

The Corporation of the Township of Adjala-Tosorontio
Financial Statements
Year ended December 31, 2018

	Contents
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8



Tel: 905 898 1221
Fax: 905 898 0028
Toll-free: 866 275 8836
www.bdo.ca

BDO Canada LLP
The Gates of York Plaza
17310 Yonge Street Unit 11
Newmarket ON L3Y 7R9

Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the Township of Adjala-Tosorontio

Opinion

We have audited the financial statements of The Corporation of the Township of Adjala-Tosorontio (the "Municipality"), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and accumulated surplus, the statement of change in net financial assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

May 13, 2020
Newmarket, Ontario

**The Corporation of the Township of Adjala-Tosorontio
Statement of Financial Position**

December 31	2018	2017
Financial assets		
Cash and cash equivalents (Note 2)	\$ 4,072,957	\$ 4,559,199
Short term investments (Note 3)	2,785,994	3,191,853
Taxes receivable	1,389,638	1,205,803
Accounts receivable (Note 4)	812,840	1,209,435
Portfolio investments	691,491	233,010
	<u>9,752,920</u>	<u>10,399,300</u>
Liabilities		
Accounts payable and accrued liabilities	1,387,540	1,066,094
Employee benefits plan liability (Note 7)	808,990	835,981
Deferred revenue and obligatory reserve funds (Note 8)	1,996,609	1,553,193
Net long-term debt (Note 6)	3,296,176	3,521,784
Other liabilities	360,821	512,146
	<u>7,850,136</u>	<u>7,489,198</u>
Net financial assets	<u>1,902,784</u>	<u>2,910,102</u>
Non-financial assets		
Tangible capital assets (Note 13)	43,759,219	43,070,204
Prepaid expenses and inventories of supplies	779,771	152,925
	<u>44,538,990</u>	<u>43,223,129</u>
Accumulated surplus	<u>\$46,441,774</u>	<u>\$ 46,133,231</u>
Contingent liabilities (Note 9)		
Commitments (Note 10)		
Subsequent Events (Note 11)		

**The Corporation of the Township of Adjala-Tosorontio
Statement of Operations and Accumulated Surplus**

Year ended December 31	Budget 2018	2018	2017
	(Note 15)		
Revenue			
Taxation (Note 14)	\$ 7,468,521	\$ 7,519,575	\$ 7,197,541
Government grants - Federal	860,507	76,169	231,205
Government grants - Provincial	2,801,395	1,934,801	685,074
Grants - other sources	12,500	127,961	74,578
User fees and service charges	1,180,750	1,097,163	1,085,768
Other	1,041,993	922,064	866,206
	<u>13,365,666</u>	<u>11,677,733</u>	<u>10,140,372</u>
Expenses			
General government	2,556,400	2,280,862	1,532,310
Protection services	3,178,594	3,080,103	2,927,204
Transportation services	3,858,825	4,020,376	3,302,020
Environmental services	1,769,515	1,390,563	1,506,556
Health services	8,000	7,021	8,078
Recreation and cultural services	159,376	149,707	161,277
Planning and development	685,930	440,558	499,874
	<u>12,216,640</u>	<u>11,369,190</u>	<u>9,937,319</u>
Annual surplus	1,149,026	308,543	203,053
Accumulated surplus, beginning of the year	<u>46,133,231</u>	<u>46,133,231</u>	<u>45,930,178</u>
Accumulated surplus, end of the year	<u>\$47,282,257</u>	<u>\$46,441,774</u>	<u>\$ 46,133,231</u>

**The Corporation of the Township of Adjala-Tosorontio
Statement of Change in Net Financial Assets**

Year ended December 31	Budget 2018	2018	2017
	(Note 15)		
Annual surplus	\$ 1,149,026	\$ 308,543	\$ 203,053
Acquisition of tangible capital assets (Note 13)	(3,969,867)	(2,305,168)	(1,198,746)
Amortization of tangible capital assets (Note 13)	1,615,068	1,615,068	1,465,155
Loss on disposal of tangible capital assets	-	1,085	4,130
	<u>(1,205,773)</u>	<u>(380,472)</u>	<u>473,592</u>
Use/consumption of prepaid expenses and inventory of supplies	-	(626,846)	565,913
Net change in net financial assets	(1,205,773)	(1,007,318)	1,039,505
Net financial assets, beginning of the year	<u>2,910,102</u>	<u>2,910,102</u>	<u>1,870,597</u>
Net financial assets, end of the year	\$ 1,704,329	\$ 1,902,784	\$ 2,910,102

**The Corporation of the Township of Adjala-Tosorontio
Statement of Cash Flows**

Year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 308,543	\$ 203,053
Items not involving cash		
Amortization of tangible capital assets	1,615,068	1,465,155
Loss on disposal of tangible capital assets	1,085	4,130
Changes in non-cash operating balances		
Taxes receivable	(183,835)	(50,254)
Accounts receivable	396,595	(327,743)
Prepaid expenses and inventories of supplies	(626,846)	565,913
Accounts payable and accrued liabilities	321,446	513,706
Other current liabilities	(151,325)	144,322
Employee benefits plan liability	(26,991)	(48,705)
Deferred revenue	443,416	326,554
	<u>2,097,156</u>	<u>2,796,131</u>
Capital transactions		
Acquisition of tangible capital assets	(2,305,168)	(1,198,746)
Investing transactions		
Acquisition of short term and portfolio investments	(52,622)	(31,831)
Financing transactions		
Repayment of long-term debt	<u>(225,608)</u>	<u>(215,557)</u>
Net change in cash and cash equivalents	(486,242)	1,349,997
Cash and cash equivalents, beginning of the year	<u>4,559,199</u>	<u>3,209,202</u>
Cash and cash equivalents, end of the year	<u>\$ 4,072,957</u>	<u>\$ 4,559,199</u>

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

1. Summary of Accounting Policies

**Management's
Responsibility for the
Financial Statements**

The financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Corporation of the Township of Adjala-Tosorontio (the "Municipality") is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Municipality provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenues; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

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.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Portfolio Investments

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

**Short Term
Investments**

Short term investments are recorded at lower of cost and market value.

**Tangible Capital Assets
Under Construction**

Tangible capital assets under construction are recorded at cost. When construction is completed, the tangible capital asset under construction will be transferred to tangible capital assets and amortized based on its classification.

**Collection of Taxes on
Behalf of Other Taxation
Authorities**

The Municipality collects taxation revenue on behalf of the school boards and the County of Simcoe. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

1. Summary of Accounting Policies (continued)

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	30 to 50 years
Roads	40 to 85 years
Machinery and equipment	5 to 20 years
Water/Sewer infrastructure	10 to 100 years
Bridges	80 to 100 years
Vehicles	5 to 15 years
Communications	5 to 10 years
Furniture and fixtures	10 years
Computer hardware and software	3 to 7 years

**Non-pension Post
Retirement Benefits**

Actuarial cost method:

Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PSAB 3250. 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.

Funding policy:

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

Accounting policies:

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ('EARSL') (expected remaining payment period in respect of the retiring allowance) of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of death or retirement, depending on the benefit value.

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

1. Summary of Accounting Policies (continued)

Pension Plan	The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. 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 Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the amount paid to OMERS during the year plus any amounts owing to OMERS for the year ended.
Deferred Revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.
Government Transfers	Revenue is recognized when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
Revenue Recognition	<p>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>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.</p> <p>Sales of service and other revenue is recognized on an accrual basis, when services have been rendered.</p>
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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets and significant accruals. Actual results could differ from management's best estimates as additional information becomes available in the future.

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

2. Cash and Cash Equivalents

	2018	2017
Unrestricted cash	\$ 1,406,261	\$ 2,761,570
Restricted reserve fund cash	2,666,696	1,797,629
	\$ 4,072,957	\$ 4,559,199

3. Short Term Investments

Short term investments comprise the following:

	2018	2017
Cash	\$ 11,483	\$ 5,713
High interest savings	1,000,000	1,007,090
Guaranteed Investment Certificates, interest rates ranging from 1.9% to 2.67%, maturing between April 2019 to December 2019	1,759,294	2,179,050
Corporate bond, effective yield rate of 2.944%, maturing by July 2019	15,217	-
	\$ 2,785,994	\$ 3,191,853

The market value of short term investments is \$2,785,808 (2017 - \$3,191,853).

4. Accounts Receivable

	2018	2017
Water receivables	\$ 238,823	\$ 231,375
HST receivable	311,774	244,020
Government receivables	144,419	67,061
Other receivables and cost acknowledgments	744,385	666,979
	1,439,401	1,209,435
Allowance for doubtful accounts	(626,561)	-
	\$ 812,840	\$ 1,209,435

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

5. Portfolio Investments

Portfolio investments comprise the following:

	2018	2017
Guaranteed Investment Certificate, interest rates ranging from 2.54% to 2.62%, maturing by April 2020	\$ 473,000	\$ -
Government and Corporate Bonds, with effective yield rates ranging from 1.97% to 7.05%, maturing from January 2020 to December 2048	218,491	233,010
	\$ 691,491	\$ 233,010

The market value of GIC's and government and corporate bonds are \$703,218 (2017 - \$240,092).

6. Net Long-term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2018	2017
Ontario Infrastructure Projects Corporation, 4.61%, blended semi-annual payments of \$192,696, due December 2029	\$ 3,296,176	\$ 3,521,784

Interest expense of \$159,298 (2017 - \$169,371) is included in Environmental Services. Interest paid during the year is \$159,784.

Principal repayments for the next five years and thereafter are as follows:

2019	\$ 236,128
2020	247,139
2021	258,669
2022	270,725
2023	283,350
Thereafter	2,000,165
	\$ 3,296,176

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

7. Employee Benefits Plan Liability

	2018	2017
Accumulated post retirement benefits - accrued obligation	\$ 693,859	\$ 730,716
Unamortized net actuarial loss	15,881	19,643
	677,978	711,073
Vacation	131,012	124,908
	\$ 808,990	\$ 835,981

The post employment benefit expense is reported as a component of current expenses on the statement of financial activities. Composition of the amount is as follows:

	2018	2017
Current year benefit cost	\$ 5,275	\$ 4,996
Interest on accrued benefit obligation	24,501	25,696
Actuarial losses	3,762	3,762
Total expense related to post-employment benefits	\$ 33,538	\$ 34,454

The amount of benefits paid during the year was \$51,849 (2017 - \$58,094) for post retirement benefits.

Retirement Benefits

Municipal Employees Retirement System

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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 million. 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 municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the municipality to OMERS for 2018 were \$173,370 (2017 - \$168,978).

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

7. Employee Benefits Plan Liability (continued)

Retirement Life Insurance and Health Care Benefits

The Municipality provides life insurance benefits to certain employee groups after retirement.

- Employees who retired before February 1, 2016 to age 70
- Employees hired on or before March 4, 2015 who retire before March 1, 2019 to age 70
- Employees hired on or before March 4, 2015 who retire after March 1, 2019 who qualify for unreduced pension under Ontario Municipal Employees Retirement System to age 65

The Municipality also provides dental and health care benefits to certain employee groups after retirement.

- Employees who retired on or before October 31, 2009 to age 75
- Employees who retired after October 31, 2009 and before February 1, 2016 to age 80
- Employees hired on or before March 4, 2015 who retire before March 1, 2017 to age 80
- Employees hired on or before March 4, 2015 who retire after March 1, 2017 and before March 1, 2019 to age 75
- Employees hired on or before March 4, 2015 who retire on or after March 1, 2019 who qualify for unreduced pension under Ontario Municipal Employees Retirement System to age 65

The benefit costs and liabilities related to this plan are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of March 1, 2017.

The accrued benefit obligations for the Municipality's employee future benefit plans as at December 31, 2018 are based on actuarial valuations for accounting purposes as at December 31, 2018. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Municipality's best estimates of expected rates of:

	2018	2017
Expected wage and salary increases	3.0%	3.0%
Discount on accrued benefit obligations	3.5%	3.5%
Health care cost escalation - In current year	6.0%	6.0%
- decreasing over 6 years to	4.0%	4.0%
Dental costs escalation	4.0%	4.0%

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

8. Deferred Revenue and Obligatory Reserve Funds

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 628,728	\$ 337,716	\$ 11,928	\$ (71,059)	\$ 907,313
Development charges	820,130	30,623	14,063	(12,206)	852,610
Recreational land	67,885	-	1,146	-	69,031
Court security prison transfer	36,450	6,494	637	-	43,581
Total Obligatory	1,553,193	374,833	27,774	(83,265)	1,872,535
OCIF	-	1,395,536	8,995	(1,328,110)	76,421
Main Street Revitalization	-	47,355	298	-	47,653
Total	\$ 1,553,193	\$ 1,817,724	\$ 37,067	\$ (1,411,375)	\$ 1,996,609

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Province of Ontario. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

Development charges

Revenue recognition for development charges occurs after the funds have been collected and when the Municipality has approved the expenditures for the capital work for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to defray the cost of growth related capital projects associated with new developments.

Recreational land

The parkland reserve funds have been set aside as required by Provincial legislation which restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

Prison Transfers

The prison transfer grant funds have been set aside as required for any prisoner transfers that need to be made as the funds are restricted for this specific use.

OCIF

Ontario Community Infrastructure Fund (OCIF) is externally restricted by OCIF and can only be used for eligible community infrastructure projects.

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

8. Deferred Revenue and Obligatory Reserve Funds (continued)

Main Street Revitalization

Main Street Revitalization Fund is externally restricted by The Association of Municipalities Ontario and can only be used for eligible projects to support revitalization activities within main street areas.

9. Contingent Liability

The Municipality has been named as a defendant in certain legal actions in which damages have been sought. The outcome of these actions are not determinable and therefore as at December 31, 2018 no provision has been made in these financial statements for any liability which may arise.

10. Commitment

The Municipality has entered into an agreement with the Ontario Clean Water Agency to manage, operate and maintain the Municipality's water and waste water treatment facilities. The agreement stipulates a base price of \$526,750 per year increasing yearly based on the consumer price index. The term of the agreement is January 1, 2017 - December 31, 2021.

11. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The global pandemic has disrupted economic activities and supply chains. The Municipality has extended some financial relief to residents and businesses by extending the deadline of the 2020 first interim tax due date by one month and waiving interest charges on current taxes for the month of May 2020. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

12. Contributions to Unconsolidated Joint Boards

The Municipality is part of a joint board for the Rosemont Fire Department which provides fire protection services to a portion of the Municipality. Contributions of \$114,825 (2017 - \$95,835) were made during the year. The Municipality is contingently liable for its share of any accumulated deficits as at the end of the year. Any deficits would be covered by additional levies charged to the municipalities on the joint board. As of December 31, 2018 there were no such deficits.

The Corporation of the Township of Adjala-Toronto
Notes to Financial Statements

December 31, 2018

13. Tangible Capital Assets

	Land	Buildings	Equipment	Roads	Water and Sewer	Bridges	Communi-cations	Vehicles	Furniture	Computer Hardware and Software	Work in Process	Total
Cost, beginning of year	\$ 3,654,200	\$ 5,241,809	\$ 2,450,439	\$ 34,676,295	\$ 11,542,360	\$ 7,062,249	\$ 203,295	\$ 3,716,405	\$ 82,229	\$ 278,917	\$ 742,958	\$ 69,651,156
Additions	-	-	59,985	186,005	192,769	1,597,170	7,924	156,760	-	28,071	76,484	2,305,168
Disposals	-	-	-	-	-	(55,591)	(19,568)	-	-	(25,513)	-	(100,672)
Transfer	-	-	-	-	33,585	43,501	-	482,515	-	-	(559,601)	-
Cost, end of year	\$ 3,654,200	\$ 5,241,809	\$ 2,510,424	\$ 34,862,300	\$ 11,768,714	\$ 8,647,329	\$ 191,651	\$ 4,355,680	\$ 82,229	\$ 281,475	\$ 259,841	\$ 71,855,652
Accumulated amortization, beginning of year	\$ -	\$ 2,426,252	\$ 1,545,893	\$ 12,221,533	\$ 5,002,768	\$ 2,607,210	\$ 179,052	\$ 2,333,384	\$ 65,899	\$ 198,961	\$ -	\$ 26,580,952
Amortization	-	122,728	124,580	570,009	304,966	238,046	4,973	211,768	3,889	34,109	-	1,615,068
Disposals	-	-	-	-	-	(55,591)	(19,568)	-	-	(24,428)	-	(99,587)
Accumulated amortization, end of year	\$ -	\$ 2,548,980	\$ 1,670,473	\$ 12,791,542	\$ 5,307,734	\$ 2,789,665	\$ 164,457	\$ 2,545,152	\$ 69,788	\$ 208,642	\$ -	\$ 28,096,433
Net carrying amount, end of year	\$ 3,654,200	\$ 2,692,829	\$ 839,951	\$ 22,070,758	\$ 6,460,980	\$ 5,857,664	\$ 27,194	\$ 1,810,528	\$ 12,441	\$ 72,833	\$ 259,841	\$ 43,759,219

The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements

December 31, 2018

13. Tangible Capital Assets (continued)

	2017											
	Land	Buildings	Equipment	Roads	Water and Sewer	Bridges	Communi-cations	Vehicles	Furniture	Computer Hardware and Software	Work in Process	Total
Cost, beginning of year	\$ 3,654,200	\$ 5,241,809	\$ 2,424,080	\$34,510,298	\$11,514,322	\$ 7,062,249	\$ 212,554	\$ 3,398,042	\$ 82,229	\$ 275,175	\$ 187,423	\$ 68,562,381
Additions	-	-	26,359	249,362	28,038	-	-	186,854	-	21,089	687,044	1,198,746
Disposals	-	-	-	(83,365)	-	-	(9,259)	-	-	(17,347)	-	(109,971)
Transfer	-	-	-	-	-	-	-	131,509	-	-	(131,509)	-
Cost, end of year	\$ 3,654,200	\$ 5,241,809	\$ 2,450,439	\$34,676,295	\$11,542,360	\$ 7,062,249	\$ 203,295	\$ 3,716,405	\$ 82,229	\$ 278,917	\$ 742,958	\$ 69,651,156
Accumulated amortization, beginning of year	\$ -	\$ 2,301,493	\$ 1,426,428	\$ 11,733,456	\$ 4,697,077	\$ 2,524,347	\$ 182,033	\$ 2,110,623	\$ 61,319	\$ 184,862	\$ -	\$ 25,221,638
Amortization	-	124,759	120,537	566,159	305,772	82,863	6,278	222,761	4,580	31,446	-	1,465,155
Disposals	-	-	(1,072)	(78,082)	(81)	-	(9,259)	-	-	(17,347)	-	(105,841)
Accumulated amortization, end of year	\$ -	\$ 2,426,252	\$ 1,545,893	\$ 12,221,533	\$ 5,002,768	\$ 2,607,210	\$ 179,052	\$ 2,333,384	\$ 65,899	\$ 198,961	\$ -	\$ 26,580,952
Net carrying amount, end of year	\$ 3,654,200	\$ 2,815,557	\$ 904,546	\$ 22,454,762	\$ 6,539,592	\$ 4,455,039	\$ 24,243	\$ 1,383,021	\$ 16,330	\$ 79,956	\$ 742,958	\$ 43,070,204

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$259,841 (2017 - \$742,958).

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

14. Taxation

	Budget 2018 (Note 15)	2018	2017
Property taxes	\$17,384,247	\$16,929,013	\$ 16,320,514
Payments to County and school boards	(9,915,726)	(9,409,438)	(9,122,973)
Available for general municipal purposes	<u>\$ 7,468,521</u>	<u>\$ 7,519,575</u>	<u>\$ 7,197,541</u>

15. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 14, 2018 was not prepared on a basis consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis while Canadian public sector accounting standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on May 14, 2018 with adjustments as follows:

	<u>2018</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	3,969,867
Less:	
Budgeted transfers from accumulated surplus	(1,205,773)
Amortization	<u>(1,615,068)</u>
Budget deficit per statement of operations	<u>\$ 1,149,026</u>

16. Comparative Information

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

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

17. Segmented Information

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire and water and roads. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General government are revenues and expenses that relate to the operations of the Municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection and canine control. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. Canine control ensures the safety through the licensing of dogs.

Transportation

Transportation is responsible for maintaining and constructing roads in the Municipality.

Environmental

This service provides the Municipality's drinking water. They process and clean sewage and ensure the Municipality's water system meets all Provincial standards. It also consists of providing waste disposal to citizens.

Health

Health services oversees the care and maintenance of the cemetery.

Recreation and Culture

Recreational programs and cultural programs like swimming and skating lessons and English as a second language are provided at arenas, aquatic centres and community centres. Also, the Municipality provides library services to assist with its citizens' informational needs.

Planning and Development

This department provides a number of services including city planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of cost. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, fees and user charges	allocated to those segments that are funded by these amounts based on the net surplus (deficit) for the year
Grants	based on nature of grant

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

17. Segmented Information (continued)

For the year ended December 31	General government	Protection to persons and property	Transportation	Environment	Health	Recreation and culture	Planning and development	2018 Total
Revenue								
Taxation	\$ 1,993,736	\$ 2,644,237	\$ 2,252,492	\$ 220,757	\$ 7,021	\$ 116,626	\$ 284,706	\$ 7,519,575
Government grants - Federal	-	-	74,419	-	-	1,750	-	76,169
Government grants - Provincial	560,000	23,936	1,293,537	43,015	-	14,313	-	1,934,801
User fees and service charges	25,185	65,144	8,917	919,695	-	11,140	67,082	1,097,163
Grants - other sources	-	-	-	111,884	-	-	16,077	127,961
Other	10,484	346,786	391,011	95,212	-	5,878	72,693	922,064
	<u>2,589,405</u>	<u>3,080,103</u>	<u>4,020,376</u>	<u>1,390,563</u>	<u>7,021</u>	<u>149,707</u>	<u>440,558</u>	<u>11,677,733</u>
Expenses								
Salaries and wages	894,730	797,943	1,153,389	48,346	-	16,633	276,076	3,187,117
Supplies and services	1,295,675	651,948	1,874,340	259,240	7,021	73,710	145,354	4,307,288
Interest	-	-	-	159,298	-	-	-	159,298
Fee and contract services	-	1,487,120	-	571,043	-	23,128	19,128	2,100,419
Amortization	90,457	143,092	992,647	352,636	-	36,236	-	1,615,068
	<u>2,280,862</u>	<u>3,080,103</u>	<u>4,020,376</u>	<u>1,390,563</u>	<u>7,021</u>	<u>149,707</u>	<u>440,558</u>	<u>11,369,190</u>
Annual surplus	<u>\$ 308,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,543</u>

**The Corporation of the Township of Adjala-Tosorontio
Notes to Financial Statements**

December 31, 2018

17. Segmented Information (continued)

For the year ended December 31	General government	Protection to persons and property	Transportation	Environment	Health	Recreation and culture	Planning and development	2017 Total
Revenue								
Taxation	\$ 1,096,033	\$ 2,383,752	\$ 2,802,005	\$ 478,008	\$ 8,078	\$ 129,774	\$ 299,891	\$ 7,197,541
Government grants - Federal	-	-	228,805	-	-	2,400	-	231,205
Government grants - Provincial	564,900	18,682	59,076	28,559	-	13,857	-	685,074
User fees and service charges	23,397	62,962	-	912,293	-	9,750	77,366	1,085,768
Grants - other sources	-	25,000	-	-	-	-	49,578	74,578
Other	51,033	436,808	212,134	87,696	-	5,496	73,039	866,206
	<u>1,735,363</u>	<u>2,927,204</u>	<u>3,302,020</u>	<u>1,506,556</u>	<u>8,078</u>	<u>161,277</u>	<u>499,874</u>	<u>10,140,372</u>
Expenses								
Salaries and wages	892,841	706,665	1,034,254	65,646	-	16,354	269,808	2,985,568
Supplies and services	548,660	539,555	1,429,490	345,119	8,078	74,837	198,196	3,143,935
Interest	-	-	-	169,371	-	-	-	169,371
Fee and contract services	-	1,534,905	-	573,059	-	33,456	31,870	2,173,290
Amortization	90,809	146,079	838,276	353,361	-	36,630	-	1,465,155
	<u>1,532,310</u>	<u>2,927,204</u>	<u>3,302,020</u>	<u>1,506,556</u>	<u>8,078</u>	<u>161,277</u>	<u>499,874</u>	<u>9,937,319</u>
Net surplus	<u>\$ 203,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,053</u>