



CORPORATION OF THE TOWNSHIP OF CRAMAHE

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

**CORPORATION OF THE TOWNSHIP OF
CRAMAHE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

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CORPORATION OF THE TOWNSHIP OF CRAMAHE

For The Year Ended December 31, 2018

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Cramahe are the responsibility of management and have been approved by Council.

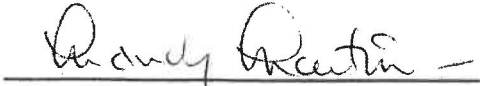
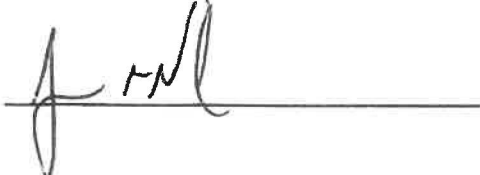
The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Township maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Township's assets are appropriately accounted for and adequately safeguarded.

The Township's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Township's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the Township of Cramahe. Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Township. Baker Tilly KDN LLP has full and free access to Council.

| | | | |
|-----------|---|------|-------------------|
| Mayor |  | Date | <u>10/15/2018</u> |
| Treasurer |  | Date | <u>10/15/2018</u> |

INDEPENDENT AUDITOR'S REPORT**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Cramahe***Opinion*

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

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

Other Matter

The financial statements of the Township as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated 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:

- 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Township 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.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 4, 2019

CORPORATION OF THE TOWNSHIP OF CRAMAHE



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2018

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash | 3,332,143 | 3,860,295 |
| Investments (note 2) | 2,529,017 | 2,506,156 |
| Accounts receivable | 471,764 | 388,789 |
| Taxes receivable | 732,198 | 868,593 |
| Inventory held for resale | 695,669 | 695,669 |
| TOTAL FINANCIAL ASSETS | 7,760,791 | 8,319,502 |
| LIABILITIES | | |
| Accounts payable | 1,302,831 | 1,136,996 |
| Deferred revenue - obligatory reserve funds (note 5) | 1,476,993 | 1,180,729 |
| Deferred revenue - other (note 6) | 182,711 | 14,526 |
| Long term debt (note 7) | 2,637,846 | 2,826,833 |
| TOTAL LIABILITIES | 5,600,381 | 5,159,084 |
| NET FINANCIAL ASSETS | 2,160,410 | 3,160,418 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 8) | 26,837,306 | 25,717,277 |
| Inventories of materials and supplies | 16,649 | 72,785 |
| Prepaid expenses | 225 | 58,017 |
| TOTAL NON-FINANCIAL ASSETS | 26,854,180 | 25,848,079 |
| ACCUMULATED SURPLUS (note 9) | 29,014,590 | 29,008,497 |

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2018

| | Budget 2018 \$ (unaudited) | Actual 2018 \$ | Actual 2017 \$ |
|--|-------------------------------------|----------------------|----------------------|
| REVENUES | | | |
| Property taxation | 5,594,052 | 5,627,382 | 5,402,357 |
| User charges | 1,729,942 | 1,654,876 | 1,527,887 |
| Government of Canada | 1,270 | 2,520 | 50,962 |
| Province of Ontario | 1,096,805 | 952,082 | 1,048,657 |
| Penalties and interest on taxes | 164,250 | 130,030 | 153,544 |
| Investment income | 32,000 | 89,171 | 57,036 |
| Donations | 1,911 | 9,792 | 1,801 |
| Sale of land held for resale | - | - | 90,823 |
| Contributed assets | - | - | 22,000 |
| Federal gas tax earned | 184,639 | 31,500 | 4,388 |
| Development charges earned | 334,920 | 115,500 | - |
| TOTAL REVENUES | 9,139,789 | 8,612,853 | 8,359,455 |
| EXPENSES | | | |
| General government | 1,289,864 | 1,313,347 | 1,247,079 |
| Protection services | 1,943,275 | 2,006,160 | 1,867,823 |
| Transportation services | 2,124,981 | 2,453,914 | 2,208,253 |
| Environmental services | 1,255,554 | 1,377,849 | 1,038,728 |
| Health services | 20,020 | 20,506 | 24,126 |
| Recreation and cultural services | 1,144,441 | 1,202,823 | 1,127,845 |
| Planning and development | 227,973 | 232,161 | 332,428 |
| TOTAL EXPENSES | 8,006,108 | 8,606,760 | 7,846,282 |
| ANNUAL SURPLUS | <u>1,133,681</u> | 6,093 | 513,173 |
| ACCUMULATED SURPLUS - beginning of year | | 29,008,497 | 28,495,324 |
| ACCUMULATED SURPLUS - end of year | | 29,014,590 | 29,008,497 |

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018

| | Budget 2018 \$ (unaudited) | Actual 2018 \$ | Actual 2017 \$ |
|--|-------------------------------------|----------------------|----------------------|
| ANNUAL SURPLUS | 1,133,681 | 6,093 | 513,173 |
| Amortization of tangible capital assets | 1,108,314 | 1,077,228 | 1,108,313 |
| Purchase of tangible capital assets | (1,162,025) | (2,261,001) | (1,869,137) |
| Loss (gain) on disposal of tangible capital assets | - | 31,159 | 131,379 |
| Proceeds on sale of tangible capital assets | - | 32,585 | 15,563 |
| Contributed assets | - | - | (22,000) |
| Change in inventories of materials and supplies | - | 56,136 | 4,358 |
| Change in prepaid expenses | - | 57,792 | (34,861) |
| INCREASE/(DECREASE) IN NET FINANCIAL ASSETS | 1,079,970 | (1,000,008) | (153,212) |
| NET FINANCIAL ASSETS - beginning of year | 3,160,418 | 3,160,418 | 3,313,630 |
| NET FINANCIAL ASSETS - end of year | 4,240,388 | 2,160,410 | 3,160,418 |

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CRAMAHE



CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | \$ | \$ |
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Annual surplus | 6,093 | 513,173 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 1,077,228 | 1,108,313 |
| Loss on disposal of tangible capital assets | 31,159 | 131,379 |
| Contributed assets | - | (22,000) |
| Change in non-cash assets and liabilities | | |
| Accounts receivable | (82,975) | (150,443) |
| Taxes receivable | 136,395 | 162,381 |
| Inventory held for resale | - | 127,928 |
| Inventories of materials and supplies | 56,136 | 4,358 |
| Prepaid expenses | 57,792 | (34,861) |
| Accounts payable | 165,835 | (1,969,072) |
| Deferred revenue - obligatory reserve funds | 296,264 | 313,440 |
| Deferred revenue - other | 168,185 | 6,573 |
| Net change in cash from operating activities | 1,912,112 | 191,169 |
| CAPITAL ACTIVITIES | | |
| Purchase of tangible capital assets | (2,261,001) | (1,869,137) |
| Proceeds on disposal of tangible capital assets | 32,585 | 15,563 |
| Net change in cash from capital activities | (2,228,416) | (1,853,574) |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (2,543,642) | (15,677) |
| Disposal of investments | 2,520,781 | - |
| Net change in cash from investing activities | (22,861) | (15,677) |
| FINANCING ACTIVITIES | | |
| Long term debt issued | - | 1,968,161 |
| Debt principal repayments | (188,987) | (298,798) |
| Net change in cash from financing activities | (188,987) | 1,669,363 |
| NET CHANGE IN CASH | (528,152) | (8,719) |
| CASH - beginning of year | 3,860,295 | 3,869,014 |
| CASH - end of year | 3,332,143 | 3,860,295 |

The accompanying notes are an integral part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

The Township of Cramahe is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus 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 and controlled by the Township. These consolidated financial statements include:

- Cramahe Township Public Library Board

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Trust Funds

Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

| | |
|--------------------------|---------------|
| Land improvements | 10 - 50 years |
| Buildings and facilities | 10 - 50 years |
| Machinery and equipment | 5 - 15 years |
| Vehicles | 7 - 20 years |
| Roads | 10 - 40 years |
| Water and sewer | 15 - 90 years |

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

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Recognition of Revenues and Expenses

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

Taxation

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township's Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Township is required to collect on behalf of the County and School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

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

Government Funding

Government funding is 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.

Other revenue

User charges are recognized as revenue in the year the goods and services are provided, with the exception of building permits that are recognized when the permits are issued.

Sales of land held for resale are recognized as revenue in the year the title passes to the purchaser.

Federal gas tax and development charges are recognized in the period in which the related expenditures are recorded.

(e) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Township because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

(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.



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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Use of Estimates

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Township's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements or changes in such estimates in future periods could be significant. The Township's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

(i) Inventory Held for Resale

Inventory held for resale, which consists primarily of land, is stated at cost, with cost of land being the purchase price plus the cost to prepare the land for resale.

2. INVESTMENTS

Investments are recorded at cost and include a high interest savings account (2017 - money market fund) with a book value of \$2,529,017 (2017 - \$2,506,156) and market value of \$2,529,017 (2017 - \$2,496,665).

3. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF NORTHUMBERLAND

During 2018, requisitions were made by the County of Northumberland and School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

| | School Boards \$ | County \$ |
|------------------------------------|------------------------|--------------|
| Amounts requisitioned and remitted | 1,835,905 | 3,588,614 |

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

4. CREDIT FACILITY AGREEMENT

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$1,000,000 a revolving line of credit. Any balance borrowed will accrue interest at the bank's prime lending rate. Council authorized the temporary borrowing limit by By-law 2018-01. At December 31, 2018 there was no balance outstanding (2017 - \$Nil).

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

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are summarized below:

| | 2018 | 2017 |
|---------------------|------------------|------------------|
| | \$ | \$ |
| Parkland | 88,824 | 72,099 |
| Development charges | 530,647 | 424,953 |
| Federal gas tax | 857,522 | 683,677 |
| | 1,476,993 | 1,180,729 |

The continuity of deferred revenue - obligatory reserve funds is as follows:

| | 2018 | 2017 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Balance - beginning of year | 1,180,729 | 867,289 |
| Add amounts received: | | |
| Development charges | 212,940 | 115,218 |
| Federal gas tax | 193,430 | 187,907 |
| Interest | 21,494 | 9,203 |
| Parkland fees | 15,400 | 5,500 |
| | 443,264 | 317,828 |
| Less transfer to operations: | | |
| Development charges | 115,500 | - |
| Federal gas tax | 31,500 | 4,388 |
| | 147,000 | 4,388 |
| Balance - end of year | 1,476,993 | 1,180,729 |

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

6. DEFERRED REVENUE - OTHER

Included in deferred revenue - other are the following amounts:

| | 2018 | 2017 |
|----------------------------------|----------------|---------------|
| | \$ | \$ |
| Ontario Trillium Foundation | 135,005 | - |
| AMO - Main Street Revitalization | 43,268 | - |
| Other | 4,438 | 14,526 |
| | <u>182,711</u> | <u>14,526</u> |

The continuity of deferred revenue - other is as follows:

| | 2018 | 2017 |
|----------------------------------|----------------|---------------|
| | \$ | \$ |
| Balance - beginning of year | 14,526 | 7,953 |
| Add amounts received: | | |
| Ontario Trillium Foundation | 135,005 | - |
| AMO - Main Street Revitalization | 43,268 | - |
| Other | 4,438 | 14,526 |
| | <u>182,711</u> | <u>14,526</u> |
| Less transfer to operations: | | |
| Other | 14,526 | 7,953 |
| Balance - end of year | <u>182,711</u> | <u>14,526</u> |

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

7. LONG TERM DEBT

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

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| OILC debenture, due September 15, 2047, repayable in blended semi-annual installments of \$53,312, interest rate fixed at 3.51% per annum. | 1,930,290 | 1,968,161 |
| Long term bank loan, due August 4, 2019, repayable in blended semi-annual installments of \$30,637, interest rate fixed at 4.04% per annum. | 59,468 | 116,602 |
| Long term loan from CMHC, due November 1, 2024, repayable in blended annual installments of \$123,590, interest rate fixed at 3.99% per annum. | 648,088 | 742,070 |
| | 2,637,846 | 2,826,833 |

- (b) The long term debt in (a) issued in the name of the Township have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long term debt amounted to \$102,501 (2017 - \$66,965).
- (d) The long term debt reported in (a) of this note is repayable as follows:

| | Principal | Interest | Total |
|---------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| 2019 | 196,410 | 95,079 | 291,489 |
| 2020 | 142,231 | 87,983 | 230,214 |
| 2021 | 147,724 | 82,490 | 230,214 |
| 2022 | 153,429 | 76,785 | 230,214 |
| 2023 | 159,355 | 70,858 | 230,213 |
| 2024 and subsequent years | 1,838,697 | 843,861 | 2,682,558 |
| | 2,637,846 | 1,257,056 | 3,894,902 |

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

8. TANGIBLE CAPITAL ASSETS

The net book value of the Township's tangible capital assets are:

| | 2018 | 2017 |
|----------------------------|------------|------------|
| | \$ | \$ |
| General | | |
| Land and land improvements | 2,092,011 | 2,107,686 |
| Buildings and facilities | 3,955,047 | 4,037,982 |
| Machinery and equipment | 476,586 | 479,949 |
| Vehicles | 1,018,278 | 873,293 |
| Infrastructure | | |
| Roads | 6,500,230 | 5,397,452 |
| Water and sewer | 11,722,044 | 11,280,810 |
| | 25,764,196 | 24,177,172 |
| Assets under construction | 1,073,110 | 1,540,105 |
| | 26,837,306 | 25,717,277 |

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2017 - \$Nil) and no interest capitalized (2017 - \$Nil).

The allocation of tangible capital assets by segment is as follows:

| | 2018 | 2017 |
|----------------------------------|------------|------------|
| | \$ | \$ |
| General government | 271,334 | 257,796 |
| Protection services | 2,336,683 | 2,431,561 |
| Transportation services | 7,779,716 | 7,042,101 |
| Environmental services | 12,949,447 | 12,473,937 |
| Health services | 128,579 | 128,579 |
| Recreation and cultural services | 2,877,054 | 2,890,900 |
| Planning and development | 494,493 | 492,403 |
| | 26,837,306 | 25,717,277 |

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

9. ACCUMULATED SURPLUS

(a) Accumulated surplus consists of the following:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Surplus/(Deficit) | | |
| Township | - | 16,122 |
| Community Police Services Board | 11,297 | 11,797 |
| Area rates | (6,851) | 1,576 |
| Land inventory held for resale | 695,669 | 695,669 |
| Colborne Creek - unfinanced | (169,881) | (169,881) |
| Sewer operations | (258,632) | - |
| | <u>271,602</u> | <u>555,283</u> |
| Invested In Capital Assets | | |
| Tangible capital assets - net book value | 26,837,306 | 25,717,277 |
| Long term debt | (2,637,846) | (2,826,833) |
| Unfunded capital (note 9(b)) | (2,024,250) | (691,478) |
| | <u>22,175,210</u> | <u>22,198,966</u> |
| Surplus | <u>22,446,812</u> | <u>22,754,249</u> |
| Reserves | | |
| Working funds | 548,219 | 792,742 |
| Sewer operations | 232,929 | 155,906 |
| Future capital | 418,861 | 462,151 |
| Waterworks operations | 1,853,924 | 1,660,009 |
| Community projects | 1,018 | 1,018 |
| Transportation services | 1,677,352 | 1,462,402 |
| Fire services | 495,599 | 413,699 |
| Workplace Safety and Insurance Board | 200,565 | 199,065 |
| Planning and development operations | 314,225 | 309,725 |
| General government operations | 140,809 | 126,809 |
| Library operations | 27,486 | 20,931 |
| Police | 330,067 | 330,067 |
| Animal control | 11,157 | 11,157 |
| Benefit stabilization | 208,833 | 208,833 |
| Recreation | 63,781 | 56,781 |
| Cemetery | 36,770 | 36,770 |
| Total Reserves | <u>6,561,595</u> | <u>6,248,065</u> |
| Reserve Funds | | |
| Library services | <u>6,183</u> | <u>6,183</u> |
| | <u>29,014,590</u> | <u>29,008,497</u> |

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

9. ACCUMULATED SURPLUS, continued

(b) Unfinanced capital consists of the following:

| | 2018 | 2017 |
|---------------------------------|-------------|-----------|
| | \$ | \$ |
| Well No. 2 rehabilitation | - | (186,022) |
| Burnham, Park and Cedar project | (2,024,250) | (505,456) |
| | (2,024,250) | (691,478) |

10. PENSION AGREEMENTS

Certain employees of the Township are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2018 Annual Report disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets of \$95,890 million indicating an actuarial deficit of \$4,191 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

The Township's required contributions to OMERS in 2018 were \$162,082 (2017 - \$146,659).

11. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

| | Budget 2018 \$ (Unaudited) | Actual 2018 \$ | Actual 2017 \$ |
|---|-------------------------------------|----------------------|----------------------|
| Salaries and benefits | 2,575,692 | 2,836,387 | 2,490,989 |
| Interest charges | 102,501 | 102,501 | 66,965 |
| Materials | 2,410,489 | 2,459,246 | 2,256,638 |
| Contracted services | 1,635,176 | 1,938,832 | 1,543,576 |
| Rents and financial | 16,700 | 16,415 | 23,655 |
| External transfers | 157,236 | 144,992 | 140,789 |
| Amortization | 1,108,314 | 1,077,228 | 1,108,313 |
| Loss on disposal of tangible capital assets | - | 31,159 | 131,379 |
| Cost of land held for resale sold | - | - | 83,978 |
| | 8,006,108 | 8,606,760 | 7,846,282 |

12. CONTINGENT LIABILITIES

The Township, in the course of its operations, has been named in a lawsuit, the outcome of which is indeterminable at this time. No amount in connection with this item has been reflected in these financial statements.

13. TRUST FUNDS

Trust funds administered by the Township amounting to \$58,452 (2017 - \$57,689) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or operations.

14. BUDGET FIGURES

The budget, approved by the Township, for 2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

15. SEGMENTED INFORMATION

The Township of Cramahe is a municipal government organization that provides a range of services to its residents. Township services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services.

Protection Services

Protection services include police, fire, conservation authority and protective inspection and control.

Transportation Services

The activities of the transportation function includes maintenance of the Township's roads and bridges, winter control and street lighting.

Environmental Services

The environmental function is responsible for water and sewer operations and waste management services not covered by the County of Northumberland.

15. SEGMENTED INFORMATION, continued**Health Services**

The health services function includes the operation of the East Colborne cemetery.

Recreation and Cultural Services

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

Planning and Development

The planning and development services function includes commercial, industrial and residential development within the Township.

16. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

17. CHANGES IN ACCOUNTING POLICIES

The Township has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 Inter-Entity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public-sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any non-disclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Township's consolidated financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the Township having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Township's consolidated financial statements.

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. These sections have been applied retroactively with restatement of prior periods. The adoption of these standards did not have an impact on the Township's consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF CRAMAHE



CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2018

| | General | | | | Infrastructure | | Assets Under Construction \$ | Totals \$ |
|--|----------------------------------|--------------------------------|-------------------------------|------------------|-------------------|-----------------------|---------------------------------|-------------------|
| | Land and land improvements \$ | Buildings and facilities \$ | Machinery and equipment \$ | Vehicles \$ | Roads \$ | Water and sewer \$ | | |
| COST | | | | | | | | |
| Balance, beginning of year | 2,567,007 | 7,138,616 | 840,886 | 3,124,129 | 13,645,413 | 13,678,212 | 1,540,105 | 42,534,368 |
| Add: additions during the year | 797 | 66,000 | 54,501 | 356,249 | 477,196 | 606,107 | 700,151 | 2,261,001 |
| Less: disposals during the year | - | - | 37,144 | 32,975 | 248,584 | 29,561 | - | 348,264 |
| Internal transfers | - | - | 24,319 | - | 1,043,981 | 98,846 | (1,167,146) | - |
| Balance, end of year | 2,567,804 | 7,204,616 | 882,562 | 3,447,403 | 14,918,006 | 14,353,604 | 1,073,110 | 44,447,105 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year | 459,321 | 3,100,634 | 360,937 | 2,250,836 | 8,247,961 | 2,397,402 | - | 16,817,091 |
| Add: additions during the year | 16,472 | 148,935 | 82,183 | 183,785 | 392,174 | 253,679 | - | 1,077,228 |
| Less: disposals during the year | - | - | 37,144 | 5,496 | 222,359 | 19,521 | - | 284,520 |
| Balance, end of year | 475,793 | 3,249,569 | 405,976 | 2,429,125 | 8,417,776 | 2,631,560 | - | 17,609,799 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | 2,092,011 | 3,955,047 | 476,586 | 1,018,278 | 6,500,230 | 11,722,044 | 1,073,110 | 26,837,306 |

CORPORATION OF THE TOWNSHIP OF CRAMAHE



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2018

| | General Government \$ | Protection Services \$ | Transportation Services \$ | Environmental Services \$ | Health Services \$ | Recreation and Cultural Services \$ | Planning and Development \$ | Consolidated \$ |
|---|-----------------------------|------------------------------|----------------------------------|---------------------------------|--------------------------|---|-----------------------------------|--------------------|
| Revenues | | | | | | | | |
| Property taxation | 194,268 | 1,932,982 | 2,122,016 | 91,000 | 20,020 | 1,018,408 | 248,688 | 5,627,382 |
| User charges | 54,737 | 119,971 | 25,908 | 1,230,258 | 1,657 | 183,150 | 39,195 | 1,654,876 |
| Government transfers - operating | 681,455 | 45,430 | 114,756 | - | - | 22,258 | - | 863,899 |
| Government transfers - capital | - | - | - | 90,703 | - | - | - | 90,703 |
| Penalties and interest on taxes | 130,030 | - | - | - | - | - | - | 130,030 |
| Investment income | 89,171 | - | - | - | - | - | - | 89,171 |
| Donations | - | - | - | - | - | 9,792 | - | 9,792 |
| Federal gas tax earned | - | - | - | - | - | 31,500 | - | 31,500 |
| Development charges earned | - | - | 72,000 | - | - | 43,500 | - | 115,500 |
| Total revenues | 1,149,661 | 2,098,383 | 2,334,680 | 1,411,961 | 21,677 | 1,308,608 | 287,883 | 8,612,853 |
| Expenses | | | | | | | | |
| Salaries and benefits | 803,198 | 509,197 | 752,039 | 114,837 | - | 593,487 | 63,629 | 2,836,387 |
| Interest charges | - | 68,753 | - | 29,609 | - | - | 4,139 | 102,501 |
| Materials | 409,257 | 278,843 | 850,030 | 397,952 | 13,286 | 426,071 | 83,807 | 2,459,246 |
| Contracted services | 69,194 | 977,409 | 269,474 | 553,094 | - | 21,534 | 48,127 | 1,938,832 |
| Rents and financial | 4,174 | - | - | 12,241 | - | - | - | 16,415 |
| External transfers | - | 77,080 | 10,327 | - | 7,220 | 15,750 | 34,615 | 144,992 |
| Amortization | 27,524 | 94,878 | 548,769 | 260,076 | - | 145,981 | - | 1,077,228 |
| Loss (gain) on disposal of tangible capital assets | - | - | 23,275 | 10,040 | - | - | (2,156) | 31,159 |
| Total expenses | 1,313,347 | 2,006,160 | 2,453,914 | 1,377,849 | 20,506 | 1,202,823 | 232,161 | 8,606,760 |
| Net surplus/(deficit) | (163,686) | 92,223 | (119,234) | 34,112 | 1,171 | 105,785 | 55,722 | 6,093 |

CORPORATION OF THE TOWNSHIP OF CRAMAHE



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2017

| | General Government \$ | Protection Services \$ | Transportation Services \$ | Environmental Services \$ | Health Services \$ | Recreation and Cultural Services \$ | Planning and Development \$ | Consolidated \$ |
|---|-----------------------------|------------------------------|----------------------------------|---------------------------------|--------------------------|---|-----------------------------------|--------------------|
| Revenues | | | | | | | | |
| Property taxation | 634,500 | 1,674,796 | 1,906,297 | 23,000 | 19,170 | 918,116 | 226,478 | 5,402,357 |
| User charges | 45,464 | 118,958 | 8,581 | 1,134,537 | 1,471 | 180,231 | 38,645 | 1,527,887 |
| Government transfers - operating | 820,100 | 70,181 | 128,355 | - | - | 26,068 | - | 1,044,704 |
| Government transfers - capital | - | 4,915 | - | 50,000 | - | - | - | 54,915 |
| Penalties and interest on taxes | 153,544 | - | - | - | - | - | - | 153,544 |
| Investment income | 57,036 | - | - | - | - | - | - | 57,036 |
| Donations | - | - | - | - | - | 1,801 | - | 1,801 |
| Sale of land held for resale | - | - | - | - | - | - | 90,823 | 90,823 |
| Contributed assets | 22,000 | - | - | - | - | - | - | 22,000 |
| Federal gas tax earned | 4,388 | - | - | - | - | - | - | 4,388 |
| Total revenues | 1,737,032 | 1,868,850 | 2,043,233 | 1,207,537 | 20,641 | 1,126,216 | 355,946 | 8,359,455 |
| Expenses | | | | | | | | |
| Salaries and benefits | 742,345 | 452,802 | 649,811 | 61,759 | - | 522,003 | 62,269 | 2,490,989 |
| Interest charges | - | 24,824 | - | 33,215 | - | 2,546 | 6,380 | 66,965 |
| Materials | 394,239 | 246,578 | 817,165 | 320,010 | 16,906 | 413,736 | 48,003 | 2,256,637 |
| Contracted services | 63,951 | 967,937 | 169,282 | 281,282 | - | 28,365 | 32,759 | 1,543,576 |
| Rents and financial | 6,670 | - | - | 16,985 | - | - | - | 23,655 |
| External transfers | - | 69,787 | 10,144 | - | 7,220 | 20,250 | 33,388 | 140,789 |
| Amortization | 45,115 | 105,895 | 566,016 | 250,343 | - | 140,945 | - | 1,108,314 |
| Loss (gain) on disposal of tangible capital assets | 4,359 | - | (4,165) | 65,534 | - | - | 65,651 | 131,379 |
| Internal transfers | (9,600) | - | - | 9,600 | - | - | - | - |
| Cost of land held for resale sold | - | - | - | - | - | - | 83,978 | 83,978 |
| Total expenses | 1,247,079 | 1,867,823 | 2,208,253 | 1,038,728 | 24,126 | 1,127,845 | 332,428 | 7,846,282 |
| Net surplus/(deficit) | 489,953 | 1,027 | (165,020) | 168,809 | (3,485) | (1,629) | 23,518 | 513,173 |

INDEPENDENT AUDITOR'S REPORT**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Cramahe***Opinion*

We have audited the financial statements of the Trust Funds of the Corporation of the Township of Cramahe (the Trust Funds), which comprise the statement of financial position as at December 31, 2018, the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2018, and the continuity of the Trust Funds 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 Trust Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Trust Funds as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

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

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

In preparing the financial statements, management is responsible for assessing the Trust Funds' 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds' 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 these 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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Funds' 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 Trust Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Funds 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 4, 2019

TRUST FUNDS
STATEMENT OF FINANCIAL POSITION
At December 31, 2018

| | Cemetery Perpetual Care \$ | Forestry Program \$ | 2018 Total \$ | 2017 Total \$ |
|-------------------------|-------------------------------------|---------------------------|---------------------|---------------------|
| FINANCIAL ASSETS | | | | |
| Investments (note 2) | 47,228 | 10,744 | 57,972 | 57,635 |
| Accounts receivable | 480 | - | 480 | 54 |
| | 47,708 | 10,744 | 58,452 | 57,689 |
| FUND BALANCES | | | | |
| Capital | 40,148 | 10,744 | 50,892 | 50,110 |
| Income | 7,560 | - | 7,560 | 7,579 |
| | 47,708 | 10,744 | 58,452 | 57,689 |

The accompanying notes are an integral part of these financial statements

TRUST FUNDS
STATEMENT OF CONTINUITY
For the Year Ended December 31, 2018

| | Cemetery Perpetual Care \$ | Forestry Program \$ | 2018 Total \$ | 2017 Total \$ |
|-------------------------------------|-------------------------------------|---------------------------|---------------------|---------------------|
| BALANCES - beginning of year | 46,993 | 10,696 | 57,689 | 57,599 |
| RECEIPTS | | | | |
| Investment income | 1,207 | 48 | 1,255 | 1,152 |
| Care and maintenance receipts | 480 | - | 480 | - |
| | 1,687 | 48 | 1,735 | 1,152 |
| EXPENSES | | | | |
| Administration fee | 311 | - | 311 | 482 |
| Transfer to operations | 661 | - | 661 | 580 |
| | 972 | - | 972 | 1,062 |
| BALANCES - end of year | 47,708 | 10,744 | 58,452 | 57,689 |

The accompanying notes are an integral part of these financial statements

TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook.

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable; expenses 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.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the period and are based on the Township's best information and judgment. Actual results could differ from these estimates.

2. INVESTMENTS

Included in investments are the following investments recorded at cost:

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$ | \$ |
| Scotiastrust Bond Common Trust Fund | 14,118 | 46,993 |
| Scotiastrust Corporate Bond Common Trust Fund | 33,110 | - |
| 1-year GIC maturing January 15, 2018, interest at 0.50% | - | 10,642 |
| 1-year GIC maturing January 15, 2019, interest at 0.45% | 10,744 | - |
| | <u>57,972</u> | <u>57,635</u> |
| Market Value | 56,812 | 57,983 |

3. CEMETERY PERPETUAL CARE

The Perpetual Care Fund administered by the Board is funded by the sale of cemetery plots. These funds are invested and earnings derived there from are used to perform perpetual care maintenance to the Board's cemeteries. The operations and investments of the Fund are undertaken by the Board in accordance with the regulations of the Cemeteries Act.

**CORPORATION OF THE TOWNSHIP OF
CRAMAHE**

CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT**To the Members of the Cramahe Township Public Library Board,
the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Township of Cramahe****T: (705) 742-3418
F: (705) 742-9775****www.bakertilly.ca***Qualified Opinion*

We have audited the financial statements of the Cramahe Township Public Library Board of the Corporation of the Township of Cramahe (the Board), which comprise the statement of financial position as at December 31, 2018, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

In common with many Public Library Boards, the Board derives revenue from donations, fees and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fees and fundraising revenue, annual surplus, assets and accumulated surplus.

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 Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The financial statements of the Board as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawartha LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

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

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

In preparing the financial statements, management is responsible for assessing the Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 these 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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 4, 2019

CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2018

| | 2018 | 2017 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash | 61,743 | 93,559 |
| Accounts receivable | 1,840 | - |
| TOTAL FINANCIAL ASSETS | 63,583 | 93,559 |
| LIABILITIES | | |
| Due to Township | 29,864 | 60,676 |
| Deferred revenue | 50 | 5,769 |
| TOTAL LIABILITIES | 29,914 | 66,445 |
| NET FINANCIAL ASSETS | 33,669 | 27,114 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 2) | 141,072 | 135,391 |
| ACCUMULATED SURPLUS (note 3) | 174,741 | 162,505 |

The accompanying notes are an integral part of these financial statements

CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2018

| | Budget 2018 \$ (unaudited) | Actual 2018 \$ | Actual 2017 \$ |
|--|-------------------------------------|----------------------|----------------------|
| REVENUES | | | |
| Township contributions | 244,975 | 247,513 | 229,280 |
| Provincial grants | 19,488 | 19,738 | 25,106 |
| Federal grants | - | 1,680 | - |
| Donations, fees and fundraising | 4,811 | 11,596 | 5,427 |
| Other | 2,620 | 2,083 | 2,371 |
| TOTAL REVENUES | 271,894 | 282,610 | 262,184 |
| EXPENSES | | | |
| Salaries and benefits | 170,180 | 170,955 | 156,849 |
| Supplies | 6,080 | 6,042 | 6,929 |
| Maintenance and utilities | 36,694 | 32,008 | 29,776 |
| Professional fees | 6,284 | 9,757 | 9,353 |
| Office and administration | 11,900 | 11,356 | 7,555 |
| Equipment and furnishings | 5,100 | 6,486 | 7,925 |
| Amortization | 32,982 | 33,770 | 32,982 |
| TOTAL EXPENSES | 269,220 | 270,374 | 251,369 |
| ANNUAL SURPLUS | <u>2,674</u> | 12,236 | 10,815 |
| ACCUMULATED SURPLUS - beginning of year | | 162,505 | 151,690 |
| ACCUMULATED SURPLUS - end of year | | 174,741 | 162,505 |

The accompanying notes are an integral part of these financial statements

CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018

| | Budget 2018 \$ (unaudited) | Actual 2018 \$ | Actual 2017 \$ |
|--|-------------------------------------|----------------------|----------------------|
| ANNUAL SURPLUS | 2,674 | 12,236 | 10,815 |
| Amortization of tangible capital assets | 32,982 | 33,770 | 32,982 |
| Acquisition of tangible capital assets | (39,325) | (39,451) | (40,496) |
| INCREASE/(DECREASE) IN NET FINANCIAL ASSETS | (3,669) | 6,555 | 3,301 |
| NET FINANCIAL ASSETS - beginning of year | 27,114 | 27,114 | 23,813 |
| NET FINANCIAL ASSETS - end of year | 23,445 | 33,669 | 27,114 |

The accompanying notes are an integral part of these financial statements

CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|---|-----------------|---------------|
| | \$ | \$ |
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Annual surplus | 12,236 | 10,815 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 33,770 | 32,982 |
| Change in non-cash assets and liabilities | | |
| Accounts receivable | (1,840) | 2,918 |
| Due to Township | (30,812) | 29,511 |
| Deferred revenue | (5,719) | 1,468 |
| Net change in cash from operating activities | 7,635 | 77,694 |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (39,451) | (40,496) |
| NET CHANGE IN CASH | (31,816) | 37,198 |
| CASH - beginning of year | 93,559 | 56,361 |
| CASH - end of year | 61,743 | 93,559 |

The accompanying notes are an integral part of these financial statements

**CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

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

Government funding is 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.

User fees are recognized as revenue in the year the goods and services are provided.

Donations and fundraising revenue is recognized when the amounts are received.

(b) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Board's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Board's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

| | |
|-----------------------|---------|
| Books and periodicals | 7 years |
|-----------------------|---------|

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

(d) Deferred Revenue

Deferred revenue represents a grant which has been received, but for which the related services have yet to be performed. This amount will be recognized as revenue in the fiscal year the service is performed.

(e) Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Board because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Board unless they are sold.

CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Reserves and Reserve Funds

Certain amounts, as approved by the Board, 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) Inter-Entity Transactions

The Cramahe Township Public Library Board is a Board of the Township of Cramahe and is consolidated with the Township's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Township.

2. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

| | 2018 Books and Periodicals \$ | 2017 Books and Periodicals \$ |
|--|--|--|
| COST | | |
| Balance, beginning of year | 249,549 | 247,371 |
| Add: additions during the year | 39,451 | 40,496 |
| Less: disposals during the year | 37,144 | 38,318 |
| Balance, end of year | 251,856 | 249,549 |
| ACCUMULATED AMORTIZATION | | |
| Balance, beginning of year | 114,158 | 119,494 |
| Add: additions during the year | 33,770 | 32,982 |
| Less: disposals during the year | 37,144 | 38,318 |
| Balance, end of year | 110,784 | 114,158 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | 141,072 | 135,391 |

**CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

| | 2018 | 2017 |
|--|---------|---------|
| | \$ | \$ |
| Invested In Capital Assets | | |
| Tangible capital assets - net book value | 141,072 | 135,391 |
| Surplus | 141,072 | 135,391 |
| Reserves | | |
| Operations | 15,544 | 10,339 |
| Capital | 11,942 | 10,592 |
| Total Reserves | 27,486 | 20,931 |
| Reserve Fund | | |
| Literacy enhancements | 6,183 | 6,183 |
| | 174,741 | 162,505 |

4. BUDGET FIGURES

The budget, approved by the Board, for 2018 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.



**CRAMAHE TOWNSHIP PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

5. CHANGES IN ACCOUNTING POLICIES

The Board has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets, 3380 Contractual Rights, 2200 Related Party Disclosures and 3420 Inter-Entity Transactions.

Under Section 3320, a contingent asset is a potential asset that exists at the financial statement date but requires confirmation or disproof at a future date that is not in the control of the public-sector entity. If the contingent asset is deemed to be likely to exist, then this should be disclosed in the notes to the financial statements. Disclosure should include the nature, extent (except in those cases where extent cannot be measured or disclosure would have an adverse effect on the outcome), the reason for any non-disclosure of extent, and when an estimate of the amount has been made, the basis for that estimate. This section has been applied prospectively. The adoption of this standard did not have an impact on the Board's financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the Board having both an asset and future revenue. The contract or agreement must be between two or more parties and be enforceable under contract law. Contractual rights are assets and revenues that will occur in the future due to an enforceable agreement in effect at the financial statement date. If a contractual right exists, it should be disclosed in the notes or schedules to the statements and include descriptions about nature, extent and timing. This section has been applied prospectively. The adoption of this standard did not have an impact on the Board's financial statements.

Section 3240 establishes the standards and requirements on how to account for and Section 2200 establishes the standards and requirements on how to report transactions between public sector entities that comprise the government's reporting entity. These sections have been applied retroactively with restatement of prior periods. The adoption of these standards resulted in additions to the Board's revenues and expenses as disclosed in note 6.

6. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Township of Cramahe.

As part of the budgeting process, the Township approves a contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus.

Details of the inter-entity expense transactions are as follows:

| | 2018 | 2017 |
|------------------|-------|-------|
| | \$ | \$ |
| Allocated costs: | | |
| Maintenance | 3,129 | 3,353 |

In addition, the Township provides accounting and administrative services to the Board at no cost.

All balances with the Township of Cramahe have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.