

The Corporation of the Township of Adjala-Tosorontio
Consolidated Financial Statements
Year ended December 31, 2015

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Adjala-Tosorontio, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Adjala-Tosorontio as at December 31, 2015 and the results of its operations, changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

July 6, 2016
Newmarket, Ontario

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

<u>December 31</u>	<u>2015</u>	<u>2014</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 3,217,860	\$ 2,757,741
Short term investments (Note 5)	1,913,892	1,861,567
Taxes receivable	1,297,555	1,224,783
Accounts receivable (Note 4)	735,863	999,082
Portfolio investments (Note 6)	1,397,647	1,375,051
	<u>8,562,817</u>	<u>8,218,224</u>
Liabilities		
Accounts payable and accrued liabilities	877,286	817,999
Employee benefits plan liability (Note 7)	1,428,518	1,353,004
Deferred revenue (Note 8)	1,057,363	1,063,536
Net long-term debt (Note 9)	3,943,293	4,141,543
Other liabilities	322,234	339,172
	<u>7,628,694</u>	<u>7,715,254</u>
Net financial assets	<u>934,123</u>	<u>502,970</u>
Non-financial assets		
Tangible capital assets (Note 10)	43,225,364	43,781,303
Prepaid expenses and inventories of supplies	732,967	147,645
	<u>43,958,331</u>	<u>43,928,948</u>
Accumulated surplus	<u>\$ 44,892,454</u>	<u>\$ 44,431,918</u>

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

Year ended December 31	Budget 2015	2015	2014
	(Note 14)		
Revenue			
Taxation (Note 11)	\$ 5,922,503	\$ 6,056,717	\$ 5,278,345
Government grants - Federal	309,414	36,848	4,721
Government grants - Provincial	637,821	885,959	1,701,978
User fees and service charges	1,141,262	1,262,975	1,144,625
Deferred revenue earned	-	396,889	385,367
Other	746,900	1,341,042	942,891
	<u>8,757,900</u>	<u>9,980,430</u>	<u>9,457,927</u>
Expenses			
General government	1,733,019	1,440,671	1,567,840
Protection services	2,930,315	2,818,461	2,823,907
Transportation services	3,236,278	3,133,984	3,031,822
Environmental services	1,784,076	1,538,421	1,311,201
Health services	14,500	8,721	8,873
Recreation and cultural services	234,758	237,217	224,291
Planning and development	509,498	342,419	524,817
	<u>10,442,444</u>	<u>9,519,894</u>	<u>9,492,751</u>
Annual surplus (deficit)	<u>(1,684,544)</u>	<u>460,536</u>	<u>(34,824)</u>
Accumulated surplus, beginning of the year	<u>44,431,918</u>	<u>44,431,918</u>	<u>44,466,742</u>
Accumulated surplus, end of the year	<u>\$ 42,747,374</u>	<u>\$ 44,892,454</u>	<u>\$ 44,431,918</u>

**The Corporation of the Township of Adjala-Tosorontio
Consolidated Statement of Change in Net Financial Assets (Debt)**

Year ended December 31	Budget 2015	2015	2014
	(Note 14)		
Annual surplus (deficit)	\$ (1,684,544)	\$ 460,536	\$ (34,824)
Acquisition of tangible capital assets	(757,500)	(944,899)	(1,773,774)
Amortization of tangible capital assets	1,421,131	1,421,131	1,424,411
Loss (gain) on disposal of tangible capital assets	-	79,706	(49,364)
Proceeds on sale of tangible capital assets	-	-	175,000
	<u>(1,020,913)</u>	<u>1,016,474</u>	<u>(258,551)</u>
Acquisition of prepaid expenses and inventory of supplies	-	(585,321)	(6,954)
Net change in net financial assets (debt)	(1,020,913)	431,153	(265,505)
Net financial assets, beginning of the year	502,970	502,970	768,475
Net financial assets (debt), end of the year	<u>\$ (517,943)</u>	<u>\$ 934,123</u>	<u>\$ 502,970</u>

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

Year ended December 31	2015	2014
Operating transactions		
Annual surplus (deficit)	\$ 460,536	\$ (34,824)
Items not involving cash		
Amortization	1,421,131	1,424,411
Loss (gain) on disposal of tangible capital assets	79,706	(49,364)
Changes in non-cash operating balances		
Taxes receivable	(72,772)	(42,210)
Accounts receivable	263,219	(209,732)
Prepaid expenses and inventories of supplies	(585,321)	(6,954)
Accounts payable and accrued liabilities	59,287	199,742
Other current liabilities	(16,938)	147,287
Employee benefits plan liability	75,514	78,610
Deferred revenue	(6,173)	(162)
	<u>1,678,189</u>	<u>1,506,804</u>
Capital transactions		
Acquisition of tangible capital assets	(944,899)	(1,773,774)
Proceeds on sale of tangible capital assets	-	175,000
	<u>(944,899)</u>	<u>(1,598,774)</u>
Investing transactions		
Acquisition of short term and portfolio investments	(74,921)	(66,632)
Financing transactions		
Repayment of long-term debt	(198,250)	(189,400)
Net change in cash and cash equivalents	460,119	(348,002)
Cash and cash equivalents, beginning of the year	<u>2,757,741</u>	<u>3,105,743</u>
Cash and cash equivalents, end of the year	<u>\$ 3,217,860</u>	<u>\$ 2,757,741</u>

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

December 31, 2015

1. Summary of Accounting Policies

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

The consolidated 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 Consolidation

The financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Municipality.

All inter-entity transactions and balances have been eliminated.

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.

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

December 31, 2015

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

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.

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.

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

December 31, 2015

1. Summary of Accounting Policies (continued)

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.

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 consolidated statement of financial position. The revenue is recognized in the consolidated 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

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.

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

Sales of service and other revenue is recognized on an accrual basis, when services have been rendered.

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

December 31, 2015

1. Summary of Accounting Policies (continued)

Liability for

Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Municipality is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

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.

2. Change in Accounting Policy

Effective January 1, 2015, the Municipality adopted the revised Public Sector Accounting Standard Sections PS 3260 Liability for Contaminated Sites. These changes in accounting policies have been made in accordance with the transitional provisions of the standards which are to be applied either retroactively or prospectively. The Township has chosen to apply these revised standards prospectively. As a result of this change in accounting policy, there has been no effect on the financial statements.

3. Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
Unrestricted cash	\$ 2,058,517	\$ 1,366,210
Restricted cash	1,159,343	1,391,531
	<u>\$ 3,217,860</u>	<u>\$ 2,757,741</u>

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

December 31, 2015

4. Accounts Receivable

	2015	2014
Long term receivables	\$ -	\$ 1,474
Accounts receivable	735,863	997,608
	\$ 735,863	\$ 999,082

The balance in long term receivables is made up of amounts to be recovered from benefiting landowners with respect to drain loans.

5. Short Term Investments

Short term investments comprise the following:

	2015	2014
Cash	\$ 6,155	\$ 16,441
Guaranteed Investment Certificates, interest rates ranging from 1.84% to 1.91%, maturing on November 4, 2016	1,907,737	1,845,126
	\$ 1,913,892	\$ 1,861,567

The market value of short term investments is \$1,920,879 (2014 - \$1,910,308).

6. Portfolio Investments

Portfolio investments comprise the following:

	2015	2014
Guaranteed Investment Certificate, interest rates ranging from 1.8% to 2.25%, maturing from July 25, 2017 to December 24, 2018	\$ 1,175,157	\$ 1,168,431
Government and Corporate Bonds, with effective yield rates ranging from 2.36% to 5.66%, maturing from August 15, 2017 to December 1, 2045	222,490	206,620
	\$ 1,397,647	\$ 1,375,051

The market values of guaranteed investment certificate and government and corporate bonds are \$1,202,320 and \$234,183 respectively.

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

December 31, 2015

7. Employee Benefits Plan Liability

	<u>2015</u>	<u>2014</u>
Accumulated post retirement benefits - accrued obligation	\$ 1,325,641	\$ 1,250,054
Unamortized net actuarial loss	27,167	30,919
	<u>1,298,474</u>	<u>1,219,135</u>
Vacation	130,044	133,869
	<u>\$ 1,428,518</u>	<u>\$ 1,353,004</u>

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:

	<u>2015</u>	<u>2014</u>
Current year benefit cost	\$ 63,580	\$ 60,842
Interest on accrued benefit obligation	58,077	55,051
Actuarial losses	3,762	3,762
	<u>\$ 125,419</u>	<u>\$ 119,655</u>

The amount of benefits paid during the year was \$46,070 (2014 - \$36,651) for post retirement benefits.

Retirement Benefits

Municipal Employees Retirement System

OMERS provides pension services to more than 461,000 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, 2015. The results of this valuation disclosed total actuarial liabilities of \$81,924 million in respect of benefits accrued for service with actuarial assets at that date of \$74,947 million indicating an actuarial deficit of \$6,977 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 2015 were \$154,136 (2014 - \$157,030).

Retirement Life Insurance and Health Care Benefits

The Municipality provides life insurance benefits to certain employee groups after retirement until the members reach 70 years of age. The Municipality also provides dental and health care benefits to certain employee groups after retirement until the members reach 80 years of age. 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 December 31, 2013.

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

December 31, 2015

7. Employee Benefits Plan Liability (continued)

The accrued benefit obligations for the Municipality's employee future benefit plans as at December 31, 2015 are based on actuarial valuations for accounting purposes as at December 31, 2014. 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:

	2015	2014
Expected wage and salary increases	3.0%	3.0%
Discount on accrued benefit obligations	4.50%	4.50%
Health care cost escalation - current year	7.25%	7.5%
- decreasing over 9 years to	5.0%	5.0%
Dental costs escalation	4.0%	4.0%

8. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 486,522	\$ 307,014	\$ 5,893	\$ (396,889)	\$ 402,540
Development charges	511,055	71,500	5,630	-	588,185
Recreational land	65,959	-	679	-	66,638
	<u>\$ 1,063,536</u>	<u>\$ 378,514</u>	<u>\$ 12,202</u>	<u>\$ (396,889)</u>	<u>\$ 1,057,363</u>

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.

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

December 31, 2015

9. Net Long-term Debt

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

	<u>2015</u>	<u>2014</u>
Ontario Infrastructure Projects Corporation, 4.61%, blended semi-annual payments of \$192,696, due December 2029	\$ 3,943,293	\$ 4,140,069
Tile drain loan maturing 2015 at an interest rate of 6%	-	1,474
	<u>\$ 3,943,293</u>	<u>\$ 4,141,543</u>

Interest expense of \$187,384 (2014 - \$197,382) is included in Environmental Services. Interest paid during the year is \$187,472.

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

2016	\$ 205,952
2017	215,556
2018	225,608
2019	236,128
2020	247,139
Thereafter	<u>2,812,910</u>
	<u>\$ 3,943,293</u>

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

December 31, 2015

											2015	
	Land	Buildings	Equipment	Roads	Water and Sewer	Bridges	Communi-cations	Vehicles	Furniture	Computer Hardware and Software	Work in Process	Total
Cost, beginning of year	\$ 3,153,950	\$ 5,233,764	\$ 2,202,104	\$ 34,025,058	\$ 11,456,615	\$ 6,993,835	\$ 212,554	\$ 3,400,050	\$ 82,229	\$ 240,469	\$ 102,915	\$ 67,103,543
Additions	-	-	128,552	425,945	67,488	40,135	-	25,841	-	-	256,938	944,899
Disposals	-	-	(170,245)	(191,608)	(21,464)	-	-	(203,923)	-	-	-	(587,240)
Transfer	-	-	91,232	-	11,683	-	-	-	-	-	(102,915)	-
Cost, end of year	\$ 3,153,950	\$ 5,233,764	\$ 2,251,643	\$ 34,259,395	\$ 11,514,322	\$ 7,033,970	\$ 212,554	\$ 3,221,968	\$ 82,229	\$ 240,469	\$ 256,938	\$ 67,461,202
Accumulated amortization, beginning of year	\$ -	\$ 2,051,777	\$ 1,316,813	\$ 11,051,195	\$ 4,106,352	\$ 2,344,712	\$ 157,921	\$ 2,069,367	\$ 51,561	\$ 172,543	\$ -	\$ 23,322,241
Amortization	-	124,969	115,620	559,370	302,660	90,790	12,056	186,043	4,961	24,662	-	1,421,131
Disposals	-	-	(96,303)	(189,682)	(17,626)	-	-	(203,923)	-	-	-	(507,534)
Accumulated amortization, end of year	\$ -	\$ 2,176,746	\$ 1,336,130	\$ 11,420,883	\$ 4,391,386	\$ 2,435,502	\$ 169,977	\$ 2,051,487	\$ 56,522	\$ 197,205	\$ -	\$ 24,235,838
Net carrying amount, end of year	\$ 3,153,950	\$ 3,057,018	\$ 915,513	\$ 22,838,512	\$ 7,122,936	\$ 4,598,468	\$ 42,577	\$ 1,170,481	\$ 25,707	\$ 43,264	\$ 256,938	\$ 43,225,364

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

December 31, 2015

10. Tangible Capital Assets (continued)

	2014											
	Land	Buildings	Equipment	Roads	Water and Sewer	Bridges	Communi-cations	Vehicles	Furniture	Computer Hardware and Software	Work in Process	Total
Cost, beginning of year	\$ 3,242,589	\$ 5,233,764	\$ 2,189,440	\$ 33,787,662	\$ 11,430,309	\$ 5,941,448	\$ 201,481	\$ 3,468,346	\$ 77,066	\$ 257,927	\$ 76,129	\$ 65,906,161
Additions	-	-	60,132	439,744	26,306	1,022,250	11,073	71,232	6,435	33,687	102,915	1,773,774
Disposals	(88,639)	-	(47,468)	(202,348)	-	(45,991)	-	(139,528)	(1,272)	(51,145)	-	(576,391)
Transfer	-	-	-	-	-	76,129	-	-	-	-	(76,129)	-
Cost, end of year	\$ 3,153,950	\$ 5,233,764	\$ 2,202,104	\$ 34,025,058	\$ 11,456,615	\$ 6,993,836	\$ 212,554	\$ 3,400,050	\$ 82,229	\$ 240,469	\$ 102,915	\$ 67,103,544
Accumulated amortization, beginning of year	\$ -	\$ 1,926,808	\$ 1,230,889	\$ 10,694,601	\$ 3,806,999	\$ 2,300,150	\$ 144,369	\$ 2,003,050	\$ 48,117	\$ 193,602	\$ -	\$ 22,348,585
Amortization	-	124,969	126,594	556,389	299,353	81,259	13,552	190,503	4,716	27,076	-	1,424,411
Disposals	-	-	(40,670)	(199,795)	-	(36,697)	-	(124,186)	(1,272)	(48,135)	-	(450,755)
Accumulated amortization, end of year	\$ -	\$ 2,051,777	\$ 1,316,813	\$ 11,051,195	\$ 4,106,352	\$ 2,344,712	\$ 157,921	\$ 2,069,367	\$ 51,561	\$ 172,543	\$ -	\$ 23,322,241
Net carrying amount, end of year	\$ 3,153,950	\$ 3,181,987	\$ 885,291	\$ 22,973,863	\$ 7,350,263	\$ 4,649,124	\$ 54,633	\$ 1,330,683	\$ 30,668	\$ 67,926	\$ 102,915	\$ 43,781,303

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 \$256,938 (2014 - \$102,915).

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

December 31, 2015

11. Taxation

	Budget 2015 (Note 14)	2015	2014
Property taxes	\$ 15,257,726	\$ 14,876,825	\$ 14,004,509
Payments to County and school boards	(9,335,223)	(8,820,108)	(8,726,164)
Available for general municipal purposes	<u>\$ 5,922,503</u>	<u>\$ 6,056,717</u>	<u>\$ 5,278,345</u>

12. Comparative Information

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

13. 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 is not determinable as at the date of reporting and accordingly, no provision has been made in these consolidated financial statements for any liability which may arise.

14. Budget

The Financial Plan (Budget) By-Law adopted by Council on March 9, 2015 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 (debt) represent the Financial Plan adopted by Council on March 9, 2015 with adjustments as follows:

	<u>2015</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	757,500
Less:	
Budgeted transfers from accumulated surplus	(1,020,913)
Amortization	<u>(1,421,131)</u>
Budget deficit per statement of operations	<u>\$ (1,684,544)</u>

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

December 31, 2015

15. 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 Consolidated Financial Statements**

December 31, 2015

15. 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	2015 Total
Revenue								
Taxation	\$ 340,415	\$ 2,320,138	\$ 2,482,532	\$ 494,626	\$ 8,721	\$ 202,600	\$ 207,686	\$ 6,056,717
Government grants - Federal	-	-	5,544	-	-	2,400	28,904	36,848
Government grants - Provincial	808,487	11,633	51,818	-	-	14,021	-	885,959
User fees and service charges	24,099	123,431	1,150	1,025,209	-	8,395	80,691	1,262,975
Deferred revenue earned	-	-	396,889	-	-	-	-	396,889
Other	728,206	363,259	196,051	18,586	-	9,801	25,138	1,341,042
	<u>1,901,207</u>	<u>2,818,461</u>	<u>3,133,984</u>	<u>1,538,421</u>	<u>8,721</u>	<u>237,217</u>	<u>342,419</u>	<u>9,980,430</u>
Expenses								
Salaries and wages	899,407	601,472	1,050,729	58,360	-	14,123	217,286	2,841,377
Supplies and services	454,570	537,161	1,288,333	942,347	8,721	58,097	125,133	3,414,362
Interest	1,562	-	-	187,384	-	-	-	188,946
Fee and contract services	-	1,523,911	-	-	-	130,167	-	1,654,078
Amortization	85,132	155,917	794,922	350,330	-	34,830	-	1,421,131
	<u>1,440,671</u>	<u>2,818,461</u>	<u>3,133,984</u>	<u>1,538,421</u>	<u>8,721</u>	<u>237,217</u>	<u>342,419</u>	<u>9,519,894</u>
Annual surplus	<u>\$ 460,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,536</u>

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

December 31, 2015

15. 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	2014 Total
Revenue								
Taxation	\$ 763,592	\$ 2,118,841	\$ 1,599,442	\$ 166,443	\$ 8,873	\$ 186,831	\$ 434,324	\$ 5,278,345
Government grants - Federal	-	-	2,321	-	-	2,400	-	4,721
Government grants - Provincial	1,466,318	212,179	9,501	-	-	13,980	-	1,701,978
User fees and service charges	23,676	51,504	3,200	1,000,170	-	10,651	55,424	1,144,625
Deferred revenue earned	-	-	385,367	-	-	-	-	385,367
Other	177,551	441,383	133,870	144,588	-	10,429	35,069	942,891
	<u>2,431,137</u>	<u>2,823,907</u>	<u>2,133,701</u>	<u>1,311,201</u>	<u>8,873</u>	<u>224,291</u>	<u>524,817</u>	<u>9,457,927</u>
Expenses								
Salaries and wages	848,720	670,300	983,253	49,587	-	5,531	263,888	2,821,279
Supplies and services	628,594	523,537	1,256,699	717,209	8,873	38,070	260,929	3,433,911
Interest	2,831	-	-	197,382	-	-	-	200,213
Fee and contract services	-	1,465,284	-	-	-	147,653	-	1,612,937
Amortization	87,695	164,786	791,870	347,023	-	33,037	-	1,424,411
	<u>1,567,840</u>	<u>2,823,907</u>	<u>3,031,822</u>	<u>1,311,201</u>	<u>8,873</u>	<u>224,291</u>	<u>524,817</u>	<u>9,492,751</u>
Net deficit	<u>\$ 863,297</u>	<u>\$ -</u>	<u>\$ (898,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,824)</u>