
Consolidated financial statements of
The Corporation of the
Township of Uxbridge

December 31, 2018

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Independent Auditor's Report

To the Members of Council of the
Corporation of the Township of Uxbridge

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Township'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 GAAS 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 GAAS, 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 Township'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 Township'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 Township 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 24, 2019

The Corporation of the Township of Uxbridge
Consolidated statement of financial position

As at December 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Financial assets			
Cash	3	854,027	2,685,794
Temporary investments	3	26,189,142	21,712,572
Taxes receivable	4	3,443,239	3,126,677
Accounts receivable	5	1,602,725	1,763,882
Inventory for resale		222,557	116,783
		32,311,690	29,405,708
Liabilities			
Accounts payable and accrued liabilities	6	2,869,689	3,294,198
Other current liabilities		2,333,937	2,528,918
Long-term liabilities	7	1,273,810	1,400,000
Post-employment benefit liability	8	298,665	277,357
Deferred revenue	9	12,333,688	11,642,797
		19,109,789	19,143,270
Net financial assets		13,201,901	10,262,438
Non-financial assets			
Tangible capital assets	10	100,833,449	100,507,051
Inventory of supplies		212,887	124,958
Prepaid expenses		51,259	37,249
		101,097,595	100,669,258
Accumulated surplus	11	114,299,496	110,931,696

The accompanying notes are an integral part of the consolidated financial statements

The Corporation of the Township of Uxbridge

Consolidated statement of operations

Year ended December 31, 2018

	Notes	Budget (Note 15) \$	2018 Actual \$	2017 Actual \$
Revenue				
Taxation – all classes	1 (b)(iii)	12,565,333	12,555,488	11,929,752
User fees and charges		2,464,222	2,678,110	2,679,891
Grants				
Government of Canada		667,243	995,145	1,149,978
Province of Ontario		896,812	921,169	926,916
Other municipalities		211,905	582,471	451,944
Investment income		111,901	341,235	310,545
Penalties and interest on taxes		460,000	517,915	483,685
Developer and other contributions earned		1,694,428	568,160	847,613
Contributed tangible capital assets	10(i)	—	489,809	173,314
Gain (loss) on sale of tangible capital assets		—	1,711,024	(76,096)
Other		241,750	657,550	1,062,609
		19,313,594	22,018,076	19,940,151
Expenses				
General government	14	2,615,301	2,753,175	2,559,914
Protection to persons and property		2,527,884	2,736,457	2,852,060
Transportation services		6,830,752	7,327,852	6,577,738
Environmental services		448,720	420,740	405,098
Health services		58,000	82,494	32,807
Recreation and cultural services		5,083,055	4,947,832	4,856,012
Planning and development		499,770	381,726	327,481
		18,063,482	18,650,276	17,611,110
Annual surplus		1,250,112	3,367,800	2,329,041
Accumulated surplus, beginning of year		108,131,781	110,931,696	108,602,655
Accumulated surplus, end of year		109,381,893	114,299,496	110,931,696

The accompanying notes are an integral part of the consolidated financial statements

The Corporation of the Township of Uxbridge
Consolidated statement of change in net financial assets
Year ended December 31, 2018

	Budget (Note 15) \$	2018 Actual \$	2017 Actual \$
Annual surplus	1,250,112	3,367,800	2,329,041
Acquisition of tangible capital assets	(5,133,819)	(4,635,247)	(5,753,989)
Amortization of tangible capital assets	3,839,952	4,028,883	3,916,582
(Gain) loss on sale of tangible capital assets	—	(1,711,024)	76,096
Proceeds on sale of tangible capital assets	—	1,990,990	49,163
	(43,755)	3,041,402	616,893
(Acquisition) use of inventories of supplies (net)	—	(87,929)	(18,976)
Acquisition of prepaid expenses	—	(51,259)	(37,249)
Use of prepaid expenses	—	37,249	47,344
(Decrease) increase in net financial assets	(43,755)	2,939,463	608,012
Net financial assets, beginning of year	4,727,369	10,262,438	9,654,426
Net financial assets, end of year	4,683,614	13,201,901	10,262,438

The accompanying notes an integral part of the consolidated financial statements

The Corporation of the Township of Uxbridge

Consolidated statement of cash flows

Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Annual surplus	3,367,800	2,329,041
Items not involving cash		
Amortization	4,028,883	3,916,582
(Gain) loss on sale of tangible capital assets	(1,711,024)	76,096
Contributed tangible capital assets	(489,809)	(173,314)
Change in non-cash assets and liabilities		
(Increase) in taxes receivable	(316,562)	(168,963)
Decrease (increase) in accounts receivable	161,157	(549,841)
(Increase) decrease in inventory for resale	(105,774)	11,616
(Increase) in inventory of supplies	(87,929)	(18,976)
(Decrease) increase in accounts payable and accrued liabilities	(424,509)	438,054
(Decrease) in other current liabilities	(194,981)	(223,076)
Increase in post-employment benefit liability	21,308	19,438
Increase in deferred revenue	690,891	540,956
(Increase) decrease in prepaid expenses	(14,010)	10,095
	4,925,441	6,207,708
Capital activities		
Acquisition of tangible capital assets (net of contributed tangible capital assets)	(4,145,438)	(5,580,675)
Proceeds on sale of tangible capital assets	1,990,990	49,163
	(2,154,448)	(5,531,512)
Investing activities		
Change in temporary investments (net)	(4,476,570)	(2,034,863)
	(4,476,570)	(2,034,863)
Financing activities		
Proceeds from debenture issued	—	1,400,000
Debenture payments	(126,190)	—
	(126,190)	1,400,000
(Decrease) increase in cash	(1,831,767)	41,333
Cash, beginning of year	2,685,794	2,644,461
Cash, end of year	854,027	2,685,794

The accompanying notes an integral part of the consolidated financial statements

1. Significant accounting policies

The consolidated financial statements of the Corporation of The Township of Uxbridge (the "Township"), are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada ("CPA Canada").

Significant accounting policies followed by the Township include:

(a) Reporting entity

(i) Consolidated financial statements

These consolidated financial statements (the "financial statements") reflect the assets, liabilities, non-financial assets, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations, local boards, and committees which are controlled by the Township, including the following:

- Uxbridge Library Board
- Uxbridge Business Improvement Area
- Uxbridge Historical Centre
- Goodwood Community Park and Centre Association
- Leaskdale Community Park and Centre Association
- Sandford Community Hall Association
- Seniors Centre
- Uxbridge Community Music Hall
- Zephyr Community Park and Hall Association
- All inter-entity transactions and balances are eliminated on consolidation.

(ii) Accounting for Region and School Board transactions

The taxation, other revenues, expenses, assets, and liabilities with respect to the operations of the school boards and the Region of Durham are not reflected in these financial statements.

(iii) Trust funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately in the Trust Funds statement of financial activities and fund balance and statement of financial position.

(b) Basis of accounting

(i) Accrual basis of accounting

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

(ii) 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.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(ii) Non-financial assets (continued)

(a) 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 cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 50 years
Buildings	15 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	5 to 50 years
Computer systems	3 to 20 years
Roads	8 to 50 years
Storm sewer	40 to 100 years
Bridges and structures	25 to 85 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Work in progress is not amortized until the tangible capital asset is available for productive use. Land is not amortized.

Tangible capital assets received as contributions are recorded at their fair value at the date contributed, and that amount is also recorded as revenue.

(b) Inventory of supplies

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(c) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

(iii) Accounting for property tax phase-in and capping provisions resulting from the Ontario Fair Assessment System

The net decrease/increase in property taxes as a result of the application of capping provisions does not affect the consolidated statement of operations as the full amount of the property taxes were levied. However, the capping adjustment is reported on the consolidated statement of financial position as an asset/liability, to be received from/paid to the Region of Durham.

(iv) Temporary investments

Temporary investments are recorded at the lower of cost and market value.

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(v) Contaminated Sites

Contaminated sites are the result of contamination being introduced into the air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met: a) an environmental standard exists; b) contamination exceeds the environmental standard; c) the Township is directly responsible or accepts responsibility for the liability; d) future economic benefits will be given up; and e) a reasonable estimate of the liability can be made. A liability is recorded only for sites that are not in productive use or if there was an unexpected event that resulted in contamination. Changes in this estimate are recorded in the Township's statement of operations. The Township does not have any contaminated sites that are not in productive use.

(vi) Deferred revenue

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. In addition, any contributions received with external restrictions are deferred until the related expenditures are made.

(vii) Post-employment benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service.

(viii) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment to the respective funds when approved.

(ix) Government transfers

Government transfers are recognized in the period in which the transfers are authorized and any eligibility criteria are met unless they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Certain transfers are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Such transfers are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(x) Tax revenue

Taxation revenue is recognized on all taxable properties within the Township that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property tax values that can be reasonably estimated by the Township as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the local Township's own purposes, in the period for which the tax is levied.

1. Significant accounting policies (continued)

(b) *Basis of accounting (continued)*

(x) *Tax revenue (continued)*

At year-end the Township evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes a liability if the amount can be reasonably estimated.

(xi) *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 in financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates. Accounts which are subject to significant estimates include post-employment benefits, allowance for estimated property tax reassessments, allowance for doubtful accounts, certain accruals, and the net book value of tangible capital assets which is based on estimated useful lives of various categories.

2. Operation of school boards and the Region of Durham

Further to Note 1(a)(ii), the taxation and grants in lieu raised on behalf of the school boards and the Region of Durham are as follows:

	School boards	Region	2018 Total	2017 Total
	\$	\$	\$	\$
Taxation	10,460,621	28,470,193	38,930,814	37,351,785
Grants in lieu	76,440	299,963	376,403	375,794
	10,537,061	28,770,156	39,307,217	37,727,579

3. Cash and temporary investments

This represents a consolidation of cash and temporary investments from the operating fund and the reserve funds (including those funds set aside in respect of deferred revenue as detailed in Note 9). The composition is as follows:

	Cash	Temporary investments	2018 Total	Cash	Temporary investments	2017 Total
	\$	\$	\$	\$	\$	\$
Operating Fund	637,816	15,262,018	15,899,834	2,475,558	11,247,672	13,723,230
Reserve Funds	216,211	10,927,124	11,143,335	210,236	10,464,900	10,675,136
	854,027	26,189,142	27,043,169	2,685,794	21,712,572	24,398,366

Temporary investments are recorded at a cost of \$26,189,142, which was the lower of cost or market value. In 2017, temporary investments with a cost of \$21,855,997 were recorded at their market value of \$21,712,572.

The Corporation of the Township of Uxbridge
Notes to the consolidated financial statements
December 31, 2018

4. Taxes receivable

	2018	2017
	\$	\$
Current year	2,062,260	2,217,066
Arrears previous years	1,380,979	909,611
	3,443,239	<u>3,126,677</u>

5. Accounts receivable

Accounts receivable recorded in the amount of \$1,602,725 (\$1,763,882 in 2017) is net of an allowance for doubtful accounts of \$315,000 (\$400,000 in 2017).

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include financial obligations to outside organizations and individuals as a result of transactions and events occurring on or before December 31. They are the result of contracts, agreements and legislation in force at the end of the accounting period that require the Township of Uxbridge to pay for goods and services acquired or provided on or before the end of the accounting period. A breakdown of accounts payable and accrued liabilities is provided below:

	2018	2017
	\$	\$
Trade accounts payable	1,640,587	1,603,286
Provision for property tax reassessments	410,000	275,000
Payables to other governments	233,864	803,862
Payroll liabilities	537,321	498,663
Accrued liabilities	47,917	113,387
	2,869,689	<u>3,294,198</u>

7. Long-term liabilities

(a) The balance of long-term liabilities is made up of the following:

	2018	2017
	\$	\$
The Township is responsible for the payment of principal and interest charges on the long-term liabilities issued by the Regional Municipality of Durham on the Township's behalf. As at December 31, the outstanding principal amount of this liability is	1,273,810	1,400,000

7. Long-term liabilities (continued)

(b) The above long-term liability has a maturity date of October 13, 2027; with a weighted average interest rate of 2.792%.

Principal repayments are as follows:

	\$
2019	129,048
2020	131,429
2021	134,286
2022	137,143
2023	140,476
Thereafter	<u>601,428</u>
	<u>1,273,810</u>

(c) The above long-term liability has been approved by Council by-law. The annual principal and interest payments required to service this liability are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense recorded in the year relating to this long-term liability is \$34,017 (\$7,559 in 2017).

8. Post-employment benefit liability

The Township makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for such benefits as extended health and drugs and dental care. Coverage ceases at the age of 65.

The last actuarial valuation was conducted as at December 31, 2017.

Information about the Township's post-employment benefits plan is as follows:

	2018	2017
	\$	\$
Accrued benefit liability, January 1	277,357	257,919
Current service costs	16,861	14,138
Benefit payments	(3,847)	(5,197)
Amortization of actuarial gains and losses	(683)	465
Interest on obligation	8,977	10,032
Accrued benefit liability, December 31	298,665	277,357
Current year benefit expense	16,861	14,138
Interest on accrued benefit obligation	8,977	10,032
Amortization of actuarial gains and losses	(683)	465
	25,155	24,635
	2018	2017
	\$	\$
Accrued benefits obligation	249,376	269,706
Unamortized actuarial gains and losses	49,289	7,651
Accrued benefit liability	298,665	277,357

8. Post-employment benefit liability (continued)

The main assumptions employed for the valuations are as follows:

(a) *General inflation*

A rate of 2.25% per year is used.

(b) *Interest (discount) rate*

A rate of 3.25% (3.75% in 2017) is used to determine liabilities at the beginning of the fiscal period and for extrapolations during the period. A rate of 3.8% (3.25% in 2017) is used to determine the liability at the end of the fiscal period.

(c) *Health and dental rate*

Drug costs are presumed to increase 8% after the first year, this rate reducing linearly to 5% after 6 years. Other health and dental costs are presumed to increase 4% per year.

(d) *Mortality Table*

Canadian Institute of Actuaries 2014 Composite Mortality Table.

9. Deferred revenue

	Development charges \$	Parkland \$	Gas tax \$	2018 Total \$	2017 Total \$
Obligatory reserve funds					
Balance, beginning of year	8,590,305	1,747,206	127,552	10,465,063	10,818,057
Developer contributions	259,216	97,750	—	356,966	381,607
Gas tax contributions	—	—	656,862	656,862	638,105
Interest earned	187,169	45,994	3,059	236,222	186,552
	9,036,690	1,890,950	787,473	11,715,113	12,024,321
Earned revenue transferred to operations	(515,076)	(53,084)	(476,194)	(1,044,354)	(1,559,258)
Balance, end of year	8,521,614	1,837,866	311,279	10,670,759	10,465,063
Building code				256,692	256,692
Other deferred revenue				1,406,237	921,042
				12,333,688	11,642,797

10. Tangible capital assets

(i) *Contributed tangible capital assets*

The Township records all tangible capital assets (TCA) contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are land, roadways and storm sewer lines installed by a developer as part of a subdivision agreement. Transfers of tangible capital assets in 2018 amounted to \$489,809 (\$173,314 in 2017).

10. Tangible capital assets (continued)

(ii) Tangible capital assets recognized at nominal value

Certain assets have been assigned a nominal value of one Canadian dollar, because of the difficulty of determining a tenable valuation and or the tangible capital assets were older than their estimated expected useful lives, and therefore, were fully amortized when tangible capital assets were initially recognized in the Township's accounts.

(iii) Works of art and historical treasures

The Township applies efforts to protect and preserve a number of owned historical buildings, collections of equipment, artifacts, documents, and exhibits and works of art. These tangible capital assets are not held for financial gain but rather for public exhibition, education or research in furtherance of public service. These historical treasures and works of art are not recognized as tangible capital assets in the financial statements. The acquisition or betterment of such assets is recognized in the financial statements as an operating expense.

(iv) Other

During the year, there were no write-downs of assets (nil in 2017) and no interest was capitalized during the year (nil in 2017).

The Corporation of the Township of Uxbridge
Notes to the consolidated financial statements
December 31, 2018

10. Tangible capital assets (continued)

	Land	Land improvements	Buildings	Vehicles	Machinery and equipment	Computer systems	Roads	Storm sewer	Bridges and structures	Work in progress	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost											
Balance, beginning of year	20,151,505	6,449,250	18,475,368	7,248,420	4,916,047	431,393	62,614,503	26,458,501	7,843,169	1,677,082	156,265,238
Additions	21,047	114,960	1,369,629	98,059	540,228	20,176	1,493,644	769,683	231,219	1,212,901	5,871,546
Less											
Work in progress completed	—	—	—	—	—	—	—	—	—	1,132,980	1,132,980
Disposals	127,678	105,274	149,035	961,027	143,200	26,810	235,691	—	4,773	—	1,753,488
Balance, end of year	20,044,874	6,458,936	19,695,962	6,385,452	5,313,075	424,759	63,872,456	27,228,184	8,069,615	1,757,003	159,250,316
Accumulated amortization											
Balance, beginning of year	—	2,245,792	8,065,017	3,708,774	2,223,845	315,727	29,854,194	6,757,628	2,587,210	—	55,758,187
Amortization	—	225,422	526,851	397,574	323,276	35,725	1,987,820	376,752	155,463	—	4,028,883
Less											
Accumulated amortization on disposal	—	82,440	136,767	748,504	143,199	26,810	227,710	—	4,773	—	1,370,203
Balance, end of year	—	2,388,774	8,455,101	3,357,844	2,403,922	324,642	31,614,304	7,134,380	2,737,900	—	58,416,867
Net book value of tangible capital assets	20,044,874	4,070,162	11,240,861	3,027,608	2,909,153	100,117	32,258,152	20,093,804	5,331,715	1,757,003	100,833,449

The Corporation of the Township of Uxbridge
Notes to the consolidated financial statements
December 31, 2018

10. Tangible capital assets (continued)

	Land	Land improvements	Buildings	Vehicles	Machinery and equipment	Computer systems	Roads	Storm sewer	Bridges and structures	Work in progress	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost											
Balance, beginning of year	20,151,501	5,403,880	14,654,914	6,635,351	4,229,592	392,495	62,263,272	26,458,501	7,209,646	5,032,663	152,431,815
Additions	4	1,055,300	3,820,454	941,411	921,657	38,898	1,698,320	—	633,523	1,463,557	10,573,124
Less											
Work in progress completed	—	—	—	—	—	—	—	—	—	4,819,138	4,819,138
Disposals	—	9,930	—	328,342	235,202	—	1,347,089	—	—	—	1,920,563
Balance, end of year	20,151,505	6,449,250	18,475,368	7,248,420	4,916,047	431,393	62,614,503	26,458,501	7,843,169	1,677,082	156,265,238
Accumulated amortization											
Balance, beginning of year	—	2,043,120	7,602,926	3,583,321	2,169,114	282,962	29,124,238	6,393,452	2,437,779	—	53,636,912
Amortization	—	212,602	462,091	407,194	288,761	32,765	1,999,560	364,176	149,433	—	3,916,582
Less											
Accumulated amortization on disposal	—	9,930	—	281,741	234,030	—	1,269,604	—	2	—	1,795,307
Balance, end of year	—	2,245,792	8,065,017	3,708,774	2,223,845	315,727	29,854,194	6,757,628	2,587,210	—	55,758,187
Net book value of tangible capital assets	20,151,505	4,203,458	10,410,351	3,539,646	2,692,202	115,666	32,760,309	19,700,873	5,255,959	1,677,082	100,507,051

The Corporation of the Township of Uxbridge
Notes to the consolidated financial statements
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11. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
	\$	\$
Invested in tangible capital assets	100,833,449	100,507,051
Other	3,811,594	3,097,145
Post-employment benefits	(298,665)	(277,357)
	104,346,378	103,326,839
Reserves		
Tax stabilization	296,641	296,641
Working capital	971,941	971,941
Insurance	292,794	292,794
Museum administration centre	89	89
Future capital projects	1,423,770	1,265,044
Election	4,528	94,528
Music Hall	40,137	28,492
Ditching	174,913	168,913
Parkland reserve	1,900,000	—
Sidewalks	126,556	112,153
Arena	3,363	3,363
Preserve	109,989	109,989
Foster Memorial	3,387	3,387
Sandford Community Hall Improvements	3,057	3,057
Zephyr Hall Improvements	5,445	6,215
Spay and neutering	40,543	35,584
Energy efficiency reserve	35,000	35,000
Cultural reserve	11,747	11,747
Community Halls	115,248	130,000
Uncompleted projects	2,060,536	1,933,745
Downtown revitalization	62,044	62,044
Community Improvement Plan	79,407	64,407
Strategic plan	107,551	82,551
OMB Hearings	167,271	167,271
Trail reserve	—	6,867
Capital Projects Levy reserve (formerly New Fire Hall)	166,584	51,983
Limestone upgrades	1,767	1,767
Snow clearing	300,000	300,000
Fire Calls	500,000	500,000
New Animal Shelter	60,042	59,442
General animal care	58,602	53,643
Asset Preservation Reserve	614,118	542,127
	9,737,070	7,394,784
Reserve funds set aside by Council for		
Phosphorous removal	170,629	164,654
Library	45,419	45,419
	216,048	210,073
Total accumulated surplus	114,299,496	110,931,696

12. Trust funds

Trust funds administered by the Township amounting to \$22,548 (\$22,924 in 2017) are not included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

13. Pension agreements

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of 69 members of its staff and council. The plan is a defined benefit plan which specifies the amount of retirement benefits to be received by the employees based on the length of service and rates of pay.

OMERS provide pension services to almost half a million active and retired members and about 1,000 participating employers. Each year an independent actuary determines the funding status of OMERS Primary Pension (the "Plan") by comparing the actuarial value of the 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 as at December 31, 2018. The results of this valuation disclosed total actuarial liabilities as at that date of \$99.1 billion in respect of benefits accrued for service with actuarial assets at that date of \$94.9 billion indicating an actuarial deficit of \$4.2 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employers. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

The Township contributions to OMERS in 2018 amounted to \$373,920 (\$384,610 in 2017).

14. Classification of expenses by object

The consolidated statement of operations presents the expenses by function. The following classifies those same expenses by object:

	2018	2017
	\$	\$
Salaries, wages, and employee benefits	7,656,717	7,240,369
Operating materials and supplies	3,505,807	3,278,974
Contract services	3,255,719	2,996,749
Rents and financial expenses	92,883	92,864
External transfers to others	110,267	85,572
Amortization of tangible capital assets	4,028,883	3,916,582
	<u>18,650,276</u>	<u>17,611,110</u>

15. Budget figures

The approved budget for 2018 is reflected on the consolidated statement of operations and the consolidated statement of change in net financial assets. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and therefore, may not be comparable with current year's actual acquisitions amounts. For the purpose of these consolidated financial statements, budget figures have been presented on a basis consistent with the presentation of actuals. Amortization expense was budgeted for in the original approved budget, but was not funded.

16. Contingent liabilities

(a) Legal actions

The Township has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2018, and, accordingly, no provision has been made in these financial statements for any liability which may result. Any loss arising from these legal actions, to the extent that they are not covered by insurance, will be recorded in the year the related litigation is settled or when it is determined that a loss is likely and the amount is measureable.

(b) Settlement of assessment appeals

The Township has a number of properties where the current assessment value of the property is under appeal. Each year, a provision is identified to cover the estimated amount of revenue loss attributable to assessment appeals, based on managements' best information and judgment. However, actual appeal settlements may differ significantly from the estimate provided, and therefore any settlement of these assessment appeals in excess of the provision of \$410,000 (\$275,000 in 2017 (Note 6)) will be provided for in the year of settlement.

(c) Guarantees

In the normal course of business, the Township enters into agreements that meet the definition of a guarantee.

- (i) The Township, on occasion, has provided indemnities under lease agreements for the use of certain facilities. Under the terms of these agreements the Township agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (ii) The Township has purchased errors and omissions insurance to mitigate the costs of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a Councilor, Board Member or Officer of the Township. The maximum amount of any potential future payment cannot be reasonably estimated.
- (iii) In the normal course of business, the Township, on occasion, has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements, and service agreements. These indemnification agreements may require the Township to compensate for losses incurred by the counterparties as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Township from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Township has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the consolidated statement of financial position with respect to these agreements.

17. Commitments

The Township entered into an agreement during May of 2018, with a property owner, in order to obtain access to a property which is required in order to complete the construction of a capital project. As part of compensation for this agreement, the Township has committed to making future cash payments of up to \$585,000, plus HST. In addition the Township will convey a vacant parcel of Township land to the property owner, which has an appraised land value of approximately \$100,000.

18. Segmented information

The Township provides a wide range of services to its citizens, including fire, library, and recreation programs. For management reporting purposes the Township's operations and activities are reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions, or limitations.

Township services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General Government

General Government includes the services provided by Council, the Chief Administrative office, Treasury, and the Clerk's office. These services involve overall management of the Township. The costs for collection of taxes from residents and the payment of suppliers and employees is included in this caption. Services provided to Council by the Clerk's Office are also reported in this area.

Fire Services

Fire Services include the responsibility to provide fire suppression services, fire prevention programs, training and education related to prevention, and detection or extinguishment of fires. The Fire Department is a composite department staffed mainly by volunteers with a few full time staff. The Department has response agreements with the neighbouring communities to augment its firefighting force.

Public Works

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems.

Parks Recreation & Culture

Parks Recreation & Culture are services for the maintenance of parks and open space, various recreational programs and cultural activities carried on by the Township.

The Township has an extensive trails system that is maintained by volunteers. Included in this area is the cost of maintaining a number of cultural facilities, including the Thomas Foster Memorial.

Library

The Library is responsible for providing educational programs, and literature materials for the citizens of the Township. The library has two branches to serve the public.

18. Segmented information (continued)

Other services

Other services include expenses related to the Development Services Department which provides the building permitting and inspection functions as well as the Planning, By-law and Animal Control functions for the municipality. The expenses and revenues of the Uxbridge Business Improvement Area are also reported here.

Corporate

Functions that cannot be allocated are included under Corporate. Expenses in this category include grants to non-profit and charitable organizations, administration of Township rental properties and the health & safety program. The main sources of revenue reported here are property taxes; interest revenue and certain provincial grants received.

The Corporation of the Township of Uxbridge
Notes to the consolidated financial statements
December 31, 2018

18. Segmented information (continued)

	General	Fire	Public	Parks		Other	Corporate	Total	Consolidation	2018
	government	services	works	Recreation	Library	services				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expense										
Salaries wages and employee benefits	1,587,294	966,141	1,776,966	1,771,739	543,581	908,780	102,216	7,656,717	—	7,656,717
Grants	—	—	—	7,675	—	42,450	60,142	110,267	—	110,267
Internal charges	—	16,255	924,759	106,632	25,046	160,507	—	1,233,199	(1,233,199)	—
Amortization	—	256,072	2,885,191	667,581	93,532	2,852	123,655	4,028,883	—	4,028,883
Other expenses	526,835	418,213	3,086,434	1,572,904	290,819	606,171	353,033	6,854,409	—	6,854,409
	2,114,129	1,656,681	8,673,350	4,126,531	952,978	1,720,760	639,046	19,883,475	(1,233,199)	18,650,276
Revenue										
Tax revenue	—	—	—	—	808,045	106,292	11,641,151	12,555,488	—	12,555,488
Federal grants	—	—	824,683	147,319	23,143	—	—	995,145	—	995,145
Provincial grants	—	—	308,606	126,481	28,240	4,642	453,200	921,169	—	921,169
Other municipalities Developer and other contributions earned	118,940	37,615	254,889	—	—	171,027	—	582,471	—	582,471
Contributed TCA	7,176	15,000	275,833	256,040	11,340	—	2,771	568,160	—	568,160
Other external revenue	—	—	482,795	—	7,014	—	—	489,809	—	489,809
TCA gain on disposal	81,817	95,182	259,022	1,958,690	44,007	841,318	914,774	4,194,810	—	4,194,810
Internal charges	—	—	—	—	—	—	1,711,024	1,711,024	—	1,711,024
	207,933	147,797	3,404,448	2,573,859	921,789	1,272,529	14,722,920	23,251,275	(1,233,199)	22,018,076
Net (expenses) revenue	(1,906,196)	(1,508,884)	(5,268,902)	(1,552,672)	(31,189)	(448,231)	14,083,874	3,367,800	—	3,367,800

The Corporation of the Township of Uxbridge
Notes to the consolidated financial statements
December 31, 2018

18. Segmented information (continued)

	General government	Fire services	Public works	Parks Recreation & Culture	Library	Other services	Corporate	Total	Consolidation adjustments	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expense										
Salaries wages and employee benefits	1,518,539	899,976	1,606,478	1,649,084	571,054	900,014	95,224	7,240,369	—	7,240,369
Grants	—	—	—	7,500	—	31,000	47,072	85,572	—	85,572
Internal charges	—	15,437	839,984	61,662	24,936	157,215	—	1,099,234	(1,099,234)	—
Amortization	—	194,203	2,880,894	624,037	94,378	4,049	119,021	3,916,582	—	3,916,582
Other expenses	452,739	732,902	2,510,837	1,712,329	182,255	442,074	335,451	6,368,587	—	6,368,587
Loss on disposal of TCA	—	—	—	—	—	—	—	—	—	—
	<u>1,971,278</u>	<u>1,842,518</u>	<u>7,838,193</u>	<u>4,054,612</u>	<u>872,623</u>	<u>1,534,352</u>	<u>596,768</u>	<u>18,710,344</u>	<u>(1,099,234)</u>	<u>17,611,110</u>
Revenue										
Tax revenue	—	—	—	—	780,760	104,720	11,044,272	11,929,752	—	11,929,752
Federal grants	2,394	—	838,342	296,486	10,362	2,394	—	1,149,978	—	1,149,978
Provincial grants	—	—	207,380	138,322	27,529	13,274	540,411	926,916	—	926,916
Other municipalities	117,618	37,842	128,077	—	—	168,407	—	451,944	—	451,944
Developer and other contributions earned	—	32,121	165,345	637,967	11,340	—	840	847,613	—	847,613
Contributed TCA	—	—	159,572	—	13,742	—	—	173,314	—	173,314
Other external revenue	100,025	74,973	206,120	2,080,432	41,758	1,077,452	955,970	4,536,730	—	4,536,730
TCA gain on disposal	—	—	—	—	—	—	(76,096)	(76,096)	—	(76,096)
Internal charges	—	—	906,497	45,837	—	146,900	—	1,099,234	(1,099,234)	—
	<u>220,037</u>	<u>144,936</u>	<u>2,611,333</u>	<u>3,199,044</u>	<u>885,491</u>	<u>1,513,147</u>	<u>12,465,397</u>	<u>21,039,385</u>	<u>(1,099,234)</u>	<u>19,940,151</u>
Net (expenses) revenue	<u>(1,751,241)</u>	<u>(1,697,582)</u>	<u>(5,226,860)</u>	<u>(855,568)</u>	<u>12,868</u>	<u>(21,205)</u>	<u>11,868,629</u>	<u>2,329,041</u>	<u>—</u>	<u>2,329,041</u>