

Consolidated Financial Statements of

**THE CORPORATION OF THE TOWNSHIP OF
FAUQUIER AND STRICKLAND**

Year ended December 31, 2018

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Financial Statements Index

Year ended December 31, 2018

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Township of Fauquier and Strickland (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated 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 in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

The Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Nathalie Vachon
Deputy Clerk Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Fauquier and Strickland

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Fauquier and Strickland (the "Municipality"), which comprise:

- The consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of statement of changes in net financial debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations and its consolidated 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 responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 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.



Responsibility 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 Municipality'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 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.

Auditors' 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 auditors' 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 the 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 risk 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, internal 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 purposes 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 the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Municipality's 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.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 13, 2019

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Financial assets | | |
| Cash | \$ 122,325 | \$ 95,489 |
| Investments (note 4) | 525,354 | 263,124 |
| Taxes and user charges receivable (note 5) | 76,370 | 50,580 |
| Accounts receivable (note 6) | 53,578 | 130,906 |
| | 777,627 | 540,099 |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 79,471 | 110,938 |
| Deferred revenue (note 8) | 459,378 | 207,869 |
| Payroll liabilities | 40,544 | 34,773 |
| Landfill closure and post-closure liability (note 9) | 54,000 | 51,000 |
| Capital lease obligation (note 10) | 170,839 | 199,478 |
| Long-term debt (note 11) | 570,645 | 639,911 |
| | 1,374,877 | 1,243,969 |
| Net financial debt | (597,250) | (703,870) |
| Non-financial assets | | |
| Tangible capital assets (note 12) | 6,713,391 | 6,798,538 |
| Prepaid expenses | 53,205 | 55,948 |
| | 6,766,596 | 6,854,486 |
| Commitments (note 16) | | |
| Accumulated surplus (note 13) | \$ 6,169,346 | \$ 6,150,616 |

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of Council:

_____ Mayor

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

| | 2018 Budget (note 14) | Actual 2018 | Actual 2017 |
|---|-----------------------------|---------------------|---------------------|
| Revenue: | | | |
| Taxation | \$ 1,088,331 | \$ 1,089,743 | \$ 1,043,278 |
| User charges | 284,998 | 143,879 | 133,889 |
| Province of Ontario grants | 556,729 | 490,963 | 592,337 |
| Government of Canada grants | 87,529 | 34,003 | 4,721 |
| Investment income | 3,000 | 5,416 | 8,631 |
| Rental income | 21,790 | 22,881 | 21,688 |
| Interest and penalties | 13,632 | 8,527 | 6,813 |
| Other | 148,580 | 133,092 | 32,809 |
| Total revenue | 2,204,589 | 1,928,504 | 1,844,166 |
| Expenses: | | | |
| General government | 225,300 | 253,621 | 276,815 |
| Protection to persons and property | 235,704 | 212,808 | 190,045 |
| Transportation services | 483,216 | 516,830 | 421,603 |
| Environmental services | 366,303 | 412,150 | 429,490 |
| Health services | 106,642 | 129,336 | 101,347 |
| Social and family services | 124,565 | 118,782 | 134,961 |
| Recreational and culture | 330,096 | 238,666 | 211,350 |
| Planning and development | 24,333 | 27,581 | 25,985 |
| Total expenses | 1,896,159 | 1,909,774 | 1,791,596 |
| Annual surplus | 308,430 | 18,730 | 52,570 |
| Accumulated surplus, beginning of year | 6,150,616 | 6,150,616 | 6,098,046 |
| Accumulated surplus, end of year | \$ 6,459,046 | \$ 6,169,346 | \$ 6,150,616 |

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Change in Net Financial Debt

Year ended December 31, 2018, with comparative information for 2017

| | 2018 Budget (note 14) | Actual 2018 | Actual 2017 |
|--|-----------------------------|----------------|----------------|
| Annual surplus | \$ 308,430 | \$ 18,730 | \$ 52,570 |
| Acquisition of tangible capital assets | (429,070) | (232,493) | (1,076,735) |
| Amortization of tangible capital assets | - | 317,640 | 298,402 |
| Use of prepaid expenses | - | 2,743 | 4,271 |
| | (429,070) | 87,890 | (774,062) |
| Change in net financial assets | (120,640) | 106,620 | (721,492) |
| Net financial assets (debt), beginning of year | (703,870) | (703,870) | 17,622 |
| Net financial debt, end of year | \$ (824,510) | \$ (597,250) | \$ (703,870) |

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--|------------|-----------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 18,730 | \$ 52,570 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 317,640 | 298,402 |
| Change in accrued post-retirement benefit obligations | 5,771 | 1,111 |
| Change in landfill closure and post-closure liability | 3,000 | 2,000 |
| | 345,141 | 354,083 |
| Change in non-cash assets and liabilities: | | |
| Increase (decrease) in taxes and user charges receivable | (25,790) | 3,497 |
| Decrease in accounts receivable | 77,328 | 536,625 |
| Decrease in prepaid expenses | 2,743 | 4,271 |
| Decrease in accounts payable and accrued liabilities | (31,467) | (169,360) |
| Increase in deferred revenue | 251,509 | 30,422 |
| Net change in cash from operating activities | 619,464 | 759,538 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (232,493) | (837,613) |
| Investing activities: | | |
| Purchase of investments | (262,230) | (263,123) |
| Financing activities: | | |
| Capital lease repayment | (28,639) | (39,644) |
| Issuance of long-term debt | (44,419) | 615,064 |
| Principal repayment of long-term debt | (24,847) | (146,368) |
| Net change in cash from financing activities | (97,905) | 429,052 |
| Net change in cash | 26,836 | 87,854 |
| Cash, beginning of year | 95,489 | 7,635 |
| Cash, end of year | \$ 122,325 | \$ 95,489 |

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

The Corporation of the Township of Fauquier and Strickland (the "Municipality") is a Municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality, which includes the Public Library Board.

All inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

(b) Non-consolidated entities:

The following joint local boards are not consolidated within these financial statements:

The District of Cochrane Social Services Administration Board

Porcupine Health Unit

(c) Basis of accounting:

Sources of financing 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.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

| Asset | Useful Life - Years |
|-----------------------------------|---------------------|
| Land improvements | 7 - 50 |
| Buildings | 20 - 50 |
| Roads | 7 - 75 |
| Furniture and fixtures | 5 - 10 |
| Vehicles, machinery and equipment | 10 - 25 |
| Computer equipment | 5 |
| Water and sewer systems | 50 |
| Assets under capital lease | Over the lease term |

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(e) Revenue recognition:

The Municipality prepares tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(f) 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 an adjustment to the respective fund when approved.

(g) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles for local governments 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 dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowances for taxes and accounts receivable, post-retirement benefit obligations and estimating provisions for accrued liabilities and landfill closure and post-closure liabilities. In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from those estimates.

(h) School Boards:

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

(i) Landfill closure and post-closure liabilities:

The liability for closure of operational site and post-closure care has been recognized based on estimated future expenses estimated inflation and the usage of the site's capacity during the year.

(j) Pensions and employee benefits:

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 the assets and administration of the benefits. The Authority has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Authority records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for the past employee service.

Payroll liabilities include vacation entitlements which are accrued as the entitlements are earned.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(k) Deferred revenue – obligatory funds:

The Municipality receives certain contributions under the authority of federal and provincial legislation. These contributions are restricted in their use and, until spent on qualifying projects or expenses, are recorded as deferred revenue.

(l) Financial instruments:

The Municipality initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Municipality subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of operations.

Financial assets measured at amortized cost include cash, taxes and user charges receivables and account receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, employee post employment benefits and long-term debt.

(m) Use of estimates:

The preparation of consolidated 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 dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include estimated useful lives of tangible capital assets, estimate of landfill obligation and estimated amounts for uncollectible accounts receivable and reassessment of taxes receivable. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Operations of School Boards:

Further to note 1(h), the taxation, other revenues and expenses relating to the school boards are comprised of the following:

| | Public | Separate | 2018 | 2017 |
|---|------------|------------|------------|------------|
| Revenues raised and transferred to boards | \$ 121,601 | \$ 126,380 | \$ 247,981 | \$ 241,745 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

3. Contributions to Non-Consolidated Entities:

Further to note 1(b), the following contributions were made by the Municipality to these boards:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| The District of Cochrane Social Service Administration Board | \$ 157,561 | \$ 156,797 |
| Porcupine Health Unit | 19,710 | 17,715 |
| | \$ 177,271 | \$ 174,512 |

4. Investments:

The investments are made up of term deposits and are accounted for at amortized cost:

| | Cost | Interest Rate | Maturity Date |
|-----------------|-------------------|---------------|-------------------|
| Term deposit #1 | \$ 100,000 | 1.4% | February 15, 2019 |
| Term deposit #2 | 23,083 | 1.25% | May 3, 2019 |
| Term deposit #3 | 402,271 | 0.5% | December 15, 2019 |
| | \$ 525,354 | | |

5. Taxes and user charges receivable:

| | 2018 | 2017 |
|-----------------------------------|------------------|------------------|
| Current year | \$ 58,297 | \$ 35,028 |
| Prior years | 18,254 | 17,261 |
| Penalties and interest | 9,819 | 8,291 |
| Allowance for uncollectable taxes | (10,000) | (10,000) |
| | \$ 76,370 | \$ 50,580 |

6. Accounts receivable:

| | 2018 | 2017 |
|------------------------------|------------------|-------------------|
| Government of Canada | \$ 42,617 | \$ 107,487 |
| Province of Ontario | - | 3,210 |
| Due from local school boards | 3,052 | - |
| Other | 7,909 | 20,209 |
| | \$ 53,578 | \$ 130,906 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

7. Credit facilities:

The Municipality has an authorized line of credit of \$350,000 (2017 - \$350,000) bearing interest at prime plus 0.5%. The line of credit is secured by a general assignment of the Municipality assets. As of December 31, 2018, the line of credit there is no amount drawn on this credit facility.

8. Deferred revenue:

Revenues received that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position. These revenues may only be used in the conduct of certain programs or in the completion of specific work.

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded.

| | Balance at December 31, 2017 | Contributions received | Amounts taken to revenue | Balance at December 31, 2018 |
|--|------------------------------------|---------------------------|--------------------------------|------------------------------------|
| Deferred revenue: | | | | |
| Boat Launch Relocation | \$ – | 89,035 | (23,650) | 65,385 |
| Medical Centre | – | 106,681 | – | 106,681 |
| Association of Municipalities of Ontario | – | 38,119 | – | 38,119 |
| Other | 2,713 | – | (2,713) | – |
| | 2,713 | 233,835 | (26,363) | 210,185 |
| Obligatory reserve funds: | | | | |
| Federal gas tax fund | 205,156 | 44,037 | – | 249,193 |
| | \$ 207,869 | 277,872 | (26,363) | 459,378 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

9. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at Municipality's average long-term borrowing rate of 2.77% (2017 - 3.50%). The estimated total landfill closure and post-closure care expenses are calculated to be \$50,000. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2018 an amount of \$54,000 (2017 - \$51,000) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 80% of its total estimated capacity and its estimated remaining life is approximately 16 years. The period for post-closure care is estimated to be 15 years.

10. Capital lease obligations:

The capital lease obligation has a maturity date of December 20, 2023, and is secured by a specific equipment security agreement.

| | | |
|---|----|----------|
| 2019 | \$ | 39,112 |
| 2020 | | 39,112 |
| 2021 | | 39,112 |
| 2022 | | 39,112 |
| 2023 | | 34,083 |
| Thereafter | | — |
| Total minimum lease payments | | 190,531 |
| Less amount representing interest at a rate of 4.75% | | (19,692) |
| Present value of net minimum capital lease payments | | 170,839 |
| Less current portion of obligations under capital lease | | (39,112) |
| | \$ | 131,727 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

11. Long-term debt:

| | 2018 | 2017 |
|---|------------|------------|
| Loan payable to Caisse Populaire de Kapuskasing Limitée, bearing interest at a fixed rate of, 3.50%, payable in blended monthly payments of \$12,500, repaid in February 2018 (Roads) | \$ – | \$ 24,847 |
| Loan payable to Infrastructure Ontario bearing interest at a fixed rate of, 3.09%, payable in blended monthly payments of \$5,965, due February 2028 (Water Distribution and skating rink) | 570,645 | 615,064 |
| | \$ 570,645 | \$ 639,911 |

Principal repayments on long-term debt are as follows:

| | |
|------------|------------|
| 2019 | \$ 54,823 |
| 2020 | 56,530 |
| 2021 | 58,290 |
| 2022 | 60,105 |
| 2023 | 61,977 |
| Thereafter | 278,920 |
| | \$ 570,645 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

12. Tangible capital assets:

| Cost | Balance at December 31, 2017 | Additions | Disposals | Balance at December 31, 2018 |
|--------------------------------------|------------------------------------|----------------|-----------------|------------------------------------|
| Land | \$ 4,436 | 1,233 | - | 5,669 |
| Land improvements | 36,098 | - | - | 36,098 |
| Buildings | 2,650,809 | 28,690 | - | 2,679,499 |
| Roads | 2,727,374 | - | - | 2,727,374 |
| Water and sewer systems | 4,387,100 | 13,554 | - | 4,400,654 |
| Computer equipment | 68,783 | - | - | 68,783 |
| Vehicles, machinery and equipment | 1,770,870 | 176,082 | (26,894) | 1,920,058 |
| Assets under capital lease | 239,122 | - | - | 239,122 |
| Furniture and fixtures | 69,778 | 1,172 | - | 70,950 |
| Construction in progress | - | 11,762 | - | 11,762 |
| Total | \$ 11,954,370 | 232,493 | (26,894) | 12,159,969 |

| Accumulated Amortization | Balance at December 31, 2017 | Disposals /Transfers | Amortization | Balance at December 31, 2018 |
|--------------------------------------|------------------------------------|-------------------------|----------------|------------------------------------|
| Land improvements | 27,572 | - | 522 | 28,094 |
| Buildings | 969,693 | - | 53,343 | 1,023,036 |
| Roads | 1,775,528 | - | 55,925 | 1,831,453 |
| Water and sewer systems | 1,012,460 | - | 87,454 | 1,099,914 |
| Computer equipment | 65,322 | - | 499 | 65,821 |
| Vehicles, machinery and equipment | 1,236,545 | (26,894) | 108,244 | 1,317,895 |
| Assets under capital lease | 9,565 | - | 9,565 | 19,130 |
| Furniture and fixtures | 59,147 | - | 2,088 | 61,235 |
| Construction in progress | - | - | - | - |
| Total | \$ 5,155,832 | (26,894) | 317,640 | 5,446,578 |

| | Net book value, December 31, 2017 | Net book value, December 31, 2018 |
|--------------------------------------|---|---|
| Land | \$ 4,436 | 5,669 |
| Land improvements | 8,526 | 8,004 |
| Buildings | 1,681,116 | 1,656,463 |
| Roads | 951,846 | 895,921 |
| Water and sewer systems | 3,374,640 | 3,300,740 |
| Computer equipment | 3,461 | 2,962 |
| Vehicles, machinery and equipment | 534,325 | 602,163 |
| Assets under capital lease | 229,557 | 219,992 |
| Furniture and fixtures | 10,631 | 9,715 |
| Construction in progress | - | 11,762 |
| Total | \$ 6,798,538 | 6,713,391 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

12. Tangible capital assets (continued):

| Cost | Balance at December 31, 2016 | Additions | Disposals | Balance at December 31, 2017 |
|--------------------------------------|------------------------------------|------------------|-----------|------------------------------------|
| Land | \$ 4,436 | - | - | 4,436 |
| Land improvements | 36,098 | - | - | 36,098 |
| Buildings | 2,576,060 | 74,749 | - | 2,650,809 |
| Roads | 2,727,374 | - | - | 2,727,374 |
| Water and sewer systems | 3,798,050 | 589,050 | - | 4,387,100 |
| Computer equipment | 66,300 | 2,483 | - | 68,783 |
| Vehicles, machinery and equipment | 1,602,681 | 168,189 | - | 1,770,870 |
| Assets under capital lease | - | 239,122 | - | 239,122 |
| Furniture and fixtures | 66,636 | 3,142 | - | 69,778 |
| Total | \$ 10,877,635 | 1,076,735 | - | 11,954,370 |

| Accumulated Amortization | Balance at December 31, 2016 | Disposals | Amortization | Balance at December 31, 2017 |
|--------------------------------------|------------------------------------|-----------|----------------|------------------------------------|
| Land improvements | 27,049 | - | 523 | 27,572 |
| Buildings | 916,921 | - | 52,772 | 969,693 |
| Roads | 1,722,837 | - | 52,691 | 1,775,528 |
| Water and sewer systems | 925,277 | - | 87,183 | 1,012,460 |
| Computer equipment | 56,018 | - | 9,304 | 65,322 |
| Vehicles, machinery and equipment | 1,152,273 | - | 84,272 | 1,236,545 |
| Assets under capital lease | - | - | 9,565 | 9,565 |
| Furniture and fixtures | 57,055 | - | 2,092 | 59,147 |
| Total | \$ 4,857,430 | - | 298,402 | 5,155,832 |

| | Net book value, December 31, 2016 | Net book value, December 31, 2017 |
|--------------------------------------|---|---|
| Land | \$ 4,436 | 4,436 |
| Land improvements | 9,049 | 8,526 |
| Buildings | 1,659,139 | 1,681,116 |
| Roads | 1,004,537 | 951,846 |
| Water and sewer systems | 2,872,773 | 3,374,640 |
| Computer equipment | 10,282 | 3,461 |
| Vehicles, machinery and equipment | 450,408 | 534,325 |
| Assets under capital lease | - | 229,557 |
| Furniture and fixtures | 9,581 | 10,631 |
| Total | \$ 6,020,205 | 6,798,538 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

13. Accumulated surplus:

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

| | 2018 | 2017 |
|---|--------------|--------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 5,971,907 | \$ 5,959,149 |
| General deficit | (750,162) | (633,837) |
| Unfunded: | | |
| Employee benefit obligations | (40,544) | (34,773) |
| Landfill closure and post-closure costs | (54,000) | (51,000) |
| Total surplus | 5,126,201 | 5,239,539 |
| Reserves set aside for specific purpose by Council: | | |
| General reserve | 758,418 | 579,049 |
| Fire capital | 26,549 | 21,549 |
| Community hall | 28,954 | 28,954 |
| Economic development | – | 11,400 |
| Landfill site – Haggart dump | 45,000 | 42,500 |
| Beautification committee | 11,368 | 11,368 |
| Cemetery reserve | 12,162 | 12,162 |
| Library reserve | 65,000 | 65,000 |
| Water and sewer reserve | 42,824 | 28,719 |
| Recreation | 19,357 | 18,877 |
| Roads | 32,513 | 91,499 |
| Total reserves | 1,042,145 | 911,077 |
| | \$ 6,168,346 | \$ 6,150,616 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

14. Budget:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council. The reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is listed below.

| | |
|---|------------------|
| Approved deficit per financial plan | \$ (52,570) |
| Less: | |
| Proceeds from issuance of long-term debt | (160,848) |
| Add: | |
| Net reserve transfers and other items | 25,890 |
| Capital acquisitions | 429,070 |
| Principal payments on long-term debt | 66,888 |
| <hr/> Budgeted surplus per financial statements | <hr/> \$ 308,430 |

15. Pension agreements:

OMERS provides pension services to more than 451,000 active and retired members and approximately 974 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, 2018. The results of this valuation disclosed total going concern actuarial liabilities of \$100,081 million (2017 - \$94,431 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$95,890 million (2017 - \$89,028 million) indicating a going concern actuarial deficit of \$4,191 million (2017 - \$5,403 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 and the Authority's share is not determinable. As a result, the Authority does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2018 was \$23,899 (2017 - \$20,913) and is included as an expense in the statement of operations and accumulated surplus.

16. Commitments:

The Municipality has entered into the following long-term agreement:

- (i) The Municipality has entered into an agreement with the Ontario Clean Water Agency to provide to provide supervision, operation and maintenance services for the water treatment plant and lagoon. The total amounts paid to OCWA in 2018 were \$159,048 (2017 - \$128,034).

17. Public sector salary disclosure:

During 2018, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2018

18. Trust funds:

Trust funds administered by the Municipality amounting to \$50,722 (2017 - \$46,004) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

19. Segmented information:

The Municipality is a municipal government institution that provides a range of services to its citizens. Municipality services are reported by function and their activities are separately disclosed in the Schedule of Segmented Information. The nature of the segments and the activities they encompass are as follows:

(a) General Government:

General government consist of the activities of Council and general financial and administrative management of the Municipality and its programs and services.

(b) Protection Services:

Protection Services include police and fire services.

(c) Transportation Services:

The activities of the transportation function include construction and maintenance of the Municipality roads and bridges, winter control and street lighting.

(d) Environmental Services:

This function is responsible for providing water and sewer services to certain areas within the Municipality. It is also responsible for providing waste collection, waste disposal and recycling services.

(e) Health Services:

The health services function consists of the activities of the cemetery activities and other medical services.

(f) Social and Family Services:

This function provides general assistance for social and family services.

(g) Recreation and Cultural Services:

The recreation and cultural services function provides indoor and outdoor recreational facilities and programs and library services.

(h) Planning and Development:

The planning and development services function manages commercial, industrial and residential development within the Municipality.

The accounting policies used in these segments are the same as those described in note 1. For each reported segment, revenues and expenses represent amounts that are directly attributable to each segment. Tax revenues are reported as part of General Government.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Schedule to Note 19 - Segmented Information

Year ended December 31, 2018

| | General Government | Protection Services | Transportation Services | Environmental Services | Health and Social Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | 2018 Total |
|--|-----------------------|------------------------|----------------------------|---------------------------|----------------------------------|----------------------------------|--|-----------------------------|---------------|
| Revenues: | | | | | | | | | |
| Taxation | \$ 1,089,743 | - | - | - | - | - | - | - | 1,089,743 |
| User charges | - | - | - | 143,879 | - | - | - | - | 143,879 |
| Province of Ontario grants | 408,743 | - | - | 51,660 | - | - | 30,560 | - | 490,963 |
| Government of Canada grants | 31,483 | - | - | 2,520 | - | - | - | - | 34,003 |
| Investment income | 5,416 | - | - | - | - | - | - | - | 5,416 |
| Rental income | - | - | - | - | 22,881 | - | - | - | 22,881 |
| Interest and penalties | 8,527 | - | - | - | - | - | - | - | 8,527 |
| Other | 78,101 | 13,260 | 1,700 | 3,565 | 8,549 | 18,800 | 9,117 | - | 133,092 |
| | 1,622,013 | 13,260 | 1,700 | 201,624 | 31,430 | 18,800 | 39,677 | - | 1,928,504 |
| Expenses: | | | | | | | | | |
| Salaries, wages and benefits | 136,862 | 36,694 | 215,965 | 39,207 | 12,344 | - | 73,238 | 12,809 | 527,119 |
| Materials | 85,195 | 148,076 | 218,054 | 48,248 | 108,051 | 118,782 | 88,915 | 14,772 | 830,093 |
| Contracted services | - | 2,009 | 2,077 | 180,418 | - | - | 8,404 | - | 192,908 |
| Rents, financial expenses and other | 20,177 | - | 602 | 12,135 | - | - | 5,711 | - | 38,625 |
| External transfers | 3,389 | - | - | - | - | - | - | - | 3,389 |
| Amortization of tangible capital assets | 7,998 | 26,029 | 80,132 | 132,142 | 8,941 | - | 62,398 | - | 317,640 |
| | 253,621 | 212,808 | 516,830 | 412,150 | 129,336 | 118,782 | 238,666 | 27,581 | 1,909,774 |
| Excess (deficiency) of revenues over expenses | \$ 1,368,392 | (199,548) | (515,130) | (210,526) | (97,906) | (99,982) | (198,989) | (27,581) | 18,730 |

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Schedule to Note 19 - Segmented Information (continued)

Year ended December 31, 2018

| | General Government | Protection Services | Transportation Services | Environmental Services | Health and Social Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | 2017 Total |
|--|-----------------------|------------------------|----------------------------|---------------------------|----------------------------------|----------------------------------|--|--------------------------------|---------------|
| Revenues: | | | | | | | | | |
| Taxation | \$ 1,043,278 | - | - | - | - | - | - | - | 1,043,278 |
| User charges | - | - | - | 133,889 | - | - | - | - | 133,889 |
| Province of Ontario grants | 397,500 | - | - | 160,483 | - | - | 34,354 | - | 592,337 |
| Government of Canada grants | 3,524 | - | - | 1,197 | - | - | - | - | 4,721 |
| Investment income | 8,631 | - | - | - | - | - | - | - | 8,631 |
| Rental income | - | - | - | - | 19,288 | - | 2,400 | - | 21,688 |
| Interest and penalties | 6,813 | - | - | - | - | - | - | - | 6,813 |
| Other | 7,671 | 14,032 | 1,179 | 1,625 | 5,587 | - | 2,715 | - | 32,809 |
| | 1,467,417 | 14,032 | 1,179 | 297,194 | 24,875 | - | 39,469 | - | 1,844,166 |
| Expenses: | | | | | | | | | |
| Salaries, wages and benefits | 114,603 | 32,934 | 188,412 | 63,066 | 10,204 | - | 26,095 | 7,618 | 442,932 |
| Materials | 85,706 | 133,963 | 143,148 | 71,663 | 83,740 | 134,961 | 85,081 | 18,367 | 756,629 |
| Contracted services | - | 2,090 | 2,338 | 162,552 | - | - | 7,950 | - | 174,930 |
| Rents, financial expenses and other | 26,934 | - | 5,455 | 1,820 | - | - | 49,590 | - | 83,799 |
| External transfers | 34,904 | - | - | - | - | - | - | - | 34,904 |
| Amortization of tangible capital assets | 14,668 | 21,058 | 82,250 | 130,389 | 7,403 | - | 42,634 | - | 298,402 |
| | 276,815 | 190,045 | 421,603 | 429,490 | 101,347 | 134,961 | 211,350 | 25,985 | 1,791,596 |
| Excess (deficiency) of revenues over expenses | \$ 1,190,602 | (176,013) | (420,424) | (132,296) | (76,472) | (134,961) | (171,881) | (25,985) | 52,570 |