

**CORPORATION OF THE
TOWNSHIP OF ADJALA-TOSORONTIO
FINANCIAL REPORT
DECEMBER 31, 2021**

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

DECEMBER 31, 2021

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THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

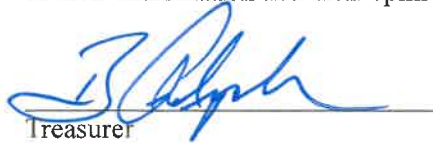
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

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.

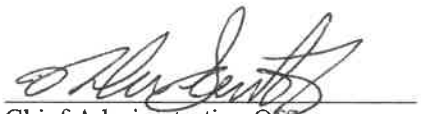
The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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.



Treasurer
October 12, 2022



Chief Administrative Officer
October 12, 2022

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, 2021, 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, 2021, 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

Chartered Professional Accountants
Licensed Public Accountants
Collingwood, Ontario
October 12, 2022

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	2021	2020
	\$	\$
Financial assets		
Cash and cash equivalents (Note 2)	3,515,735	2,675,756
Investments (Note 3)	769,945	753,102
Accounts receivable (Note 4)	2,314,864	3,496,831
Taxes receivable	1,838,654	1,631,861
	8,439,198	8,557,550
Liabilities		
Developer deposits and other liabilities	647,277	298,269
Accounts payable and accruals	2,187,281	2,077,280
Long-term liabilities (Note 17)	2,554,245	2,812,909
Employee future benefits (Note 9)	566,066	610,009
Deferred revenue - obligatory reserve funds and other (Schedule 1 and Note 10)	1,683,756	1,723,569
	7,638,625	7,522,036
Net financial assets	800,573	1,035,514
Non-financial assets		
Tangible capital assets (Schedules 2, 3 and Note 14)	49,858,885	48,582,361
Prepaid expenses and inventory	165,211	122,516
	50,024,096	48,704,877
Accumulated surplus (Note 15)	50,824,669	49,740,391

Approved _____ Mayor

18TH OCTOBER 2022 Date

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2021	Actual 2021	Actual 2020
	\$	\$	\$
	(Note 19)		
Revenues			
Net municipal taxation (Note 12)	8,320,858	8,279,795	7,989,745
Government grants - Federal	7,750	462,399	424,270
Government grants - Provincial	1,134,621	1,823,254	2,687,068
Grants - other sources	-	28,988	45,552
User fees and service charges	1,448,220	1,630,614	1,205,721
Other (Note 16)	774,958	763,427	847,071
	11,686,407	12,988,477	13,199,427
Expenses			
General government	2,646,870	2,183,916	2,091,819
Protection services	3,119,630	3,308,949	3,220,005
Transportation services	3,838,248	4,452,390	4,529,158
Environmental services	1,772,471	1,339,208	1,675,709
Health services	8,000	7,399	7,421
Recreation and cultural services	145,081	166,615	178,402
Planning and development	513,501	445,722	695,885
	12,043,801	11,904,199	12,398,399
Annual surplus (deficit)	(357,394)	1,084,278	801,028
Accumulated surplus, beginning of year		49,740,391	48,939,363
Accumulated surplus, end of year (Note 15)		50,824,669	49,740,391

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 2021	Actual 2021	Actual 2020
	\$	\$	\$
	(Note 19)		
Annual surplus	(357,394)	1,084,278	801,028
Acquisition of tangible capital assets (Schedules 2 and 3)	-	(3,145,676)	(4,372,820)
Amortization of tangible capital assets (Schedules 2 and 3)	-	1,585,557	1,568,480
Loss on disposal of tangible capital assets	-	283,595	51,542
Change in prepaid expenses and inventory	-	(42,695)	(8,313)
Change in net financial assets	(357,394)	(234,941)	(1,960,083)
Net financial assets, beginning of year		1,035,514	2,995,597
Net financial assets, end of year		800,573	1,035,514

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**

	2021	2020
	\$	\$
Cash flows from (for):		
Operating activities		
Annual surplus	1,084,278	801,028
Non-cash items:		
Amortization	1,585,557	1,568,480
Loss on disposal of tangible capital assets	283,595	51,542
Employee future benefits	(43,943)	(33,511)
	2,909,487	2,387,539
Changes in:		
Accounts receivable	1,181,967	(1,901,479)
Taxes receivable	(206,793)	(227,223)
Prepaid expenses and inventory	(42,695)	(8,313)
Developer deposits and other liabilities	349,008	(89,272)
Accounts payable and accruals	110,001	455,796
Deferred revenue	(39,813)	(219,067)
Net change in cash from operations	4,261,162	397,981
Capital activities		
Acquisition of tangible capital assets	(3,145,676)	(4,372,820)
Investing activities		
Investments	(16,843)	450,333
Financing activities		
Repayment of long-term liabilities	(258,664)	(247,139)
Net change in cash position	839,979	(3,771,645)
Cash and cash equivalents, beginning of year	2,675,756	6,447,401
Cash and cash equivalents, end of year	3,515,735	2,675,756

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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, 2021

1. Summary of significant accounting policies (continued)

(e) 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, 2021

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 the percentage of total budgeted 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, 2021

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, 2021

2. Cash and cash equivalents

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

	2021	2020
	\$	\$
Unrestricted	1,831,979	952,187
Restricted	1,683,756	1,723,569
	3,515,735	2,675,756

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:

	2021	2020
	\$	\$
Government and corporate bonds, with effective yield rates ranging from 1.25% to 7.05%, maturing from May 2023 to December 2050.	769,945	753,102

The market value of investments are \$779,164 (2020 - \$809,934).

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

4. Accounts receivable

Accounts receivable are comprised of the following:

	2021	2020
	\$	\$
Water receivables	352,754	277,311
HST receivable	380,715	1,025,573
Government receivables	515,093	1,617,200
Other receivables and cost acknowledgements	1,469,640	1,028,251
	2,718,202	3,948,335
Less: allowance for doubtful accounts	(403,338)	(451,504)
	2,314,864	3,496,831

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, 2021 amounted to \$66,899,200 (2020 - \$NIL).

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, 2021 the balance of this facility was \$NIL (2020 - \$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, 2021

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, 2021 of \$566,066 (2020 - \$610,009) 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:

	2021	2020
	\$	\$
Accrued plan liability, beginning of year	610,009	643,520
Current benefit cost	742	707
Interest cost	21,221	23,038
Benefits paid for the year	(88,660)	(80,010)
Amortization of actuarial losses	22,754	22,754
Accrued plan liability, end of year	566,066	610,009
Unamortized actuarial losses	118,550	141,304
Accrued benefit obligation, end of year	684,616	751,313

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

- (a) General inflation
The obligation as at December 31, 2021 of the present value of future liabilities and the expenses was determined using an annual discount rate of 3.0% (2020 - 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 6.42% in 2021, 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, 2021

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:

	2021	2020
	\$	\$
Deferred revenue, beginning of year	1,723,569	1,942,636
New deposits:		
Government grants	901,565	520,963
Private sources	-	19,884
Investment income	11,500	13,901
Transfers to capital	(898,048)	(768,815)
Transfers to operations	(54,830)	(5,000)
Deferred revenue, end of year	1,683,756	1,723,569

Included in obligatory reserves are the following:

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

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.

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 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.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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 \$85,569 (2020 - \$84,475) 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, 2021 there were no such deficits.

12. Net municipal taxation

Net municipal taxation consists of:

	2021	2020
	\$	\$
Taxation revenue	18,126,712	17,886,665
Amount levied and remitted to School Boards	(3,709,574)	(3,779,655)
Amount levied and remitted to the County of Simcoe	(6,137,343)	(6,117,265)
Net municipal taxation	8,279,795	7,989,745

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 \$204,996 (2020 - \$175,085) 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, 2021.

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 \$624,824 (2020 - \$2,469,878) 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 (2020 - \$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.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

15. Accumulated surplus

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

	2021	2020
	\$	\$
Surplus:		
Invested in tangible capital assets	49,858,885	48,582,361
Less: financed by long-term liabilities	(2,554,245)	(2,812,909)
Net invested in tangible capital assets	47,304,640	45,769,452
General area taxation	498,668	466,078
Unfunded employee future benefits	(566,066)	(610,009)
Total surplus	47,237,242	45,625,521
Reserves and reserve funds set aside for specific purposes by Council:		
Reserves (Schedule 1)	3,558,410	4,020,390
Discretionary reserve funds (Schedule 1)	29,017	94,480
	3,587,427	4,114,870
Total accumulated surplus	50,824,669	49,740,391

16. Other revenues

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

	2021	2020
	\$	\$
Administration fees	131,184	115,916
Penalties and interest	314,868	341,022
Licences and permits	296,813	247,203
Miscellaneous and recoveries	20,562	142,930
	763,427	847,071

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

17. Long-term liabilities

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

	2021	2020
	\$	\$
Ontario Infrastructure Projects Corporation, 4.61% interest, blended semi-annual payments of \$192,696, due December 2029.	2,554,245	2,812,909

Interest expense of \$126,728 (2020 - \$138,253) is included in environmental services.

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

	Principal	Interest	Total
	\$	\$	\$
2022	270,725	114,667	385,392
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
Thereafter	1,068,349	87,825	1,156,174
	2,554,245	528,889	3,083,134

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 above long-term liabilities are owed to the general fund from wastewater and water in the amounts of \$676,279 and \$3,052,806 respectively.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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.

Recreation and cultural services

Recreational 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, 2021

19. Budget

The Financial Plan (Budget) By-Law adopted by Council on March 10, 2021 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 March 10, 2021 with adjustments as follows:

	2021
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Budgeted transfers to reserves	(357,394)
Less:	
Budgeted transfers from accumulated surplus	-
Amortization	-
Budget deficit per statement of operations	(357,394)

20. COVID-19

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Municipality has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

Office closures and restrictions in place as required.

The duration and impact of COVID-19 remains unknown and it is impossible to reliably estimate the impact that the duration and severity of the pandemic could have on the financial results and the financial position of the Municipality.

THE CORPORATION OF THE TOWNSHIP OF ADJALA - TOSORONTIO

SCHEDULE 1 SCHEDULE OF RESERVES AND RESERVE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2021

	Beginning of Year	Interest Earned	From Operations	Other	To Operations	To Capital	Other	End of Year
	\$	\$	\$	\$	\$	\$	\$	\$
Reserves								
Entrances	3,600	-	-	-	-	-	-	3,600
Capital Acquisition	583,298	-	80,087	-	-	-	-	663,385
Building Stabilization	96,776	-	-	-	(45,412)	(9,686)	-	41,678
Parks Improvement	505,935	-	-	-	-	(37,157)	-	468,778
Police	907,374	-	61,582	6,300	-	(161,869)	-	813,387
Working Funds	(638,950)	-	96,130	98,899	(100,059)	-	(385,392)	(929,372)
I.T. Hardware								
Upgrades/Surplus	12,853	-	67,500	-	-	(11,544)	-	68,809
Investment	246,236	-	-	-	-	(36,252)	-	209,984
Capital Asset Management	296,873	-	-	-	-	(66,043)	-	230,830
Fire Department	226,241	-	-	28,015	-	(118,401)	-	135,855
Equipment	609,257	-	-	40,616	-	(31,809)	-	618,064
Winter Maintenance	28,781	-	37,449	-	-	-	-	66,230
Insurance	169,940	-	-	-	(24,115)	-	-	145,825
Storm Water Management	61,023	-	-	-	-	-	-	61,023
Records Management	35,000	-	-	-	-	-	-	35,000
Building Assessment Upgrade								
Reserves	212,404	-	-	-	-	(24,274)	-	188,130
Capital Tax Levy	159,923	-	21,000	68,160	-	(71,449)	-	177,634
Planning Reserves	162,724	-	-	-	(114,501)	-	-	48,223
Cemeteries	18,000	-	-	-	-	-	-	18,000
Election	46,000	-	15,000	-	-	-	-	61,000
Emergency Events	84,757	-	-	158,853	(69,890)	-	-	173,720
Aggregate	65,002	-	-	56,282	-	-	-	121,284
Hospital Contribution	100,000	-	10,000	-	-	-	-	110,000
Water	5,843	-	-	-	-	-	-	5,843
Accessibility	21,500	-	-	-	-	-	-	21,500
	4,020,390	-	388,748	457,125	(353,977)	(568,484)	(385,392)	3,558,410
Discretionary Reserve Funds								
Gravel Pit Rehabilitation	30,780	164	-	-	-	-	-	30,944
Water Systems	63,700	340	277,700	-	-	(343,667)	-	(1,927)
	94,480	504	277,700	-	-	(343,667)	-	29,017
Obligatory Reserve Funds								
Prisoner transfers	45,155	241	-	-	(5,000)	-	-	40,396
Development charges	925,899	5,242	-	40,452	(49,830)	(259,850)	-	661,913
Recreational land	71,287	381	-	-	-	-	-	71,668
Federal gas tax	681,228	5,269	-	682,687	-	(459,405)	-	909,779
OCIF	-	367	-	178,426	-	(178,793)	-	-
	1,723,569	11,500	-	901,565	(54,830)	(898,048)	-	1,683,756

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA-TOSORONTO

SCHEDULE 2 SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

	Land	Buildings	Equipment	Roads	Water and		Bridges	Communi- -cations	Vehicles	Furniture	Computers	Work in Process	2021 Total	2020 Total
					Wastewater	\$								
Cost														
Balance, beginning of year	\$ 3,654,200	\$ 5,441,363	\$ 3,074,298	\$ 36,952,297	\$ 11,955,145	\$ 11,923,403	\$ 175,627	\$ 4,335,177	\$ 82,229	\$ 482,353	\$ 2,469,878	\$ 80,545,968	\$ 76,257,591	
Add: Additions	-	161,270	50,174	700,961	410,981	1,296,159	-	139,365	-	38,725	348,041	3,145,676	4,372,820	
Less: Disposals	-	-	(65,000)	(101,964)	(1,105)	(777,146)	-	(277,290)	-	(29,767)	-	(1,252,272)	(84,443)	
Transfers	-	-	13,140	-	-	2,042,579	-	137,376	-	-	(2,193,095)	-	-	
Balance, end 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	
Accumulated amortization														
Balance, beginning of year	-	2,810,238	1,785,672	13,854,872	5,875,554	4,373,042	148,838	2,750,098	76,612	288,682	-	31,963,607	30,428,028	
Amortization	-	122,370	185,035	613,891	186,146	170,900	5,883	246,086	2,258	52,988	-	1,585,557	1,568,480	
Disposal	-	-	(65,000)	(39,253)	(535)	(557,651)	-	(277,290)	-	(28,948)	-	(968,677)	(32,901)	
Balance, end 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	
Net book value, end of year	\$ 3,654,200	\$ 2,670,025	\$ 1,166,905	\$ 23,121,784	\$ 6,303,856	\$ 10,498,704	\$ 20,906	\$ 1,615,734	\$ 3,359	\$ 178,589	\$ 624,824	\$ 49,858,885	\$ 48,582,361	

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, 2021

	\$	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Total
	\$		\$	\$	\$	\$	\$
Cost							
Balance, beginning of year		2,568,492	3,818,851	56,357,297	15,545,183	2,256,145	80,545,968
Additions		38,725	249,103	2,421,551	410,982	25,315	3,145,676
Disposals		(29,767)	(320,231)	(3,081,124)	(1,105)	(13,140)	(3,445,367)
Transfers		-	-	2,193,095	-	-	2,193,095
Balance, end of year		2,577,450	3,747,723	57,890,819	15,955,060	2,268,320	82,439,372
Accumulated amortization							
Balance, beginning of year		1,271,938	2,198,097	20,906,539	7,015,196	571,837	31,963,607
Amortization		107,103	216,010	991,612	233,356	37,476	1,585,557
Disposals		(28,948)	(182,855)	(756,339)	(535)	-	(968,677)
Balance, end of year		1,350,093	2,231,252	21,141,812	7,248,017	609,313	32,580,487
Net book value, end of year		1,227,357	1,516,471	36,749,007	8,707,043	1,659,007	49,858,885

See accompanying notes to the financial statements

THE CORPORATION OF THE TOWNSHIP OF ADJALA-TOSORONATIO

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

	General Government		Protection Services		Transportation Services		Environmental Services		Recreation and Cultural Services		Planning and Development		Total
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
Revenues													
Taxation	2,235,545	1,997,436	2,401,140	2,396,924	3,063,524	2,796,411	82,798	399,487	165,596	159,795	331,192	239,692	7,989,745
Government grants - Federal	-	-	-	-	459,405	420,350	-	-	2,994	3,920	-	-	462,399
Government grants - Provincial	1,321,687	1,272,601	-	-	450,050	1,368,186	30,396	7,020	21,121	39,261	-	-	1,823,254
User fees and service charges	31,582	27,978	64,617	64,721	16,750	8,700	1,355,220	1,050,682	825	12,465	161,620	41,175	1,630,614
Grants - Other sources	-	-	-	-	-	-	-	-	-	-	28,988	45,552	28,988
Other	140,884	111,862	404,903	452,181	17,075	121,646	41,909	32,379	5,739	-	152,917	129,003	763,427
	3,729,698	3,409,877	2,870,660	2,913,826	4,006,804	4,715,293	1,510,323	1,489,568	196,275	215,441	674,717	455,422	12,988,477
Expenses													
Salaries, wages and employee benefits	1,092,114	1,104,696	815,974	844,600	1,413,946	1,285,956	90,753	54,098	16,877	13,349	199,791	197,300	3,629,455
Supplies and services	984,699	883,189	676,724	666,387	2,046,832	2,308,065	329,373	569,602	88,846	86,047	245,931	498,585	4,372,405
Interest	-	-	-	-	-	-	125,588	137,720	-	-	-	-	125,588
Fees and contracted services	-	-	1,600,241	1,547,625	-	-	560,138	609,159	30,815	23,541	-	-	2,191,194
Amortization	107,103	103,934	216,010	161,393	991,612	935,137	233,356	305,130	37,476	62,886	-	-	1,585,557
	2,183,916	2,091,819	3,308,949	3,220,005	4,452,390	4,529,158	1,339,208	1,675,709	174,014	185,823	445,722	695,885	11,904,199
Annual surplus (deficit)	1,545,782	1,318,058	(438,289)	(306,179)	(445,586)	186,135	171,115	(186,141)	22,261	29,618	228,995	(240,463)	1,084,278
													801,028

See accompanying notes to the financial statements