

**CORPORATION OF THE
TOWNSHIP OF ADJALA-TOSORONTIO
FINANCIAL REPORT
DECEMBER 31, 2022**

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

DECEMBER 31, 2022

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THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

The accompanying financial statements of the The Corporation of the Township of Adjala-Tosorontio ("the Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval.

The financial statements have been audited by Baker Tilly SGB LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's financial statements.



Director of Finance/Treasurer
July 12, 2023



Chief Administrative Officer
July 12, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the The Corporation of the Township of Adjala-Tosorontio:

Opinion

We have audited the financial statements of the The Corporation of the Township of Adjala-Tosorontio ("the Municipality"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, change in net financial assets and cash flow 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 Municipality as at December 31, 2022, and its results of operations and 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 these 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 relating 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.

Baker Tilly SGB LLP

Baker Tilly SGB LLP

Chartered Professional Accountants
Licensed Public Accountants
Collingwood, Ontario
July 12, 2023

**THE CORPORATION OF THE
TOWNSHIP OF ADJALA - TOSORONTIO**

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31**

	2022	2021
	\$	\$
Financial assets		
Cash and cash equivalents (Note 2)	7,588,683	3,515,735
Investments (Note 3)	761,203	769,945
Accounts receivable (Note 4)	1,979,360	2,314,864
Taxes receivable	1,707,100	1,838,654
	12,036,346	8,439,198
Liabilities		
Developer deposits and other liabilities	615,147	647,277
Accounts payable and accruals	1,711,378	2,187,281
Long-term liabilities (Note 17)	2,283,519	2,554,245
Employee future benefits (Note 9)	517,974	566,066
Deferred revenue - obligatory reserve funds and other (Schedule 1 and Note 10)	6,894,530	1,683,756
	12,022,548	7,638,625
Net financial assets	13,798	800,573
Non-financial assets		
Tangible capital assets (Schedules 2, 3 and Note 14)	51,784,770	49,858,885
Prepaid expenses and inventory	203,116	165,211
	51,987,886	50,024,096
Accumulated surplus (Note 15)	52,001,684	50,824,669

Approved  Mayor

AUGUST 8, 2023 Date

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2022	Actual 2022	Actual 2021
	\$	\$	\$
	(Note 18)		
Revenues			
Net municipal taxation (Note 12)	8,801,229	8,787,373	8,279,795
Government grants - Federal	8,210	309,930	462,399
Government grants - Provincial	1,396,947	1,070,805	1,823,254
Grants - other sources	-	-	28,988
User fees and service charges	1,221,872	1,275,560	1,630,614
Other (Note 16)	4,673,670	2,803,874	763,427
	16,101,928	14,247,542	12,988,477
Expenses			
General government	3,093,280	2,318,514	2,183,916
Protection services	3,434,296	3,569,297	3,308,949
Transportation services	4,140,121	4,879,777	4,452,390
Environmental services	2,021,655	1,574,810	1,339,208
Health services	8,000	6,900	7,399
Recreation and cultural services	174,057	199,084	166,615
Planning and development	595,153	522,145	445,722
	13,466,562	13,070,527	11,904,199
Annual surplus	2,635,366	1,177,015	1,084,278
Accumulated surplus, beginning of year		50,824,669	49,740,391
Accumulated surplus, end of year (Note 15)		52,001,684	50,824,669

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

	Budget 2022	Actual 2022	Actual 2021
	\$	\$	\$
	(Note 18)		
Annual surplus	2,635,366	1,177,015	1,084,278
Acquisition of tangible capital assets (Schedules 2 and 3)	-	(3,679,465)	(3,145,676)
Amortization of tangible capital assets (Schedules 2 and 3)	-	1,649,254	1,585,557
Loss on disposal of tangible capital assets	-	104,326	283,595
Change in prepaid expenses and inventory	-	(37,905)	(42,695)
Change in net financial assets	2,635,366	(786,775)	(234,941)
Net financial assets, beginning of year		800,573	1,035,514
Net financial assets, end of year		13,798	800,573

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2022	2021
	\$	\$
Cash flows from (for):		
Operating activities		
Annual surplus	1,177,015	1,084,278
Non-cash items:		
Amortization	1,649,254	1,585,557
Loss on disposal of tangible capital assets	104,326	283,595
Employee future benefits	(48,092)	(43,943)
	2,882,503	2,909,487
Changes in:		
Accounts receivable	335,504	1,181,967
Taxes receivable	131,554	(206,793)
Prepaid expenses and inventory	(37,905)	(42,695)
Developer deposits and other liabilities	(32,130)	349,008
Accounts payable and accruals	(475,903)	110,001
Deferred revenue	5,210,774	(39,813)
	8,014,397	4,261,162
Capital activities		
Acquisition of tangible capital assets	(3,679,465)	(3,145,676)
Investing activities		
Investments	8,742	(16,843)
Financing activities		
Repayment of long-term liabilities	(270,726)	(258,664)
Net change in cash position	4,072,948	839,979
Cash and cash equivalents, beginning of year	3,515,735	2,675,756
Cash and cash equivalents, end of year	7,588,683	3,515,735

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

Nature of operations

The Corporation of the Township of Adjala-Tosorontio ("the Municipality") is a lower-tier municipality located in the County of Simcoe, 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 legislation.

1. Summary of significant accounting policies

The financial statements have been prepared by management of the Municipality in accordance with Canadian generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The statement of financial position includes all of the assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) **Basis of accounting**

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

(b) **Cash and cash equivalents**

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

(c) **Investments**

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

(d) **Deferred revenue - obligatory reserve funds**

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the statement of financial position. The revenue is reported on the statement of operations in the year in which it is used for the specified purpose.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

1. Summary of significant accounting policies (continued)

(c) Deferred revenue - other

Funds received for services but not earned within the year are reported as deferred revenue on the statement of financial position. The revenue is reported on the statement of operations in the year in which it is used for the specified purpose.

(f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The Municipality capitalizes interest costs associated with the construction of a tangible capital asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	30 to 50 years
Equipment	5 to 20 years
Roads	40 to 85 years
Water and Wastewater Infrastructure	10 to 100 years
Bridges	80 to 100 years
Communications	5 to 10 years
Vehicles	5 to 15 years
Furniture	10 years
Computer Hardware & Software	3 to 7 years

Work in process

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

(g) County and School Boards

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

(h) Inventory

Inventory is recorded at the lower of actual cost and net realizable value. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

1. Summary of significant accounting policies (continued)

(i) Government grants

Government grants are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Conditional government grants are recognized to the extent the conditions imposed on them have been fulfilled. Unconditional government grants are recognized when monies are receivable. Government grants for acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made. Grants are recognized as deferred revenue when transfer stipulations give rise to a liability. Grant revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(j) Use of estimates

The preparation of financial statements in conformity 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 financial statements and the reported amounts of revenues and expenses during the year. Significant estimates exist in tangible capital assets with regard to historical costs and useful lives, significant accruals, and employee future benefits. Actual results could differ from those estimates.

(k) Segment disclosures

Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment. Net municipal taxation revenue is allocated based on a percentage of budgeted and actual expenses.

(l) Revenue recognition

Included in user charges are fees for wastewater and water usage. These fees are recognized as revenue when the service is rendered. Other user charges are recognized on an accrual basis as they become available and measurable.

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

Other revenues are recognized on an accrual basis as they become available and measurable.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

1. Summary of significant accounting policies (continued)

(m) Taxation and related revenues

Municipal tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by the Municipal Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the 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 municipal taxes are subject to appeal. 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 allowance for anticipated uncollectible amounts.

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.

(n) Pension plan

The Municipality offers a pension plan for its eligible employees through the Ontario Municipal Employee Retirement System ("OMERS"). OMERS is a multi-employer, contributory, public sector pension fund established for employees of municipalities, local boards and school boards in Ontario. Participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The Municipality accounts for its participation in OMERS as a defined contribution plan and recognizes the expense related to this plan as contributions are made, even though OMERS is itself a defined benefit plan.

(o) Other post-employment benefits

Employee future benefits other than pension provided by the Municipality include medical and dental benefits. These plans provide benefits to employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis.

The accrued benefit obligations and the current service costs are calculated using the projected benefit method, prorated on service, and based on assumptions that reflect management's best estimates. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains or losses over 10% of the accrued benefit obligation is amortized to expense over the average remaining service period of active employees to full eligibility.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

2. Cash and cash equivalents

Cash and cash equivalents is comprised of unrestricted and restricted amounts as follows:

	2022	2021
	\$	\$
Unrestricted	694,153	1,831,979
Restricted	6,894,530	1,683,756
	7,588,683	3,515,735

The Municipality's bank accounts are held at one financial institution. The bank accounts earn interest at variable rates calculated on the daily balances.

The Municipality has received Letters of Credit as described in Note 5. The Municipality also has a credit facility agreement with the bank as described in Note 6.

Restricted funds relate to obligatory reserve funds and other deferred revenue, as described in Note 10 and Schedule 1.

3. Investments

Investments comprise the following:

	2022	2021
	\$	\$
Government and corporate bonds, with effective yield rates ranging from 1.25% to 7.05%, maturing from May 2023 to December 2051.	761,203	769,945

The market value of investments are \$660,532 (2021 - \$779,164).

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

4. Accounts receivable

Accounts receivable are comprised of the following:

	2022	2021
	\$	\$
Water receivables	227,649	352,754
HST receivable	533,357	380,715
Government receivables	46,855	515,093
Other receivables and cost acknowledgements	1,574,837	1,469,640
	2,382,698	2,718,202
Less: allowance for doubtful accounts	(403,338)	(403,338)
	1,979,360	2,314,864

5. Development and letters of credit

As part of various developments, the Municipality has received letters of credit to cover the costs of completing these projects. Letters of credit held by the Municipality at December 31, 2022 amounted to \$71,589,700 (2021 - \$66,899,200).

6. Credit facility

The Municipality has a credit facility available from TD Bank, to be used for day to day operations, in the amount of \$3,000,000. Interest is charged at the bank's prime lending rate less 0.75%.

At December 31, 2022 the balance of this facility was \$NIL (2021 - \$NIL).

7. Contingencies

In the ordinary course of business, various claims and lawsuits are brought against the Municipality. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any additional payment made by the Municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.

8. Commitments

The Municipality entered into an agreement with the Ontario Clean Water Agency to manage, operate and maintain the Municipality's water and wastewater treatment facilities. The agreement stipulated a base price of \$640,582 per year increasing yearly based on the consumer price index. The term of the agreement is January 1, 2022 to December 31, 2026.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

9. Employee future benefits

The Municipality pays certain post retirement benefits on behalf of its retired employees, including extended health and dental coverage. The Municipality recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued plan liability at December 31, 2022 of \$517,974 (2021 - \$566,066) and the net periodic benefit cost were determined by an actuarial valuation dated December 5, 2019. Actuarial valuations will be prepared every third year or when there are significant changes to the workforce.

Information about the defined benefit plan is as follows:

	2022	2021
	\$	\$
Accrued plan liability, beginning of year	566,066	610,009
Current benefit cost	781	742
Interest cost	19,188	21,221
Benefits paid for the year	(90,815)	(88,660)
Amortization of actuarial losses	22,754	22,754
Accrued plan liability, end of year	517,974	566,066
Unamortized actuarial losses	95,796	118,550
Accrued benefit obligation, end of year	613,770	684,616

The main actuarial assumptions employed for the valuation are as follows:

- (a) General inflation
The obligation as at December 31, 2022 of the present value of future liabilities and the expenses was determined using an annual discount rate of 3.0% (2021 - 3.0%).
- (b) Salary levels
Future general salary and wage levels were assumed to increase at 2.75% per year.
- (c) Health care costs
Health care costs were assumed to be 6.09% in 2022, decreasing by 0.3333% per year to 3.75% in 2029 and thereafter.
- (d) Dental costs
Dental costs were assumed to increase at a rate of 3.75 % in 2020 and thereafter.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

10. Deferred revenue - obligatory reserve funds and other

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded. Further details are reported on Schedule 1. The net change during the year in the restricted deferred revenue balances is made up as follows:

	2022	2021
	\$	\$
Deferred revenue, beginning of year	1,683,756	1,723,569
New deposits:		
Government grants	987,791	861,113
Private sources (developer monies for subdivisions)	4,984,216	40,452
Investment income	94,496	11,500
Transfers to capital	(814,696)	(898,048)
Transfers to operations	(41,033)	(54,830)
Deferred revenue, end of year	6,894,530	1,683,756

Included in obligatory reserves are the following:

Prisoner transfers

The prisoner 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.

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

This reserve fund has been segregated as required by Provincial legislation which restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

Federal gas tax

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.

OCIF

Ontario Community Infrastructure Fund (OCIF) is grant funding provided by the Ontario government to be spent on capital expenditures on core infrastructure projects (such as roads, bridges, water and wastewater, including sanitary and stormwater facilities) that are part of an asset management plan.

Trillium grant funding

Trillium grant funding is to be spent on creating accessible parking, repairing baseball diamonds, installing accessible playground equipment and retrofitting soccer fields for year-round use at Haley Park.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

11. 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 \$91,560 (2021 - \$85,569) 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 of the joint board. As of December 31, 2022 there were no such deficits.

12. Net municipal taxation

Net municipal taxation consists of:

	2022	2021
	\$	\$
Taxation revenue	18,912,839	18,126,711
Amount levied and remitted to School Boards	(3,763,373)	(3,709,574)
Amount levied and remitted to the County of Simcoe	(6,362,093)	(6,137,342)
Net municipal taxation	8,787,373	8,279,795

13. Pension agreements

The employees of the Municipality participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the Municipality cannot be identified. The Municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. Amounts paid to OMERS during the year were \$213,232 (2021 - \$204,996) for current services.

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The most recent actuarial valuation of the Plan was conducted at December 31, 2022. The results of this valuation disclosed total actuarial liabilities of \$130.3 (2021 - \$120.8) billion in respect of benefits accrued for service with actuarial assets at that date of \$123.6 (2021 - \$117.7) billion, indicating a going concern actuarial deficit of \$6.7 (2021 - \$3.1) billion.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

14. Tangible capital assets

Schedules 2 and 3 provide information on the tangible capital assets of the Municipality by major asset class and functional segment, as well as accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(a) Work in process

Work in process with a value of \$212,490 (2021 - \$624,824) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$NIL (2021 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

15. Accumulated surplus

The accumulated surplus consists of individual fund surplus, reserves and reserve funds as follows:

	2022	2021
	\$	\$
Surplus:		
Invested in tangible capital assets	51,784,770	49,858,885
Less: financed by long-term liabilities	(2,283,519)	(2,554,245)
Net invested in tangible capital assets	49,501,251	47,304,640
General area taxation	(148,833)	498,668
Unfunded employee future benefits	(517,974)	(566,066)
Total surplus	48,834,444	47,237,242
Reserves and reserve funds set aside for specific purposes by Council:		
Reserves (Schedule 1)	3,705,305	3,558,410
Discretionary reserve funds (Schedule 1)	(538,065)	29,017
	3,167,240	3,587,427
Total accumulated surplus	52,001,684	50,824,669

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

16. Other revenues

Other revenues on the statement of operations consist of the following:

	2022	2021
	\$	\$
Administration fees	155,370	131,184
Penalties and interest	425,460	314,868
Licences and permits	1,634,845	296,813
Miscellaneous and recoveries	588,199	20,562
	2,803,874	763,427

17. Long-term liabilities

(a) Long-term liabilities consists of the following:

	2022	2021
	\$	\$
Ontario Infrastructure Projects Corporation, 4.61% interest, blended semi-annual payments of \$192,696, due December 2029 (Note 20)	2,283,519	2,554,245

Interest expense of \$114,666 (2021 - \$125,588) is included in environmental services.

(a) Principal, interest and total debt payments for the next 5 years are as follows:

	Principal	Interest	Total
	\$	\$	\$
2023	283,350	102,042	385,392
2024	296,563	88,829	385,392
2025	310,392	75,000	385,392
2026	324,866	60,526	385,392
2027	340,015	45,377	385,392
Thereafter	728,333	42,450	770,783
	2,283,519	414,224	2,697,743

The above long-term liabilities have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

18. Segmented information

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, water and roads. 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.

Distinguishable functional segments and the activities they encompass are as follows:

General Government

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

Protection services

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 safety through the licensing of dogs.

Transportation services

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

Environmental services

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 services

Health services oversees the care and maintenance of the cemetery. On Schedules 3 and 4 Health services is included in the Recreation and Cultural column.

Recreation and cultural services

Recreation 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 planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022

19. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 27, 2022 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. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statement of operations and change in net financial assets represent the Financial Plan adopted by Council on May 27, 2022 with adjustments as follows:

	2022
	\$
Financial Plan (Budget) Bylaw surplus for the year	-
Add:	
Budgeted transfers to reserves	2,635,366
Less:	
Budgeted transfers from accumulated surplus	-
Amortization	-
Budget surplus per statement of operations	2,635,366

20. Water and wastewater systems

The Ontario Clean Water Act (OCWA) requires that water and wastewater rates be set so that the systems are self-sustaining. The amounts shown in Note 17 for long-term liabilities relate to financing of water systems. In addition to these amounts, other reserves funded \$4,296,737 (water \$3,564,704 and wastewater \$732,033) for annual principal and interest payments and any annual deficits in the water and wastewater departments. At year end, \$569,578 of this amount is shown in the overdrawn discretionary reserve fund for water and wastewater (see Schedule 1).

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

SCHEDULE 1 SCHEDULE OF RESERVES AND RESERVE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2022

	Beginning of Year	Interest Earned	From Operations	Other	To Operations	To Capital	Other	End of Year
	\$	\$	\$	\$	\$	\$	\$	\$
Reserves								
Entrances	3,600	-	-	-	-	-	-	3,600
Capital acquisition	663,385	-	-	-	-	-	-	663,385
Building stabilization	41,678	-	264,363	17	-	-	-	306,058
Parks improvement	468,778	-	-	-	-	(74,463)	-	394,315
Police	813,387	-	71,577	41,033	-	(415,806)	-	510,191
Working funds	(929,372)	-	982,235	-	-	-	-	52,863
I.T. hardware upgrades/surplus	68,809	-	11,900	-	-	(50,351)	-	30,358
Investment	209,984	-	-	-	-	(143,978)	-	66,006
Capital asset management	230,830	-	-	1,832	-	-	-	232,662
Fire department	135,855	-	-	-	-	(54,295)	-	81,560
Equipment	618,064	-	-	-	-	(58,588)	-	559,476
Winter maintenance	66,230	-	-	-	-	-	-	66,230
Insurance	145,825	-	-	-	(1,937)	-	-	143,888
Storm water management	61,023	-	-	-	-	-	-	61,023
Records management	35,000	-	-	-	-	-	-	35,000
Building assessment upgrade reserves	188,130	-	-	-	-	-	-	188,130
Capital tax levy	177,634	-	21,000	-	-	(76,562)	-	122,072
Planning reserves	48,223	-	-	-	(48,223)	-	-	-
Cemeteries	18,000	-	-	-	-	-	-	18,000
Election	61,000	-	15,000	-	(54,139)	-	-	21,861
Emergency events	173,720	-	-	-	(173,720)	-	-	-
Aggregate	121,284	-	-	-	-	-	-	121,284
Hospital contribution	110,000	-	-	-	(110,000)	-	-	-
Water	5,843	-	-	-	-	-	-	5,843
Accessibility	21,500	-	-	-	-	-	-	21,500
	3,558,410	-	1,366,075	42,882	(388,019)	(874,043)	-	3,705,305
Discretionary Reserve Funds								
Gravel pit rehabilitation	30,944	569	-	-	-	-	-	31,513
Water and wastewater systems (Note 20)	(1,927)	-	-	-	-	(567,651)	-	(569,578)
	29,017	569	-	-	-	(567,651)	-	(538,065)
Obligatory Reserve Funds								
Prisoner transfers	40,396	637	-	-	(41,033)	-	-	-
Development charges	661,913	69,572	-	4,866,270	-	(511,176)	-	5,086,579
Recreational land	71,668	2,845	-	117,946	-	-	-	192,459
Federal gas tax	909,779	16,939	-	348,074	-	(303,520)	-	971,272
OCIF	-	4,503	-	419,852	-	-	-	424,355
Trillium grant funding	-	-	-	219,865	-	-	-	219,865
	1,683,756	94,496	-	5,972,007	(41,033)	(814,696)	-	6,894,530

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA-TOSORONATIO

SCHEDULE 2 SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31

	Land	Buildings	Equipment	Roads	Water and		Bridges	Communi- -cations	Vehicles	Furniture	Computers	Work in Process	2022 Total	2021 Total
					Wastewater	Roads								
Cost														
Balance, beginning of year	3,654,200	5,602,633	3,072,612	37,551,294	12,365,021	14,484,995	175,627	4,334,628	82,229	491,311	624,824	82,439,372	80,545,968	
Add: Additions	-	15,107	729,567	981,198	38,367	1,285,441	-	378,134	-	152,747	98,904	3,679,465	3,145,676	
Less: Disposals	-	-	-	(169,343)	-	(30,256)	-	(117,855)	-	(2,606)	-	(320,060)	(1,252,272)	
Transfers	-	52,061	-	289,750	-	14,450	-	154,977	-	-	(511,238)	-	-	
Balance, end of year	3,654,200	5,669,801	3,802,179	38,652,899	12,403,388	15,754,630	175,627	4,749,884	82,229	641,452	212,490	85,798,777	82,439,372	
Accumulated amortization														
Balance, beginning of year	-	2,932,608	1,905,707	14,429,510	6,061,165	3,986,291	154,721	2,718,894	78,870	312,722	-	32,580,487	31,963,607	
Amortization	-	127,234	185,356	633,559	212,794	186,065	5,953	240,966	643	56,684	-	1,649,254	1,585,557	
Disposal	-	-	-	(65,017)	-	(30,256)	-	(117,855)	-	(2,606)	-	(215,734)	(968,677)	
Balance, end of year	-	3,059,842	2,091,063	14,998,052	6,273,959	4,142,100	160,674	2,842,005	79,513	366,800	-	34,014,007	32,580,487	
Net book value, end of year	3,654,200	2,609,959	1,711,116	23,654,847	6,129,429	11,612,530	14,953	1,907,879	2,716	274,652	212,490	51,784,770	49,858,885	

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA-TOSORONATIO

SCHEDULE 3 SCHEDULE OF SEGMENTED TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation Cultural and Health Services	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, beginning of year	2,577,450	3,747,723	57,890,819	15,955,060	2,268,320	82,439,372
Additions	159,445	744,736	2,437,763	38,367	299,154	3,679,465
Disposals	(2,606)	(117,855)	(199,599)	-	-	(320,060)
Balance, end of year	2,734,289	4,374,604	60,128,983	15,993,427	2,567,474	85,798,777
Accumulated amortization						
Balance, beginning of year	1,350,093	2,231,252	21,141,812	7,248,017	609,313	32,580,487
Amortization	102,108	225,702	1,022,541	260,410	38,493	1,649,254
Disposals	(2,606)	(117,855)	(95,273)	-	-	(215,734)
Balance, end of year	1,449,595	2,339,099	22,069,080	7,508,427	647,806	34,014,007
Net book value, end of year	1,284,694	2,035,505	38,059,903	8,485,000	1,919,668	51,784,770

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA-TOSORONTO

SCHEDULE 4 SCHEDULE OF SEGMENTED REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31

	General Government		Protection Services		Transportation Services		Environmental Services		Recreation Cultural and Health Services		Planning and Development		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021		
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Taxation	2,196,843	2,235,545	2,548,338	2,401,140	3,251,328	3,063,524	87,874	82,798	175,748	165,596	527,242	331,192	8,787,373	8,279,795
Government grants -														
Federal	-	-	-	-	303,520	459,405	-	-	6,410	2,994	-	-	309,930	462,399
Government grants -														
Provincial	581,241	1,321,687	-	-	76,007	450,050	67,524	30,396	346,033	21,121	-	-	1,070,805	1,823,254
Grants - Other sources	-	-	-	-	-	-	-	-	-	-	-	28,988	-	28,988
User fees and service charges	31,694	31,582	47,199	64,617	12,200	16,750	1,042,780	1,355,220	4,350	825	137,337	161,620	1,275,560	1,630,614
Other	301,975	140,884	1,750,499	404,903	227,108	17,075	334,513	41,909	8,602	5,739	181,177	152,917	2,803,874	763,427
	3,111,753	3,729,698	4,346,036	2,870,660	3,870,163	4,006,804	1,532,691	1,510,323	541,143	196,275	845,756	674,717	14,247,542	12,988,477
Expenses														
Salaries, wages and employee benefits	1,070,434	1,092,114	971,059	815,974	1,347,294	1,413,946	53,476	90,753	16,672	16,877	301,964	199,791	3,760,899	3,629,455
Supplies and services	1,145,972	984,699	789,304	676,724	2,509,942	2,046,832	502,876	329,373	119,500	88,846	220,181	245,931	5,287,775	4,372,405
Interest	-	-	-	-	-	-	114,666	125,588	-	-	-	-	114,666	125,588
Fees and contracted services	-	-	1,583,232	1,600,241	-	-	643,382	560,138	31,319	30,815	-	-	2,257,933	2,191,194
Amortization	102,108	107,103	225,702	216,010	1,022,541	991,612	260,410	233,356	38,493	37,476	-	-	1,649,254	1,585,557
	2,318,514	2,183,916	3,569,297	3,308,949	4,879,777	4,452,390	1,574,810	1,339,208	205,984	174,014	522,145	445,722	13,070,527	11,904,199
Annual surplus (deficit)	793,239	1,545,782	776,739	(438,289)	(1,009,614)	(445,586)	(42,119)	171,115	335,159	22,261	323,611	228,995	1,177,015	1,084,278

See accompanying notes to the financial statements