

Consolidated Financial Statements of

**CORPORATION OF THE TOWNSHIP
OF SOUTH ALGONQUIN**

And Independent Auditors' Report thereon

Year ended December 31, 2019

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of South Algonquin (the "Township") are the responsibility of the Township'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 Township'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.

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 Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Mayor



CAO/Clerk Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Residents and Ratepayers of the Corporation of the Township of South Algonquin

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of South Algonquin (The Township), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statements of changes in net financial assets 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 financial position of the Township as at December 31, 2019, and its results of operations, its changes in net debt 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. 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 Entity 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.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 4, 2019.



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 Town'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 Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Town'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 Entity'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 Entity'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.
- 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 6, 2020

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Consolidated Financial Statements

Year ended December 31, 2019

Consolidated Financial Statements

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THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 2,566,979	\$ 1,291,827
Taxes and user charges receivable (note 4)	187,879	175,434
Accounts receivable	171,929	636,529
	<u>2,926,787</u>	<u>2,103,790</u>
Financial liabilities		
Accounts payable and accrued liabilities	468,803	200,958
Deferred revenue (note 6)	151,891	138,540
Municipal debt	-	9,744
Landfill closure and post-closure liability (note 10)	208,647	278,647
	<u>829,341</u>	<u>627,889</u>
Net financial assets	<u>2,097,446</u>	<u>1,475,901</u>
Non-financial assets		
Tangible capital assets (note 11)	8,736,133	8,521,346
Prepaid expenses	9,034	11,471
	<u>8,745,167</u>	<u>8,532,817</u>
Accumulated surplus (note 12)	<u>\$ 10,842,613</u>	<u>\$ 10,008,718</u>

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

On behalf of Council:

_____ Mayor

_____ Councilor

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget (note 9)	Actual 2019	Actual 2018
Revenue:			
Property taxes	\$ 2,326,880	\$ 2,334,896	\$ 2,223,700
User fees	44,640	67,904	62,017
Government transfers	1,269,270	1,628,603	2,471,601
Other	128,400	186,704	334,947
Total revenue	3,769,190	4,218,107	5,092,265
Expenses:			
General government	557,750	536,608	491,300
Protection to persons and property	576,160	557,246	556,454
Transportation services	1,193,570	1,008,301	945,071
Environmental services	314,700	233,344	296,403
Health services	25,520	30,388	25,553
Social and family services	615,080	614,915	597,610
Recreation and cultural services	315,750	330,372	268,329
Planning and development	99,570	73,038	83,943
Total expenses	3,698,100	3,384,212	3,264,663
Annual surplus	71,090	833,895	1,827,602
Accumulated surplus, beginning of year	10,008,718	10,008,718	8,181,116
Accumulated surplus, end of year	\$ 10,079,808	\$ 10,842,613	\$ 10,008,718

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	Actual 2019	Actual 2018
Annual surplus	\$ 833,895	\$ 1,827,602
Acquisition of tangible capital assets	(769,098)	(2,422,985)
Amortization of tangible capital assets	545,925	436,027
Loss (gain) on disposal of tangible capital assets	6,376	(87,410)
Proceeds on disposal of tangible capital assets	2,010	109,639
Change in prepaid expenses	2,437	(4,659)
	(212,350)	(1,969,388)
Change in net financial assets	621,545	(141,786)
Net financial assets, beginning of year	1,475,901	1,617,687
Net financial assets, end of year	\$ 2,097,446	\$ 1,475,901

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 833,895	\$ 1,827,602
Items not involving cash:		
Amortization of tangible capital assets	545,925	436,027
Loss (gain) on disposal of tangible capital assets	6,376	(87,410)
	1,386,196	2,176,219
Change in non-cash assets and liabilities:		
Increase in taxes and user charges receivable	(12,445)	(12,630)
Decrease (increase) in accounts receivable	464,600	(518,217)
Increase in accounts payable and accrued liabilities	267,845	14,359
Increase in deferred revenue	13,351	19,573
Increase (decrease) in landfill closure and post closure liability	(70,000)	4,722
Increase (decrease) in prepaid expenses	2,437	(4,659)
Net change in cash from operating activities	2,051,984	1,679,367
Capital activities:		
Acquisition of tangible capital assets	(769,098)	(2,422,985)
Proceeds on sale of tangible capital assets	2,010	109,639
Net change in cash from capital activities	(767,088)	(2,313,346)
Financing activities:		
Long-term debt principal repayment	(9,744)	(19,089)
Net change in cash from financing activities	(9,744)	(19,089)
Net change in cash	1,275,152	(653,068)
Cash, beginning of year	1,291,827	1,944,895
Cash, end of year	\$ 2,566,979	\$ 1,291,827

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

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements

Year ended December 31, 2019

The Corporation of the Township of South Algonquin (the "Township") is a single-tier municipal corporation located in Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Planning Act, Building Code Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Township 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 Township are as follows:

(a) Basis of consolidation:

i) 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 Township and which are owned or controlled by the Township. These consolidated financial statements include the following:

South Algonquin Public Library Board

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

ii) Non-consolidated entities:

The following joint boards are not consolidated:

District of Nipissing Social Services Administration Board

Renfrew County and District Health Unit

East Nipissing District Home for the Aged

iii) Accounting for school board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal position of these consolidated financial statements.

(b) Basis of accounting:

i) Accrual accounting:

The consolidated financial statements of the Township have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(ii) Revenue recognition:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amount the Township is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of supplementary assessments and appeals are estimated based on historical results.

The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the accounts in the period the interest and penalties are levied.

Government transfers are recognized in the period that the events giving rise to the transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met and the amount can be reasonably estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred revenue and are recognized as revenue in the period in which all of these criteria are met.

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.

(iii) Accounts receivable:

Accounts receivable are reported net of any allowance for doubtful accounts.

(iv) Reserve and reserve funds:

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

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(v) Pension plan:

The Township 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 Township has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Township 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.

(vi) Use of estimates and measurement uncertainty:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period. Significant estimates and assumptions, which include valuation allowances on taxes and landfill closure and post-closure liabilities; and are based on management's best information and judgement. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

(vii) 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. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the consolidated change in net financial assets for the year.

(viii) Deferred revenues:

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or the services are performed.

A requirement for local governments 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. Given the restriction in use until spent on qualifying projects or expenses these amounts are deferred.

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(ix) Deferred revenue – obligatory reserve funds:

The Township receives certain contributions under the authority of federal and provincial legislation. In accordance with Municipal regulation, these contributions are restricted in their use and, until spent on qualifying projects or expenses, are recorded as deferred revenue.

(x) 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.

(xi) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset.

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

Asset	Useful Life - Years
Land	Infinite
Land improvements	15 - 20
Buildings	20 - 60
Vehicles and equipment	5 - 25
Roads, bridges and sidewalks	15 - 40

A full year of amortization is taken in the year of acquisition and no amortization is taken in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Interest during the period of construction is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

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

The Township has a capitalization threshold of \$5,000; individual tangible capital assets, or pooled assets of lesser value are expensed in the year of purchase.

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

2. Contributions to non-consolidated joint local boards:

Further to note 1(a)(ii), contributions were made by the Township to these boards:

	2019	2018
District of Nipissing Social Services Administration Board	\$ 497,317	\$ 478,910
Renfrew County and District Health Unit	19,283	19,476
East Nipissing District Home for the Aged	107,689	105,963

The Township is contingently liable for its share of any accumulated deficit as at the end of the year for these boards.

3. Operations of school boards:

Further to note 1(a)(ii), the Township collected and transferred property taxes totaling \$472,831 (2018 - \$483,019) on behalf of area school boards.

4. Taxes and user charges receivable:

	2019	2018
Current	\$ 101,331	\$ 102,029
Prior years	72,166	59,457
Penalties and interest	14,382	13,948
	\$ 187,879	\$ 175,434

5. Credit facility agreement:

The Township has an authorized operating loan with its main financial institution. The amount available at any time is limited to \$300,000 (2018 - \$300,000), of which \$Nil (2018 - \$Nil) was used at the end of the year. Any balance borrowed will accrue interest at 3.95% per annum.

6. Deferred revenue:

Deferred revenue is funding received in the current and prior years for expenditures which were not incurred in the current or prior years. These revenues will be matched against the applicable future expenditures as they are incurred.

	2019	2018
Federal gas tax	\$ 146,891	\$ 94,925
Other	5,000	43,615
	\$ 151,891	\$ 138,540

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Contractual obligations:

The Township has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. The contract expires May 2020, with an annual fee estimate provided for the upcoming year. During 2019, \$333,801 (2018 - \$340,102) was expended on police services.

8. Pension plan:

OMERS provides pension services to more than 500,000 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, 2019. The results of this valuation disclosed total going concern actuarial liabilities of \$107,687 million (2018 - \$100,081 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$104,290 million (2018 - \$95,890 million) indicating a going concern actuarial deficit of \$3,397 million (2018 - \$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 Municipal does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2019 was \$60,227 (2018 - \$56,534) and is included as an expense in the consolidated statement of operations and accumulated surplus.

9. Budget figures:

The Township completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2019 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and has been reclassified to comply with PSAB reporting requirements. Budgets established for Reserves and Reserve Funds are on a project-oriented basis, the costs of which may be carried out over one or more years and funding is determined annually and made by transfers from individual funds and by the application of applicable grants or other funds available to reserves or reserve funds. During 2019, council approved net transfers of \$178,570 (2018 - \$490,840) from reserves and reserve funds for capital projects. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected within the Consolidated Statement of Operations and Accumulated Surplus.

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

10. 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 life of the landfill sites 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 terms using the best information available to management. Future events may result in significant changes to the estimated total expenditures; capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Province of Ontario's average long-term borrowing rate of 2.53% (2018 – 2%) minus an inflation rate of 2.5% (2018 – 2%).

The estimated total landfill closure and post-closure care expenditures are calculated to be \$208,647 (2018 - \$278,647). The estimated liability for these expenditures is recognized as the landfill site's capacity is used.

Airy Site

The landfill is expected to reach its capacity in 17 years, and the estimated remaining capacity is 37,295 cubic meters, which is 65% of the site's total capacity. The total discounted future expenditures for closure and post-closure care are \$222,196 (2018 - \$220,900). The estimated length of time for post-closure care is 10 years.

Madawaska Site

The landfill is expected to reach its capacity in 46 years, and the estimated remaining capacity is 39,513 cubic metres, which is 49% of the site's total capacity. The total discounted future expenditures for closure and post-closure care are \$126,073 (2018 - \$145,198). The estimated length of time for post-closure care is 10 years.

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals / asset reclassification	Balance at December 31, 2019
Land and land improvements	\$ 518,739	69,718	10,687	\$ 599,144
Buildings	3,398,894	51,298	-	3,450,192
Vehicle and equipment	2,319,511	314,615	-	2,634,126
Roads, bridges and sidewalks	10,006,437	285,018	(112,768)	10,178,687
Assets under construction	23,598	41,657	(23,598)	41,657
Total	\$ 16,267,179	762,306	(125,679)	\$ 16,903,806

Accumulated Amortization	Balance at December 31, 2018	Disposals and write-downs	Amortization	Balance at December 31, 2019
Land and land improvements	\$ 256,481	(12,911)	29,276	\$ 272,846
Buildings	832,533	(8,876)	69,680	893,337
Vehicle and equipment	1,384,554	2,175	135,070	1,521,799
Roads, bridges and sidewalks	5,272,265	(104,473)	311,899	5,479,691
Assets under construction	-	-	-	-
Total	\$ 7,745,833	(124,085)	545,925	\$ 8,167,673

	Net book value, December 31, 2018	Net book value, December 31, 2019
Land and land improvements	\$ 262,258	\$ 326,298
Buildings	2,566,361	2,556,855
Vehicle and equipment	934,957	1,112,327
Roads, bridges and sidewalks	4,734,172	4,698,996
Assets under construction	23,598	41,657
Total	\$ 8,521,346	\$ 8,736,133

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Tangible capital assets (continued):

Cost	Balance at December 31, 2017	Additions	Disposals / asset reclassification	Balance at December 31, 2018
Land and land improvements	\$ 495,992	22,747	-	\$ 518,739
Buildings	3,382,394	82,586	(66,086)	3,398,894
Vehicle and equipment	2,144,426	357,376	(182,291)	2,319,511
Roads, bridges and sidewalks	7,997,021	2,009,416	-	10,006,437
Assets under construction	72,738	20,625	(69,765)	23,598
Total	\$ 14,092,571	2,492,750	(318,142)	\$ 16,267,179

Accumulated Amortization	Balance at December 31, 2017	Disposals and write-downs	Amortization	Balance at December 31, 2018
Land and land improvements	\$ 233,794	-	22,687	\$ 256,481
Buildings	810,516	(43,857)	65,874	832,533
Vehicle and equipment	1,480,912	(182,291)	85,933	1,384,554
Roads, bridges and sidewalks	5,010,732	-	261,533	5,272,265
Assets under construction	-	-	-	-
Total	\$ 7,535,954	(226,148)	436,027	\$ 7,745,833

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land and land improvements	\$ 262,198	\$ 262,258
Buildings	2,571,878	2,566,361
Vehicle and equipment	663,514	934,957
Roads, bridges and sidewalks	2,986,289	4,734,172
Assets under construction	72,738	23,598
Total	\$ 6,556,617	\$ 8,521,346

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Accumulated surplus:

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

	2019	2018
Surplus:		
Invested in tangible capital assets (note 13)	\$ 8,736,133	\$ 8,511,602
General Fund	1,202,273	768,287
Amounts to be recovered:		
Landfill closure and post-closure costs	(208,647)	(278,647)
	9,729,759	9,001,242
Reserve and reserve funds set aside for specific purpose by Council:		
Fire facilities, fire equipment, and emergency measures funds	157,821	101,231
Transportation and equipment funds	393,493	343,493
Landfill site closure and facility, and environmental equipment funds	344,050	344,050
Health facilities and helipad funds	17,500	14,000
Social facilities fund	4,000	4,000
Recreation and culture funds	170,990	175,702
Planning fund	25,000	25,000
	1,112,854	1,007,476
Accumulated surplus	\$ 10,842,613	\$ 10,008,718

13. Equity in tangible capital assets:

The Township's equity in tangible capital assets is represented by:

	2019	2018
Tangible capital assets (note 11)	\$ 16,903,806	\$ 16,267,179
Accumulated amortization (note 11)	(8,167,673)	(7,745,833)
Long-term debt	—	(9,744)
Equity in tangible capital assets	\$ 8,736,133	\$ 8,511,602

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

14. Expenses by object:

	2019	2018
Salaries and benefits	\$ 1,087,681	\$ 1,065,850
Long-term debt interest	78	554
Materials and supplies	642,587	651,529
Contracted services	436,547	460,187
Rents and financial expenses	48,713	45,481
External transfers	622,681	605,035
Amortization	545,925	436,027
	\$ 3,384,212	\$ 3,264,663

15. Comparative information:

The financial statements have been reclassified, where applicable to conform to the presentation used in the current year. The changes do not affect prior year earnings.

16. Financial instruments:

The Township is exposed to various risks through its financial instruments. The following analysis provides information about the Township's risk exposure and concentration as of December 31, 2019.

(a) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Township is exposed to credit risk from customers and ratepayers. The Township has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Township has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Township manages exposure through its normal operating and financing activities. The Township is exposed to various risks through its financial instruments.

17. Public sector salary disclosures:

During 2019, no employees were paid a salary, as defined in the Public Sector Salary Disclosures Act, 1996, of \$100,000 or more by the Township.

18. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Township is not known at this time.

CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

19. Segmented information:

The Township of South Algonquin is a diversified municipal government that provides a wide range of services to its citizens. For management reporting purposes, the Township's operations and activities are organized and 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.

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

GENERAL GOVERNMENT

This segment includes Council, Clerk's Department and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

PROTECTION TO PERSONS AND PROPERTY

Protection to persons and property is comprised of fire and police protection, animal control, building permits and inspectors. The fire department is responsible for providing fire suppression services, fire prevention and training and education related to prevention detection or extinguishment of fires. The Township has a contract with the Ontario Provincial Police (through agreement with the Township) to provide services relating to the safety of persons and property, and transportation of prisoners.

TRANSPORTATION SERVICES

Transportation services include roadway systems and winter control.

ENVIRONMENTAL SERVICES

Environmental services consists of solid waste disposal.

HEALTH SERVICES

This segment includes ambulance services as well as payments to the district health unit.

SOCIAL AND FAMILY SERVICES

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

RECREATION AND CULTURAL SERVICES

The Township provides recreation and leisure services such as fitness and aquatic programs and library service.

PLANNING AND DEVELOPMENT

This segment included activities related to planning, zoning and economic development.

UNALLOCATED AMOUNTS

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and the Township's annual Ontario Municipal Partnership Fund unconditional grant.

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Note 19. Segmented Information (continued)

Year ended December 31, 2019

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and culture	Planning and Development	Unallocated amounts	2019 Total
Revenue:										
Taxation	\$ -	-	-	-	-	-	-	-	2,334,896	\$ 2,334,896
User fees	4,441	21,357	25,262	15,066	-	-	1,778	-	-	67,904
Government transfers	1,532,392	2,244	53,476	6,902	-	-	33,589	-	-	1,628,603
Other	76,932	14,788	-	5,500	33,915	-	47,857	14,088	(6,376)	186,704
	1,613,765	38,389	78,738	27,468	33,915	-	83,224	14,088	2,328,520	4,218,107
Expenses:										
Salaries and benefits	379,464	103,008	309,539	156,858	-	-	121,245	17,567	-	1,087,681
Long-term debt interest	-	78	-	-	-	-	-	-	-	78
Materials	81,888	52,597	285,588	47,203	-	10,600	121,959	42,752	-	642,587
Contracted services	39,389	348,000	21,863	1,449	6,222	-	8,422	11,202	-	436,547
Rent and financial	14,587	13,115	3,867	14,451	-	-	1,176	1,517	-	48,713
External transfers	503	-	-	-	19,283	602,895	-	-	-	622,681
Amortization of tangible capital assets	20,777	40,448	387,444	13,383	4,883	1,420	77,570	-	-	545,925
	536,608	557,246	1,008,301	233,344	30,388	614,915	330,372	73,038	-	3,384,212
Annual surplus (deficit)	\$ 1,077,157	(518,857)	(929,563)	(205,876)	3,527	(614,915)	(247,148)	(58,950)	2,328,520	\$ 833,895

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Note 19. Segmented Information (continued)

Year ended December 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and culture	Planning and Development	Unallocated amounts	2018 Total
Revenue:										
Taxation	\$ -	-	-	-	-	-	-	-	2,223,700	\$ 2,223,700
User fees	4,204	21,427	19,367	15,507	-	-	1,512	-	-	62,017
Government transfers	1,017,071	2,878	1,382,663	4,362	-	-	64,627	-	-	2,471,601
Other	143,477	14,311	587	3,923	29,341	-	33,622	21,739	87,947	334,947
	1,164,752	38,616	1,402,617	23,792	29,341	-	99,761	21,739	2,311,647	5,092,265
Expenses:										
Salaries and benefits	329,399	107,571	344,052	153,208	-	-	113,645	17,975	-	1,065,850
Long-term debt interest	-	554	-	-	-	-	-	-	-	554
Materials	71,373	50,706	269,093	118,999	-	11,316	86,084	43,958	-	651,529
Contracted services	55,578	353,067	20,621	1,291	1,194	-	7,906	20,530	-	460,187
Rents and financial	15,396	13,025	3,808	10,484	-	-	1,288	1,480	-	45,481
External transfers	686	-	-	-	19,476	584,873	-	-	-	605,035
Amortization of tangible capital assets	18,868	31,531	307,497	12,421	4,883	1,421	59,406	-	-	436,027
	491,300	556,454	945,071	296,403	25,553	597,610	268,329	83,943	-	3,264,663
Annual surplus (deficit)	\$ 673,452	(517,838)	457,546	(272,611)	3,788	(597,610)	(168,568)	(62,204)	2,311,647	\$ 1,827,602

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019, with comparative information for 2018

20. Supplementary financial information - South Algonquin Library Board:

	2019	2018
Financial Assets		
Cash	\$ 4,004	\$ 10,268
Due from own municipality	42,026	29,032
	46,030	39,300
Non-Financial Assets		
Tangible capital assets - net	223,714	215,808
Accumulated surplus	\$ 269,744	\$ 255,108
	Budget 2019 (note 9)	Actual 2019 Actual 2018
Revenue:		
Municipal contributions	\$ 75,206	\$ 75,206 \$ 67,690
Provincial grants	6,470	7,004 13,860
Other	150	349 371
	81,826	82,559 81,921
Expenses:		
Wages and benefits	39,960	38,199 38,099
Books, periodicals and small equipment	6,000	6,066 12,999
Operating supplies and maintenance	27,900	15,692 16,993
Amortization	7,966	7,966 7,309
	81,826	67,923 75,400
Annual surplus	-	14,636 6,521
Accumulated surplus, beginning of year	255,108	255,108 248,587
Accumulated surplus, end of year	\$ 255,108	\$ 269,744 \$ 255,108