

**THE CORPORATION OF THE  
TOWNSHIP OF TAY  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

---

	Page
Independent Auditors' Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets (Debt)	5
Consolidated Statement of Cash Flow	6
Notes to the Consolidated Financial Statements	7 - 19
Schedule 1 - Consolidated Schedule of Tangible Capital Assets	20
Supplementary Unaudited Schedule of Surplus	21
Supplementary Financial Information - Tay Public Library	22



---

INDEPENDENT AUDITORS' REPORT

---

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Tay

*Opinion*

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Tay as at December 31, 2018, and the results of its operations 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 responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Matter*

The comparative financial statements as at December 31, 2017 have been restated as disclosed in Note 2 to the financial statements.

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

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

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

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

*Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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:



# PAHAPILL and ASSOCIATES Chartered Accountants

Professional Corporation

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Huntsville, Ontario  
June 26, 2019

*Pahapill and Associates*

Pahapill and Associates Professional Corporation  
Chartered Professional Accountants  
Authorized to practise public accounting by  
The Chartered Professional Accountants of Ontario

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	2018	2017 (Note 2)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 13,674,531	\$ 14,712,441
Accounts receivable, net of allowance of \$14,679 (2017 - \$14,679)	2,304,419	2,890,945
Investment in Tay Hydro Inc. (Note 5)	3,379,613	3,430,885
Due from Tay Hydro Inc. (Note 6)	19,820	19,820
Debt Recoverable from Others	48,949	61,700
Land Inventory	-	6,624
Due from Newmarket-Tay Power Distribution Ltd. (Note 7)	1,742,821	1,742,821
	<b>21,170,153</b>	<b>22,865,236</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	3,399,368	3,365,694
Deferred revenue - general (Note 8)	444,303	3,097,687
Deferred revenue - obligatory reserve funds (Note 9)	1,429,351	1,314,400
Interest on long-term liabilities	80,573	87,087
Municipal debt (Note 10)	9,625,428	10,348,986
Employee benefits payable (Note 14)	612,700	615,400
	<b>15,591,723</b>	<b>18,829,254</b>
<b>NET FINANCIAL ASSETS</b>	<b>5,578,430</b>	<b>4,035,982</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net (Note 11, Schedule 1)	108,133,779	105,992,721
Prepaid expenses	106,919	464,251
	<b>108,240,698</b>	<b>106,456,972</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 113,819,128</b>	<b>\$ 110,492,954</b>

CONTINGENT LIABILITIES (Note 15)

APPROVED ON BEHALF OF COUNCIL:

\_\_\_\_\_  
 Mayor

The accompanying notes and schedules are an integral part of these financial statements

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget 2018 (Note 13)	Actual 2018	Actual 2017 (Note 2)
<b>REVENUE</b>			
Property taxes	\$ 8,708,662	\$ 8,795,164	\$ 8,347,330
User fees	5,214,659	5,582,042	5,043,976
Government transfers	15,325,879	4,968,185	3,794,531
Contributions from obligatory reserve fund	490,200	593,681	159,887
Tay Hydro Inc. income (loss) (Note 5)	-	(51,272)	91,002
Other	4,905,994	1,387,950	3,704,077
<b>TOTAL REVENUE</b>	<b>34,645,394</b>	<b>21,275,750</b>	<b>21,140,803</b>
<b>EXPENSES</b>			
General government	1,833,012	1,867,488	2,015,311
Protection to persons and property	3,353,227	3,415,585	3,279,870
Transportation services	3,460,203	3,631,746	3,429,892
Environmental services	5,596,234	6,667,886	5,724,685
Health services	23,800	23,800	23,800
Recreation and culture	1,933,522	1,851,087	1,973,685
Planning and development	517,172	491,984	646,402
<b>TOTAL EXPENSES</b>	<b>16,717,170</b>	<b>17,949,576</b>	<b>17,093,645</b>
<b>ANNUAL SURPLUS</b>	<b>17,928,224</b>	<b>3,326,174</b>	<b>4,047,158</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>110,492,954</b>	<b>110,492,954</b>	<b>106,445,796</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 128,421,178</b>	<b>\$ 113,819,128</b>	<b>\$ 110,492,954</b>

The accompanying notes and schedules are an integral part of these financial statements

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget 2018 (Note 13)	Actual 2018	Actual 2017 (Note 2)
<b>Annual surplus</b>	\$ 17,928,224	\$ 3,326,174	\$ 4,047,158
Acquisition of tangible capital assets	(23,061,468)	(7,080,812)	(8,430,210)
Amortization of tangible capital assets	4,303,178	4,303,178	3,828,502
Contributed tangible capital assets	(56,425)	(56,425)	(2,042,755)
Allocation from work in progress	-	-	31,139
Land transferred from land inventory to assets	-	(6,624)	-
(Gain) loss on disposition of tangible capital assets	-	663,107	1,038,628
Proceeds on disposition of tangible capital assets	-	36,518	30,566
Change in prepaid expense	-	357,332	(401,393)
<b>Increase (decrease) in net financial assets</b>	<b>(886,491)</b>	<b>1,542,448</b>	<b>(1,898,365)</b>
<b>Net financial assets (debt), beginning of year</b>	<b>4,035,982</b>	<b>4,035,982</b>	<b>5,934,347</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ 3,149,491</b>	<b>\$ 5,578,430</b>	<b>\$ 4,035,982</b>

The accompanying notes and schedules are an integral part of these financial statements

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017 (Note 2)
<b>Operating transactions</b>		
Annual surplus	\$ 3,326,174	\$ 4,047,158
Non-cash charges to operations:		
Amortization	4,303,178	3,828,502
(Gain)loss on disposal of tangible capital assets	663,107	1,038,628
Land transferred from land inventory to assets	(6,624)	-
Contributed tangible capital assets	(56,425)	(2,042,755)
	<b>8,229,410</b>	<b>6,871,533</b>
Changes in non-cash items:		
Accounts receivable	586,526	(696,551)
Land Inventory	6,624	187,133
Accounts payable and accrued liabilities	33,674	(1,283,052)
Deferred revenue - general	(2,653,384)	150,197
Deferred revenue - obligatory reserve funds	114,951	758,672
Interest on long-term liabilities	(6,514)	50,973
Employee benefits payable	(2,700)	(5,800)
Prepaid expenses	357,332	(401,393)
	<b>(1,563,491)</b>	<b>(1,239,821)</b>
<b>Cash provided by operating transactions</b>	<b>6,665,919</b>	<b>5,631,712</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(7,080,812)	(8,430,210)
Allocation from work in progress	-	31,139
Proceeds on disposal of tangible capital asset	36,518	30,566
<b>Cash applied to capital transactions</b>	<b>(7,044,294)</b>	<b>(8,368,505)</b>
<b>Investing transactions</b>		
Tay Hydro Inc.	51,272	(91,002)
<b>Cash provided by investing transactions</b>	<b>51,272</b>	<b>(91,002)</b>
<b>Financing transactions</b>		
Debt recoverable	12,751	12,030
Debt advances	-	4,795,000
Debt principal repayments	(723,558)	(3,772,342)
<b>Cash applied to financing transactions</b>	<b>(710,807)</b>	<b>1,034,688</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,037,910)</b>	<b>(1,793,107)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>14,712,441</b>	<b>16,505,548</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 13,674,531</b>	<b>\$ 14,712,441</b>

The accompanying notes and schedules are an integral part of these financial statements



**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 Year Ended December 31, 2018

---

The Corporation of the Township of Tay is a lower-tier municipality located in the County of Simcoe in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Planning Act, Building Code Act and other related legislation.

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues, expenses and reserve and reserve fund balances of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated and Proportionally Consolidated entities

The following local boards are consolidated:

Tay Public Library Board

The following joint local boards and committees are proportionally consolidated:

Severn Sound Environmental Association (SSEA)	11%
---	-----

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the Municipality and interorganizational transactions and balances are not eliminated. The following government business enterprise is included in these financial statements: Tay Hydro Inc.

(iii) Accounting for County and school board transactions

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

(b) Basis of Accounting

(i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. This method recognizes revenues as they become 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.

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of Municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

---

(a) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt. 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 - 15 to 50 years  
 Buildings - 50 to 75 years  
 Machinery, equipment and furniture - 4 to 30 years  
 Vehicles - 4 to 25 years  
 Linear assets - 7 to 100 years

No amortization is taken in the year of acquisition and a full year is taken in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

(iii) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

(iv) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(v) Deferred revenue

The Municipality receives gas tax revenue from the Federal Government and payments in lieu of parkland under the authority of provincial legislation and Municipal by-laws. These funds are restricted in their use and until applied to the applicable expenditures are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended. The Municipality also defers recognition of certain government grants which have been collected but for which the related expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the services are performed.

**THE CORPORATION OF THE TOWNSHIP OF TAY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

---

- (vi) Taxation and related revenues  
Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality 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 assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.
- (vii) Pensions and employee benefits  
The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan.
- (viii) 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 date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable, various employee matters, historical cost and useful lives of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future. The estimates are reviewed periodically and any resulting adjustments are reported in earnings in the year in which they become known.
- (ix) Land inventory  
Land inventory is held for resale and is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year Ended December 31, 2018

2. **RESTATEMENT**

The comparative figures included in these financial statements have been restated to conform with the accounting and reporting practices adopted for the current year. The most significant change relates to the reporting of capital assets, which had previously been reported as expenditures in the financial statements in the year of acquisition. The comparative figures also did not include a writeoff of amounts due to related party in Tay Hydro Inc.

The effects of this restatement are as follows:

Year ended December 31, 2017

<b>ACCUMULATED SURPLUS</b>	
Accumulated surplus, as previously reported	\$ 109,608,928
Net book value of tangible capital assets recorded	850,808
Land inventory disposed of in prior years	(3,401)
Tay Hydro writeoff of due to related party	36,619
<b>ACCUMULATED SURPLUS, AS RESTATED</b>	<b>\$ 110,492,954</b>

<b>ANNUAL SURPLUS</b>	
Annual surplus as previously reported	\$ 4,014,324
Amortization expense not previously recorded	(3,785)
Tay Hydro writeoff of due to related party	36,619
<b>ANNUAL SURPLUS, AS RESTATED</b>	<b>\$ 4,047,158</b>

3. **CASH**

Cash consists of the following:

	2018	2017
Unrestricted	\$ 7,614,481	\$ 9,467,693
Restricted	6,060,050	5,244,748
	<b>\$ 13,674,531</b>	<b>\$ 14,712,441</b>

Restricted cash includes development charges, cash in lieu of parkland, conditional grants (included in deferred revenue), water and wastewater reserves and library.

## THE CORPORATION OF THE TOWNSHIP OF TAY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

#### 4. OPERATIONS OF SCHOOL BOARDS AND COUNTY

Further to Note 1(a)(iii), the Municipality is required to collect property taxes and payments-in-lieu of taxes on the behalf of the school boards and county. The amounts collected, remitted and outstanding are as follows:

	2018 School Boards	2018 County	2018 Total	2017 Total
Payable at the beginning of the year	\$ -	\$ -	\$ -	\$ -
Taxation and payments-in-lieu, net of adjustments	2,709,662	3,721,219	6,430,881	6,323,126
Remitted during the year	(2,709,662)	(3,721,219)	(6,430,881)	(6,323,126)
<b>Payable (receivable) at the end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

#### 5. INVESTMENT IN TAY HYDRO INC.

Tay Hydro Inc., a corporation incorporated under the laws of the Province of Ontario, is a 7% shareholder of Newmarket-Tay Power Distribution Ltd. and sole shareholder of Tay Contracting Inc., a services company. The corporation of the Township of Tay owns 100% of the outstanding shares. Tay Hydro Inc. uses the equity method to account for its investment in Newmarket-Tay Power Distribution Ltd. Condensed financial information in respect to Tay Hydro Inc. is provided below.

	2018	2017 (Note 2)
<b>Consolidated Balance Sheet</b>		
<b>Assets:</b>		
Total Assets	\$ 3,463,618	\$ 3,457,817
<b>Liabilities:</b>		
Debt due to shareholders (Note 6)	\$ 19,820	\$ 19,820
Other liabilities	64,185	7,112
Total Liabilities	84,005	26,932
<b>Equity</b>		
Shareholder's equity	3,379,613	3,430,885
Total Equity	3,379,613	3,430,885
Total Liabilities and Equity	\$ 3,463,618	\$ 3,457,817
Municipality's share of equity (100% ownership)	\$ 3,379,613	\$ 3,430,885
<b>Consolidated Statement of Operations, Retained Earnings and Comprehensive Income</b>		
Total Revenues	77,811	207,152
Total Expenses	28,083	485
Other comprehensive income (loss)	-	(7,553)
Income taxes	-	7,112
Net income and comprehensive income	49,728	192,002
Less: dividends	(101,000)	(101,000)
Net income (loss), net of dividends	\$ (51,272)	\$ 91,002

# THE CORPORATION OF THE TOWNSHIP OF TAY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

Municipality's share of net income (loss), net of dividends (100% ownership)	\$	(51,272)	\$	91,002
---	----	----------	----	--------

During 2018 the municipality received \$101,000 (2017 - \$101,000) in dividends from Tay Hydro Inc. and \$95,507 (2017 - \$95,507) in interest from Newmarket-Tay Power Distribution Ltd., which is included with other revenues.

### 6. DUE FROM TAY HYDRO INC.

The amount receivable from Tay Hydro Inc. is comprised of the following:

	2018	2017
Promissory notes receivable, non-interest bearing, no specific terms of repayment	\$ 19,820	\$ 19,820

### 7. DUE FROM NEWMARKET-TAY POWER DISTRIBUTION LTD.

The amount receivable from Newmarket-Tay Power Distribution Ltd. is comprised of the following:

	2018	2017
Note receivable, 5.48% semi-annual interest, no due date. unsecured	\$ 1,742,821	\$ 1,742,821

### 8. DEFERRED REVENUE - GENERAL

The 2018 continuity of transactions within general deferred revenue are described below:

	Balance beginning of year	Contributions received	Interest earned	Amounts taken into revenue	Balance end of year
Grants	\$ 2,955,711	\$ 14,879	\$ 36,574	\$(2,721,449)	\$ 285,715
Other	141,976	125,876	-	(109,264)	158,588
	<b>\$ 3,097,687</b>	<b>\$ 140,755</b>	<b>\$ 36,574</b>	<b>\$(2,830,713)</b>	<b>\$ 444,303</b>

### 9. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The 2018 continuity of transactions within the obligatory reserve funds are described below:

	Balance beginning of year	Contributions received	Interest earned	Amounts taken into revenue	Balance end of year
Development charges	\$ 1,251,697	\$ 679,434	\$ 26,944	\$ (593,682)	\$ 1,364,393
Recreational Land	59,598	4,250	1,110	-	64,958
Federal gas tax	3,105	310,101	2	(313,208)	-
	<b>\$ 1,314,400</b>	<b>\$ 993,785</b>	<b>\$ 28,056</b>	<b>\$ (906,890)</b>	<b>\$ 1,429,351</b>

## THE CORPORATION OF THE TOWNSHIP OF TAY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

#### 10. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2018	2017
Infrastructure Ontario, due September 2047, repayable in semi annual payments of \$81,160 including interest calculated at 3.50% and is unsecured.	\$ 2,942,178	\$ 3,000,000
Infrastructure Ontario, due October 2022, repayable in semi annual payments of \$247,125 including interest calculated at 5.07% and is unsecured.	1,769,278	2,158,947
Infrastructure Ontario, due September 2042, repayable in semi annual payments of \$53,638 including interest calculated at 3.41% and is unsecured.	1,748,540	1,795,000
Infrastructure Ontario, due December 2035, repayable in semi annual payments of \$79,806 including interest calculated at 3.34% and is unsecured.	1,168,781	1,219,144
Toronto-Dominion Bank, due May 2027, repayable in monthly payments of \$10,307 including interest calculated at 3.72% and is unsecured.	890,062	978,844
Infrastructure Ontario, due December 2035, repayable in semi annual payments of \$79,806 including interest calculated at 3.34% and is unsecured.	888,807	927,105
Infrastructure Ontario, due August 2022, repayable in semi annual payments of \$22,426 including interest calculated at 2.74% and is unsecured.	168,833	208,246
Ontario tile drainage loans on behalf of benefiting landowners, due dates range between 2015 and 2025, repayable in annual payments of varying amounts including interest calculated at 6.00% and is secured by the related properties.	48,949	61,700
	<b>\$ 9,625,428</b>	<b>\$ 10,348,986</b>

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2019	\$ 750,294	\$ 353,048
2020	783,206	320,136
2021	817,790	285,552
2022	853,873	249,469
2023	339,143	218,304
2024 onwards	6,081,122	2,196,441
	<b>\$ 9,625,428</b>	<b>\$ 3,622,950</b>

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2018	2017
Principal payments	\$ 723,559	\$ 3,772,342
Interest	378,377	329,955
	<b>\$ 1,101,936</b>	<b>\$ 4,102,297</b>

During the prior year the municipality refinanced \$3,180,000 of construction loans as they became due and are included in the prior year principal payments.

**11. TANGIBLE CAPITAL ASSETS**

Schedule 1 provides information on the tangible capital assets of the Municipality by major asset class. Additional information relating to these assets is provided below.

(a) Contributed tangible capital assets

The Municipality records all tangible capital assets contributed by external parties at the fair market value. During the year \$56,425 (2017 \$2,042,755) such contributions were recorded.

(b) Tangible capital assets recorded at nominal value

Certain tangible capital assets have been assigned a nominal value because of the difficulty of establishing a reasonable historical cost. Land is the only category where nominal values were assigned.

(c) Works of art and historical treasures

No works of arts nor historical treasures are held by the municipality.

(d) Capitalization of Interest

The Municipality has a policy of expensing borrowing costs related to the acquisition of tangible capital assets.



**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

---

**12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT**

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule and segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

**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**

This segment includes fire, police, building inspection, and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

**Transportation Services**

Transportation Services include roadway systems and winter control.

**Environmental Services**

This segment includes sanitary sewers, waterworks and solid waste management.

**Health Services**

This segment includes Hospital contributions.

**Recreation and Culture**

This segment includes parks, recreation programs, recreation facilities and library services.

**Planning and Development**

This segment includes 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 the municipality's annual Ontario Municipal Partnership Fund unconditional grant.

In preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of rent to specific segments.

**THE CORPORATION OF THE TOWNSHIP OF TAY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2018

**12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)**

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
<b>REVENUE</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,795,164	\$ 8,795,164
User fees	143,587	111,723	718	5,149,678	-	75,944	100,392	-	5,582,042
Government transfers	-	72,054	619,257	2,918,597	-	125,751	40,726	1,191,800	4,968,185
Contributions from obligatory reserve funds	-	-	188,635	272,010	-	111,183	21,853	-	593,681
Tay Hydro Inc. income (loss)	-	-	-	-	-	-	-	(51,272)	(51,272)
Other	616,067	32,127	66,138	175,945	-	132,914	364,759	-	1,387,950
<b>TOTAL REVENUE</b>	<b>759,654</b>	<b>215,904</b>	<b>874,748</b>	<b>8,516,230</b>	<b>-</b>	<b>445,792</b>	<b>527,730</b>	<b>9,935,692</b>	<b>21,275,750</b>
<b>EXPENSES</b>									
Salaries, wages and benefits	1,290,350	954,445	1,136,121	861,288	-	1,024,518	245,582	-	5,512,304
Long-term debt charges (interest)	-	60,283	30,603	279,366	-	4,989	3,137	-	378,378
Operating expenses	459,103	2,187,245	1,053,541	3,251,583	23,800	537,180	243,265	-	7,755,717
Amortization	118,035	213,612	1,411,481	2,275,649	-	284,400	-	-	4,303,177
<b>TOTAL EXPENSES</b>	<b>1,867,488</b>	<b>3,415,585</b>	<b>3,631,746</b>	<b>6,667,886</b>	<b>23,800</b>	<b>1,851,087</b>	<b>491,984</b>	<b>-</b>	<b>17,949,576</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (1,107,834)</b>	<b>\$ (3,199,681)</b>	<b>\$ (2,756,998)</b>	<b>\$ 1,848,344</b>	<b>\$ (23,800)</b>	<b>\$ (1,405,295)</b>	<b>\$ 35,746</b>	<b>\$ 9,935,692</b>	<b>\$ 3,326,174</b>

# THE CORPORATION OF THE TOWNSHIP OF TAY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2018

### 12. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated (Restated - Note 2)
<b>REVENUE</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,347,330	\$ 8,347,330
User fees	108,060	51,736	4,337	4,696,305	-	70,914	112,624	-	5,043,976
Government transfers	4,634	76,421	768,899	1,689,590	-	134,387	25,000	1,095,600	3,794,531
Contributions from obligatory reserve funds	-	59,325	277,688	(185,950)	-	8,325	499	-	159,887
Tay Hydro Inc. income	-	-	-	-	-	-	-	91,002	91,002
Other	1,187,624	33,362	1,713,569	413,028	-	61,045	295,449	-	3,704,077
<b>TOTAL REVENUE</b>	<b>1,300,318</b>	<b>220,844</b>	<b>2,764,493</b>	<b>6,612,973</b>	<b>-</b>	<b>274,671</b>	<b>433,572</b>	<b>9,533,932</b>	<b>21,140,803</b>
<b>EXPENSES</b>									
Salaries, wages and benefits	1,245,571	848,405	1,086,721	769,113	-	1,033,590	370,633	-	5,354,033
Long-term debt charges (interest)	-	34,719	31,492	253,789	-	6,060	3,895	-	329,955
Operating expenses	659,915	2,223,377	1,023,716	2,725,773	23,800	652,701	271,874	-	7,581,156
Amortization	109,825	173,369	1,287,963	1,976,010	-	281,334	-	-	3,828,501
<b>TOTAL EXPENSES</b>	<b>2,015,311</b>	<b>3,279,870</b>	<b>3,429,892</b>	<b>5,724,685</b>	<b>23,800</b>	<b>1,973,685</b>	<b>646,402</b>	<b>-</b>	<b>17,093,645</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (714,993)</b>	<b>\$ (3,059,026)</b>	<b>\$ (665,399)</b>	<b>\$ 888,288</b>	<b>\$ (23,800)</b>	<b>\$ (1,699,014)</b>	<b>\$ (212,830)</b>	<b>\$ 9,533,932</b>	<b>\$ 4,047,158</b>

## THE CORPORATION OF THE TOWNSHIP OF TAY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

#### 13. BUDGET FIGURES

The unaudited budget adopted for the current year was prepared on a fund basis, and has been amended to conform with the accounting and reporting standards adopted for the current year actual results.

#### 14. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. 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 actuarial liabilities of \$99,058 million with respect to benefits accrued for service with actuarial assets at that date of \$94,867 million indicating an actuarial deficit of \$4,191 million. Because OMERS is a multi employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for the current year was \$350,382 (2017 \$324,162) for current service and is included as an expense on the Consolidated Statement of Operations.

The Township pays certain post retirement benefits on behalf of its retired employees, including extended health and dental coverage. The municipality recognizes these post retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31 was \$492,900 (2017 \$465,600) and the net periodic benefit cost was determined by an actuarial valuation dated January 6, 2017. Actuarial valuations will be prepared every third year or when there are significant changes to the workforce. These costs are included as an expense on the Consolidated Statement of Operations.

	2018	2017
Accrued plan liability, beginning of year	\$ 615,400	\$ 621,200
Current service cost	45,000	43,500
Interest cost	16,800	15,900
Actuarial gain	(30,000)	(30,000)
Benefits paid for the period	(34,500)	(35,200)
Accrued plan liability	612,700	615,400
Unrecognized gain	(119,800)	(149,800)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 492,900</b>	<b>\$ 465,600</b>

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

a) General Inflation - Future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 0.9% in 2016 and thereafter.

b) Interest (discount) rate - The obligation as at December 31, of the present value of future liabilities and the expense, was determined using an annual discount rate of 3.4%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 2.5%.

c) Salary levels - Future general salary levels were assumed to increase 2.0% per annum.

**THE CORPORATION OF THE TOWNSHIP OF TAY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2018**

---

d) Drug costs - Drug costs were assumed to increase 8.0% in 2016, 7.8% in 2017, 7.6% in 2018, 7.4% in 2019, 7.2% in 2020, 7.0% in 2021, 6.8% in 2022, 6.6% in 2023, 6.4% in 2024, 6.2% in 2025, 6.0% in 2026, 5.8% in 2027, 5.6% in 2028, 5.4% in 2029, 5.2% in 2030, 5.0% in 2031, 4.8% in 2032, 4.6% in 2033, 4.4% in 2034, 4.2% in 2035, 4.0% in 2036 and thereafter.

e) Vision costs - Vision costs were assumed to increase 2.5% in 2016, 2.3% in 2017, 2.0% in 2018, 1.8% in 2019, 1.5% in 2020, 1.3% in 2021, 1.0% in 2022, 0.8% in 2023, 0.5% in 2024, 0.3% in 2025 and 0% in 2026 and thereafter.

f) Other health care costs - Other health care costs were assumed to increase 4.0% in 2016 and thereafter.

g) Dental costs - Dental costs were assumed to increase 6.0% in 2016, 5.8% in 2017, 5.5% in 2018, 5.3% in 2019, 5.0% in 2020, 4.8% in 2021, 4.5% in 2022, 4.3% in 2023, and 4.0% in 2024 and thereafter.

**15. CONTINGENT LIABILITY**

In the normal course of business, the municipality is named to lawsuits related to its operations. Management is of the view that these lawsuits are without merit and any settlement would not be material to the financial position of the municipality.

Annually, the municipality is unable to estimate its Ontario Provincial Police adjustment. As a result, the expense adjustment is recorded in the year in which it is received. A credit of \$143,288 was received in 2018 for services performed in 2017 (2017 \$144,426 credit).

**16. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation.

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Schedule 1

	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Linear Assets	Assets Under Construction	TOTAL 2018	TOTAL 2017 (Note 2)
<b>COST</b>								
Balance, beginning of year	\$ 11,797,000	\$ 34,421,583	\$ 21,167,733	\$ 4,602,819	\$ 82,310,291	\$ 2,466,594	\$ 156,766,020	\$ 150,896,680
Additions and betterments	221,304	146,888	288,807	497,714	3,022,718	3,350,133	7,527,564	16,065,600
Disposals and writedowns	(518,423)	232,675	(74,195)	(211,041)	(997,515)	(406,056)	(1,568,499)	(4,603,624)
Allocation from work in progress	2,888	3,368			16,097		(383,703)	(5,592,636)
<b>BALANCE, END OF YEAR</b>	<b>11,502,769</b>	<b>34,804,514</b>	<b>21,382,345</b>	<b>4,889,492</b>	<b>84,351,591</b>	<b>5,410,671</b>	<b>162,341,382</b>	<b>156,766,020</b>
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	1,851,748	11,072,185	7,952,638	2,355,542	27,541,186		50,773,299	50,448,089
Annual amortization	167,161	747,651	1,282,908	296,491	1,808,967		4,303,178	3,828,502
Amortization disposals	(203,515)	166,676	(61,064)	(186,719)	(584,252)		(868,874)	(3,503,292)
<b>BALANCE, END OF YEAR</b>	<b>1,815,394</b>	<b>11,986,512</b>	<b>9,174,482</b>	<b>2,465,314</b>	<b>28,765,901</b>		<b>54,207,603</b>	<b>50,773,299</b>
<b>TANGIBLE CAPITAL ASSETS-NET</b>	<b>\$ 9,687,375</b>	<b>\$ 22,818,002</b>	<b>\$ 12,207,863</b>	<b>\$ 2,424,178</b>	<b>\$ 55,585,690</b>	<b>\$ 5,410,671</b>	<b>\$ 108,133,779</b>	<b>\$ 105,992,721</b>

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**SUPPLEMENTARY UNAUDITED SCHEDULE OF SURPLUS**  
**2018**

	2018	2017 (Note 2)
<b>RESERVES AND RESERVE FUNDS</b>		
Working capital	\$ 1,785,043	\$ 1,785,043
Contingencies	298,917	369,134
Replacement of equipment	1,657,638	1,832,760
Current purposes	1,053,128	823,583
Capital purposes	5,520,590	4,822,471
Hydro	1,742,821	1,742,821
Library and donations reserve	181,658	195,102
<b>TOTAL RESERVES AND RESERVE FUNDS</b>	<b>12,239,795</b>	<b>11,570,914</b>
<b>OTHER</b>		
Tangible capital assets	98,553,056	95,705,435
General operating surplus(deficit)	70,500	44,605
Land inventory	-	6,624
Recreation, community centres and arenas	17,991	19,079
Heritage committee	9,091	4,701
Fire department	2,198	2,198
Other	138,447	279,093
Severn Sound Environmental Association accumulated surplus (11%)	1,317	-
Unfunded employee future benefits	(612,700)	(615,400)
Investment in Government Business Enterprises	3,399,433	3,450,705
Funds temporarily borrowed to the Guesthouse	-	25,000
<b>TOTAL OTHER</b>	<b>101,579,333</b>	<b>98,922,040</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$113,819,128</b>	<b>\$110,492,954</b>

**THE CORPORATION OF THE TOWNSHIP OF TAY**  
**SUPPLEMENTARY FINANCIAL INFORMATION**  
**TAY PUBLIC LIBRARY**

Condensed financial information in respect to Tay Public Library is provided below.

**STATEMENT OF FINANCIAL POSITION**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 162,179	\$ 179,765
Trade and other receivables	54,454	1,481
Receivable from own municipality	-	15,378
	<b>216,633</b>	<b>196,624</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	3,394	4,863
Payable to own municipality	33,417	-
Deferred revenue	-	4,681
	<b>36,811</b>	<b>9,544</b>
<b>NET FINANCIAL ASSETS</b>	<b>179,822</b>	<b>187,080</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets - net	468,918	424,199
	<b>468,918</b>	<b>424,199</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 648,740</b>	<b>\$ 611,279</b>

**STATEMENT OF OPERATIONS**

	Budget 2018 (Note 13)	Actual 2018	Actual 2017
<b>REVENUE</b>			
Municipal contributions	\$ 448,529	\$ 422,296	\$ 347,120
Provincial grants	39,888	58,614	39,069
Contributions from obligatory reserve fund	8,325	8,325	8,325
Other	6,700	16,675	11,349
<b>TOTAL REVENUE</b>	<b>503,442</b>	<b>505,910</b>	<b>405,863</b>
<b>EXPENSES</b>			
Wages and benefits	370,757	338,117	292,379
Materials and contracted services	85,154	86,132	67,051
Amortization	44,200	44,200	44,662
<b>TOTAL EXPENSES</b>	<b>500,111</b>	<b>468,449</b>	<b>404,092</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>3,331</b>	<b>37,461</b>	<b>1,771</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>611,279</b>	<b>611,279</b>	<b>609,508</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 614,610</b>	<b>\$ 648,740</b>	<b>\$ 611,279</b>