887	106,000
2015 HVAC Repair - Opera House - 295 Muskoka Rd S	837,951	2025	681,823	837,952
2015 Roof Repairs - Discovery Centre - 275 Steamship Bay Rd	188,290	2025	151,803	188,290
2015 Streetlights - LED Conversion	470,107	2025	385,343	470,107
2015 Barkway Culvert replacement	125,277	2025	97,565	125,277
2015 Excavator EX-1	177,000	2025	144,372	177,000
2015 Refrigeration Project - Centennial Centre - 101 Centennial Dr	901,530	2026	700,810	836,287
2013 Accessibility Renovation - Terence Haight Carnegie Arts Centre - 275 Muskoka Rd S	749,184	2028	570,965	658,954
2013 Spartan Tanker - Fire Department	423,322	2029	351,633	399,424
2007 Muskoka Wharf Construction Project	6,266,238	2030	3,452,976	3,691,528
	<u>\$ 14,979,994</u>		<u>\$ 8,702,440</u>	<u>\$ 9,116,464</u>

THE CORPORATION OF THE TOWN OF GRAVENHURST
SUPPLEMENTARY FINANCIAL INFORMATION
GRAVENHURST PUBLIC LIBRARY BOARD

Condensed financial information in respect to Gravenhurst Public Library Board is provided below.

	Budget 2017 (Note 12)	Actual 2017	Actual 2016 (Note 2)
REVENUE			
Provincial grants	38,277	43,298	37,370
Fines and fees	8,500	6,644	6,631
Other	14,100	10,927	11,439
TOTAL REVENUE	60,877	60,869	55,440
EXPENSES			
Wages and benefits	453,939	465,482	411,248
Materials and contracted services	222,250	199,178	165,705
Amortization	102,539	102,539	93,119
TOTAL EXPENSES	778,728	767,199	670,072
ANNUAL SURPLUS (DEFICIT)	(717,851)	(706,330)	(614,632)