

**The Corporation of the Township of Adjala-Tosorontio
Consolidated Financial Statements
Year ended December 31, 2016**

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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, 2016, 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, 2016 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

September 11, 2017
Newmarket, Ontario

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

December 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 2)	\$ 3,209,202	\$ 3,217,860
Short term investments (Note 3)	2,848,901	1,913,892
Taxes receivable	1,155,549	1,297,555
Accounts receivable	881,692	735,863
Portfolio investments (Note 4)	544,131	1,397,647
	<u>8,639,475</u>	<u>8,562,817</u>
Liabilities		
Accounts payable and accrued liabilities	552,388	877,286
Employee benefits plan liability (Note 5)	884,686	1,428,518
Deferred revenue (Note 6)	1,226,639	1,057,363
Net long-term debt (Note 7)	3,737,341	3,943,293
Other liabilities	367,824	322,234
	<u>6,768,878</u>	<u>7,628,694</u>
Net financial assets	<u>1,870,597</u>	<u>934,123</u>
Non-financial assets		
Tangible capital assets (Note 8)	42,928,493	43,225,364
Prepaid expenses and inventories of supplies	718,838	732,967
	<u>43,647,331</u>	<u>43,958,331</u>
Accumulated surplus	<u>\$ 45,517,928</u>	<u>\$ 44,892,454</u>
Contingent liabilities (Note 11)		

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

Year ended December 31	Budget 2016	2016	2015
	(Note 12)		
Revenue			
Taxation (Note 9)	\$ 6,417,676	\$ 6,549,169	\$ 6,056,717
Government grants - Federal	324,765	112,255	36,848
Government grants - Provincial	594,621	660,545	885,959
User fees and service charges	1,126,450	1,306,026	1,262,975
Deferred revenue earned	-	219,207	396,889
Other	698,300	1,142,255	1,341,042
	<u>9,161,812</u>	<u>9,989,457</u>	<u>9,980,430</u>
Expenses			
General government	1,925,263	997,416	1,440,671
Protection services	2,962,840	2,885,295	2,818,461
Transportation services	3,243,415	3,197,754	3,133,984
Environmental services	1,747,711	1,663,487	1,538,421
Health services	14,500	8,321	8,721
Recreation and cultural services	244,341	130,107	237,217
Planning and development	413,275	481,603	342,419
	<u>10,551,345</u>	<u>9,363,983</u>	<u>9,519,894</u>
Annual surplus (deficit)	<u>(1,389,533)</u>	<u>625,474</u>	<u>460,536</u>
Accumulated surplus, beginning of the year	<u>44,892,454</u>	<u>44,892,454</u>	<u>44,431,918</u>
Accumulated surplus, end of the year	<u>\$ 43,502,921</u>	<u>\$ 45,517,928</u>	<u>\$ 44,892,454</u>

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

Year ended December 31	Budget 2016	2016	2015
	(Note 12)		
Annual surplus (deficit)	\$ (1,389,533)	\$ 625,474	\$ 460,536
Acquisition of tangible capital assets	(1,348,500)	(1,146,224)	(944,899)
Amortization of tangible capital assets	1,416,615	1,416,615	1,421,131
Loss on disposal of tangible capital assets	-	26,480	79,706
	<u>(1,321,418)</u>	<u>922,345</u>	<u>1,016,474</u>
Disposed (acquisition) of prepaid expenses and inventory of supplies	-	14,129	(585,321)
Net change in net financial assets (debt)	(1,321,418)	936,474	431,153
Net financial assets, beginning of the year	934,123	934,123	502,970
Net financial assets (debt), end of the year	<u>\$ (387,295)</u>	<u>\$ 1,870,597</u>	<u>\$ 934,123</u>

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

Year ended December 31	2016	2015
Operating transactions		
Annual surplus	\$ 625,474	\$ 460,536
Items not involving cash		
Amortization	1,416,615	1,421,131
Loss on disposal of tangible capital assets	26,480	79,706
Changes in non-cash operating balances		
Taxes receivable	142,006	(72,772)
Accounts receivable	(145,829)	263,219
Prepaid expenses and inventories of supplies	14,129	(585,321)
Accounts payable and accrued liabilities	(324,898)	59,287
Other current liabilities	45,590	(16,938)
Employee benefits plan liability	(543,832)	75,514
Deferred revenue	169,276	(6,173)
	<u>1,425,011</u>	<u>1,678,189</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(1,146,224)</u>	<u>(944,899)</u>
Investing transactions		
Acquisition of short term and portfolio investments	<u>(81,493)</u>	<u>(74,921)</u>
Financing transactions		
Repayment of long-term debt	<u>(205,952)</u>	<u>(198,250)</u>
Net change in cash and cash equivalents	(8,658)	460,119
Cash and cash equivalents, beginning of the year	<u>3,217,860</u>	<u>2,757,741</u>
Cash and cash equivalents, end of the year	<u>\$ 3,209,202</u>	<u>\$ 3,217,860</u>

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

December 31, 2016

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, 2016

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, 2016

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, 2016

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. Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
Unrestricted cash	\$ 1,738,588	\$ 2,058,517
Restricted cash	<u>1,470,614</u>	<u>1,159,343</u>
	<u>\$ 3,209,202</u>	<u>\$ 3,217,860</u>

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

December 31, 2016

3. Short Term Investments

Short term investments comprise the following:

	<u>2016</u>	<u>2015</u>
Cash	\$ 347,614	\$ 6,155
High interest savings, effective yield rate of .80%	1,596,569	1,583,569
Guaranteed Investment Certificates, interest rates ranging from 2.06% to 2.25%, maturing on July 25, 2017	889,676	324,168
Royal Bank of Canada, interest rate 2.36%, effective yield rate of 2.36% matures September 21, 2017	15,042	-
	<u>\$ 2,848,901</u>	<u>\$ 1,913,892</u>

The market value of short term investments is \$2,848,985 (2015 - \$1,920,879).

4. Portfolio Investments

Portfolio investments comprise the following:

	<u>2016</u>	<u>2015</u>
Guaranteed Investment Certificate, interest rate 1.8%, maturing December 24, 2018	\$ 337,065	\$ 1,175,157
Government and Corporate Bonds, with effective yield rates ranging from 2.1% to 5.66%, maturing from March 16, 2018 to December 1, 2045	207,066	222,490
	<u>\$ 544,131</u>	<u>\$ 1,397,647</u>

The market values of guaranteed investment certificate and government and corporate bonds are \$337,065 and \$215,688 respectively.

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

December 31, 2016

5. Employee Benefits Plan Liability

	<u>2016</u>	<u>2015</u>
Accumulated post retirement benefits - accrued obligation	\$ 763,320	\$ 1,325,641
Unamortized net actuarial loss	<u>23,405</u>	<u>27,167</u>
	739,915	1,298,474
Vacation	<u>144,771</u>	<u>130,044</u>
	<u>\$ 884,686</u>	<u>\$ 1,428,518</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>2016</u>	<u>2015</u>
Current year benefit cost	\$ 65,000	\$ 63,580
Interest on accrued benefit obligation	60,149	58,077
Actuarial losses	3,762	3,762
Decrease due to plan amendment	<u>(644,470)</u>	<u>-</u>
Total expense related to post-employment benefits	<u>\$ (515,559)</u>	<u>\$ 125,419</u>

The amount of benefits paid during the year was \$52,094 (2015 - \$46,070) for post retirement benefits.

Retirement Benefits

Municipal Employees Retirement System

OMERS provides pension services to more than 470,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 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 2016 were \$161,659 (2015 - \$154,136).

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

December 31, 2016

5. Employee Benefits Plan Liability (continued)

Retirement Life Insurance and Health Care Benefits

The Municipality provides life insurance benefits to certain employee groups after retirement. These benefits have changed significantly from prior year and the changes are reflected below.

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

The Municipality also provides dental and health care benefits to certain employee groups after retirement. These benefits have changed significantly from prior year and the changes are reflected below.

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

The benefit costs and liabilities related to this plan are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2016.

The accrued benefit obligations for the Municipality's employee future benefit plans as at December 31, 2016 are based on actuarial valuations for accounting purposes as at December 31, 2016. 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:

	<u>2016</u>	<u>2015</u>
Expected wage and salary increases	3.0%	3.0%
Discount on accrued benefit obligations (decreasing to 3.5% in future years)	4.50%	4.50%
Health care cost escalation - current year	6.0%	7.25%
- decreasing over 7 years to	4.0%	5.0%
Dental costs escalation	4.0%	4.0%

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

December 31, 2016

6. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 402,540	\$ 322,365	\$ 4,104	\$ (212,336)	\$ 516,673
Development charges	563,244	51,896	5,010	(6,871)	613,279
Recreational land	66,638	-	568	-	67,206
Court security prison transfer	24,941	4,318	222	-	29,481
	<u>\$ 1,057,363</u>	<u>\$ 378,579</u>	<u>\$ 9,904</u>	<u>\$ (219,207)</u>	<u>\$ 1,226,639</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.

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.

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

December 31, 2016

7. Net Long-term Debt

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

	<u>2016</u>	<u>2015</u>
Ontario Infrastructure Projects Corporation, 4.61%, blended semi-annual payments of \$192,696, due December 2029	<u>\$ 3,737,341</u>	<u>\$ 3,943,293</u>

Interest expense of \$178,996 (2015 - \$187,384) is included in Environmental Services. Interest paid during the year is \$178,996.

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

2017	\$ 215,556
2018	225,608
2019	236,128
2020	247,139
2021	258,669
Thereafter	<u>2,554,241</u>
	<u>\$ 3,737,341</u>

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

December 31, 2016

8. Tangible Capital Assets

Tangible Capital Assets												2016
	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	\$ 2,251,643	\$ 34,259,395	\$ 11,514,322	\$ 7,033,970	\$ 212,554	\$ 3,221,968	\$ 82,229	\$ 240,469	\$ 256,938	\$ 67,461,202
Additions	88,000	8,045	190,077	423,095	-	28,279	-	180,190	-	67,405	161,133	1,146,224
Disposals	-	-	(17,640)	(275,744)	-	-	-	(131,212)	-	(32,699)	-	(457,295)
Transfer	-	-	-	103,552	-	-	-	127,096	-	-	(230,648)	-
Cost, end of year	\$ 3,241,950	\$ 5,241,809	\$ 2,424,080	\$ 34,510,298	\$ 11,514,322	\$ 7,062,249	\$ 212,554	\$ 3,398,042	\$ 82,229	\$ 275,175	\$ 187,423	\$ 68,150,131
Accumulated amortization, beginning 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
Amortization	-	124,747	107,605	562,170	305,691	88,845	12,056	190,348	4,797	20,356	-	1,416,615
Disposals	-	-	(17,307)	(249,597)	-	-	-	(131,212)	-	(32,699)	-	(430,815)
Accumulated amortization, end of year	\$ -	\$ 2,301,493	\$ 1,426,428	\$ 11,733,456	\$ 4,697,077	\$ 2,524,347	\$ 182,033	\$ 2,110,623	\$ 61,319	\$ 184,862	\$ -	\$ 25,221,638
Net carrying amount, end of year	\$ 3,241,950	\$ 2,940,316	\$ 997,652	\$ 22,776,842	\$ 6,817,245	\$ 4,537,902	\$ 30,521	\$ 1,287,419	\$ 20,910	\$ 90,313	\$ 187,423	\$ 42,928,493

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

December 31, 2016

8. Tangible Capital Assets (continued)

Langhorne Capital Assets (Continued)												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	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 net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$187,423 (2015 - \$256,938).

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

December 31, 2016

9. Taxation

	Budget 2016	2016	2015
	(Note 12)		
Property taxes	\$ 15,890,722	\$ 15,445,320	\$ 14,876,825
Payments to County and school boards	(9,473,046)	(8,896,151)	(8,820,108)
Available for general municipal purposes	<u>\$ 6,417,676</u>	<u>\$ 6,549,169</u>	<u>\$ 6,056,717</u>

10. Comparative Information

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

11. 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.

12. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 19, 2016 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 April 19, 2016 with adjustments as follows:

	2016
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	1,348,500
Less:	
Budgeted transfers from accumulated surplus	(1,321,418)
Amortization	<u>(1,416,615)</u>
Budget deficit per statement of operations	<u>\$ (1,389,533)</u>

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

December 31, 2016

13. 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, 2016

13. 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	2016 Total
Revenue								
Taxation	\$ 787,798	\$ 2,287,577	\$ 2,752,681	\$ 473,297	\$ 8,321	\$ -	\$ 239,495	\$ 6,549,169
Government grants - Federal	-	-	2,759	-	-	2,400	107,096	112,255
Government grants - Provincial	566,500	25,172	54,753	-	-	14,120	-	660,545
User fees and service charges	22,972	122,586	-	1,052,055	-	9,000	99,413	1,306,026
Deferred revenue earned	-	-	212,336	-	-	-	6,871	219,207
Other	126,989	449,960	175,225	138,135	-	223,218	28,728	1,142,255
	<u>1,504,259</u>	<u>2,885,295</u>	<u>3,197,754</u>	<u>1,663,487</u>	<u>8,321</u>	<u>248,738</u>	<u>481,603</u>	<u>9,989,457</u>
Expenses								
Salaries and wages	378,574	659,883	1,039,675	54,316	-	15,635	238,898	2,386,981
Supplies and services	538,696	549,925	1,357,714	774,050	8,321	46,816	212,833	3,488,355
Interest	-	-	-	178,996	-	-	-	178,996
Fee and contract services	-	1,529,705	-	302,764	-	30,695	29,872	1,893,036
Amortization	80,146	145,782	800,365	353,361	-	36,961	-	1,416,615
	<u>997,416</u>	<u>2,885,295</u>	<u>3,197,754</u>	<u>1,663,487</u>	<u>8,321</u>	<u>130,107</u>	<u>481,603</u>	<u>9,363,983</u>
Annual surplus	<u>\$ 506,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,631</u>	<u>\$ -</u>	<u>\$ 625,474</u>

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

December 31, 2016

13. 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>
Net surplus	<u>\$ 460,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460,536</u>