
**THE CORPORATION OF
THE TOWNSHIP OF STRONG**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

THE CORPORATION OF THE TOWNSHIP OF STRONG
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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Strong ("the Township"), which comprise the consolidated statement of financial position as at December 31, 2018, and 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 financial position of The Corporation of the Township of Strong as at December 31, 2018, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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.

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

Management is responsible for the preparation and fair presentation of these 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 a 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 financial information of the entities or business activities within the Township and the organizations it controls 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

North Bay, Canada
May 28, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

	2018	2017
FINANCIAL ASSETS		
Cash (Note 4)	\$ 946,473	\$ 794,060
Investments (Notes 4, 5)	786,705	690,612
Taxes receivable (Note 6)	252,095	268,817
Accounts receivable	192,842	114,146
	2,178,115	1,867,635
LIABILITIES		
Accounts payable and accrued liabilities	234,238	200,315
Deferred revenue-general (Note 7)	2,983	3,231
Deferred revenue-obligatory reserve funds (Note 8)	55,829	55,237
Municipal debt (Note 9)	6,884	47,687
Tangible capital leases (Note 10)	1,067	1,354
Employee benefits payable (Note 11)	53,927	54,170
Landfill closure and post-closure liability (Note 12)	282,393	301,343
	637,321	663,337
NET FINANCIAL ASSETS	1,540,794	1,204,298
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 14)	11,495,030	11,409,982
Inventories of supplies	99,902	110,452
Prepaid expenses	9,091	7,755
	11,604,023	11,528,189
ACCUMULATED SURPLUS (Note 15)	\$ 13,144,817	\$ 12,732,487

Contingencies (Notes 2 and 13)

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

THE CORPORATION OF THE TOWNSHIP OF STRONG
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 <i>(see Note 17)</i>	Actual 2018	Actual 2017
REVENUE			
Property taxes	\$ 2,587,041	\$ 2,601,179	\$ 2,466,496
User charges	68,290	76,221	79,804
Government transfers	1,013,436	1,057,654	944,860
Loss on disposal of capital assets	-	(30,096)	(12,204)
Other	301,163	307,900	306,458
TOTAL REVENUE	3,969,930	4,012,858	3,785,414
EXPENSES			
General government	584,370	569,449	590,860
Protection to persons and property	552,579	520,678	544,353
Transportation services	1,380,950	1,369,957	1,454,327
Environmental services	263,565	266,955	339,283
Health services	360,782	369,572	333,575
Social and family services	211,340	210,211	209,368
Recreation and cultural services	276,834	266,505	283,677
Planning and development	29,588	27,201	11,499
TOTAL EXPENSES	3,660,008	3,600,528	3,766,942
ANNUAL SURPLUS <i>(Note 15)</i>	309,922	412,330	18,472
ACCUMULATED SURPLUS, BEGINNING OF YEAR	12,732,487	12,732,487	12,714,015
ACCUMULATED SURPLUS, END OF YEAR	\$ 13,042,409	\$ 13,144,817	\$ 12,732,487

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF STRONG
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018 <i>(see Note 17)</i>	Actual 2018	Actual 2017
Annual surplus	\$ 309,922	\$ 412,330	\$ 18,472
Acquisition of tangible capital assets	(993,951)	(829,108)	(570,473)
Contributed tangible capital assets	-	-	(9,410)
Amortization of tangible capital assets	690,703	692,168	735,716
Loss on disposal of tangible capital assets	-	30,096	12,204
Proceeds from disposal of tangible capital assets	-	21,796	3,975
Change in supplies inventories	-	10,550	5,858
Change in prepaid expenses	-	(1,336)	2,271
Increase in net financial assets	6,674	336,496	198,613
Net financial assets, beginning of year	1,204,298	1,204,298	1,005,685
Net financial assets, end of year	\$ 1,210,972	\$ 1,540,794	\$ 1,204,298

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF STRONG
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Operating transactions		
Annual surplus	\$ 412,330	\$ 18,472
Non-cash charges to operations:		
Amortization	692,168	735,716
Loss on disposal of tangible capital assets	30,096	12,204
Change in employee benefits payable	(243)	(12,759)
Change in landfill closure and post-closure liability	(18,950)	62,627
	1,115,401	816,260
Changes in non-cash items:		
Taxes receivable	16,722	(2,179)
Accounts receivable	(78,696)	40,066
Accounts payable and accrued liabilities	33,923	(45,130)
Deferred revenue-general	(248)	(5,178)
Deferred revenue-obligatory reserve funds	592	(73,792)
Inventories of supplies	10,550	5,858
Prepaid expenses	(1,336)	2,271
	(18,493)	(78,084)
Cash provided by operating transactions	1,096,908	738,176
Capital transactions		
Acquisition of tangible capital assets	(829,108)	(570,473)
Contributed tangible capital assets	-	(9,410)
Proceeds from disposal of tangible capital assets	21,796	3,975
Cash applied to capital transactions	(807,312)	(575,908)
Investing transactions		
Change in investments	(96,093)	11,836
Cash provided by (applied to) investing transactions	(96,093)	11,836
Financing transactions		
Debt principal repayments	(40,803)	(39,955)
Tangible capital lease repayments	(287)	(281)
Cash applied to financing transactions	(41,090)	(40,236)
Net change in cash	152,413	133,868
Cash, beginning of year	794,060	660,192
Cash, end of year	\$ 946,473	\$ 794,060
Cash flow supplementary information:		
Cash paid for interest	\$ 635	\$ 1,487

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

Management Responsibility

The consolidated financial statements of the Corporation of the Township of Strong (the "Municipality") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenue, expenses and accumulated surplus 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:

Cemeteries

The following joint boards and committees are proportionally consolidated:

Fire
 Medical Centre
 Recreation
 Arena and Hall
 Library
 Building Committee
 Economic Development

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

(ii) Non-consolidated entities

The following joint boards are not consolidated:

North Bay Parry Sound District Health Unit
 Parry Sound District Social Services Administration Board
 District of Parry Sound (East) Home for the Aged

(iii) Accounting for school board transactions

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

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

- (iv) Trust funds
Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

(b) Basis of Accounting

- (i) Accrual basis of accounting
Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned 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.

- (ii) Cash
Cash includes cash on hand and balances held at financial institutions.

- (iii) Investments
Investments are recorded at cost plus accrued interest.

- (iv) 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.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. 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 - 20 years
Buildings - 20 to 50 years
Machinery, equipment and furniture - 5 to 20 years
Vehicles - 8 to 30 years
Roads - 10 to 60 years
Bridges - 60 years

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

Estimated closure and post-closure expenses for active landfill sites as well as the land occupied by the sites are amortized annually on the basis of capacity used during the year as a percentage of the estimated total capacity of the landfill site.

Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

(b) Inventories of supplies

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

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

- (v) 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.
- (vi) Government transfers
Government transfers are recognized in the financial statements as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.
- (vii) Deferred revenue
Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specified purpose.
- (viii) Taxation and related revenue
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. Property tax billings are prepared by the Municipality based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.
- (ix) 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. Obligations for sick leave and employee retirement gratuities under employee benefits payable are accrued as the employees render the services necessary to earn the benefits.
- (x) Use of estimates
The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts 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. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include valuation allowances for taxes and accounts receivable, estimated useful lives of tangible capital assets, employee benefits payable, solid waste landfill closure and post-closure liabilities and supplementary taxes. Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF STRONG

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

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to Note 1(a)(ii), the following contributions were made by the Municipality to these boards:

	2018	2017
District of Parry Sound Social Services Administration Board	\$ 126,048	\$ 126,429
North Bay Parry Sound District Health Unit	43,768	43,768
District of Parry Sound (East) Home for the Aged	84,163	81,810
	\$ 253,979	\$ 252,007

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Municipality's share of these long-term liabilities has not been determined at this time.

3. TRANSACTIONS ON BEHALF OF OTHERS

(a) During the year, \$641,587 of taxation was collected on behalf of school boards (2017 \$648,251).

(b) The Municipality administers care and maintenance trust funds totalling \$167,813 (2017 \$163,063) which are funded by the sale of cemetery interment rights and markers. These funds are invested and earnings derived therefrom are used to perform maintenance at the Municipality's cemeteries. The trust funds are not included in these consolidated financial statements, as they are being held in trust for the benefit of others.

4. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments of \$55,829 (2017 \$55,237) are included in the cash and investment balances reported on the Consolidated Statement of Financial Position. Federal and Provincial legislation restricts how restricted cash and investments related to obligatory reserve funds, reported in Note 8, may be used.

5. INVESTMENTS

Investments are comprised of guaranteed investment certificates, bearing interest at rates ranging from 1.2% to 2.5% and maturing between May 3, 2019 and December 24, 2023.

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

	2018	2017
Taxes receivable	\$ 255,095	\$ 271,817
Valuation allowance	(3,000)	(3,000)
	\$ 252,095	\$ 268,817

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

7. DEFERRED REVENUE-GENERAL

Details of the deferred revenue reported on the Consolidated Statement of Financial Position are as follows:

	2018	2017
Balance, beginning of year:		
Sundridge-Strong Union Public Library	\$ 2,063	\$ 1,859
Sundridge and District Medical Centre	1,168	5,347
Central Almaguin Economic Development Association	-	1,203
	<u>3,231</u>	<u>8,409</u>
Received during the year	184,462	152,460
Recognized in revenue during the year	(184,710)	(157,638)
Balance, end of year	\$ 2,983	\$ 3,231
Sundridge-Strong Union Public Library	\$ -	\$ 2,063
Sundridge and District Medical Centre		1,168
Central Almaguin Economic Development Association	2,983	-
Balance, end of year	\$ 2,983	\$ 3,231

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

8. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act, building permit revenue under the Building Code Act and federal gas tax funding under an agreement with the Association of Municipalities of Ontario. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland, revenue recognition occurs when the Municipality has approved eligible expenditures for park and other public recreation purposes. Building permit revenue is recognized when applicable building expenditures are incurred. Gas tax revenue recognition occurs when the Municipality has approved the expenditures for eligible capital works. Historically, the Municipality has applied its gas tax funding to local road and bridge improvements and to solid waste disposal.

Details of the deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position are as follows:

	2018	2017
Balance, beginning of year:		
Recreational land (the Planning Act)	\$ 44,558	\$ 63,816
Building Code Act	10,679	10,454
Federal Gas Tax	-	54,759
	55,237	129,029
Received during the year:		
Recreational land (the Planning Act)	2,000	900
Building Code Act	-	225
Federal Gas Tax	85,424	82,985
Interest earned	4,388	2,718
	91,812	86,828
Recognized in revenue during the year	(91,220)	(160,620)
Balance, end of year	\$ 55,829	\$ 55,237
Recreational land (the Planning Act)	\$ 46,274	\$ 44,558
Building Code Act	9,555	10,679
Balance, end of year	\$ 55,829	\$ 55,237

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

9. 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
Ontario Infrastructure and Lands Corporation amortizing debenture, due February 2019, repayable in monthly payments of \$3,451 including interest calculated at 2.1%	\$ 6,884	\$ 47,687

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

	Principal	Interest
2019	\$ 6,884	\$ 18

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

	2018	2017
Principal payments	\$ 40,803	\$ 39,955
Interest	610	1,457
	\$ 41,413	\$ 41,412

10. TANGIBLE CAPITAL LEASES

The contributing municipalities of the Sundridge-Strong Union Public Library lease a photocopier, which is accounted for on the Consolidated Statement of Financial Position at the present value of future minimum lease payments. The Municipality's share of future minimum lease payments are as follows:

	2018	2017
2018	\$	312
2019	\$ 311	\$ 311
2020	312	312
2021	482	482
Total minimum lease payments	1,105	1,417
Less amount representing interest (2.02% incremental borrowing rate)	(38)	(63)
Present value of future minimum capital lease payments	\$ 1,067	\$ 1,354

Interest of \$25 (2017 \$30) relating to capital lease obligations has been reported on the Consolidated Statement of Operations.

THE CORPORATION OF THE TOWNSHIP OF STRONG

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

11. EMPLOYEE BENEFITS PAYABLE

- (a) Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and qualifying employees may become entitled to a cash payment when they leave the Municipality's employment. The sick leave benefit liability estimates the use of accumulated sick leave prior to retirement, as well as any lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The liability for these accumulated days amounted to \$41,914 (2017 \$35,247) at the end of the year.
- (b) Under the retirement gratuity policy, qualifying employees are entitled to a payout, upon retirement, based on length of service and rate of pay. The retirement gratuity liability estimates the lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The liability for the retirement gratuity is estimated at \$12,013 (2017 \$18,923) at the end of the year.

12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final cover and landscaping of the landfill sites, management of groundwater and leachates, and ongoing environmental monitoring and site inspection and maintenance. Estimated expenditures related to the closure and subsequent maintenance of the sites are recognized in the financial statements over the operating life of the sites, in proportion to their utilized capacity.

The Municipality is currently responsible for two waste disposal sites as outlined below.

Forest Lake Road Landfill Site

The liability for this landfill site is recorded at \$18,276 (2017 \$25,580) and represents the present value of closure and post-closure costs for 29% (2017 29%) of the total site area, using an estimated long-term borrowing rate of 3.63% (2017 3.31%) and inflation rate of 1.7% (2017 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$62,696 (2017 \$88,950), leaving an amount to be recognized of \$44,420 (2017 \$63,370). The estimated remaining capacity of the site is approximately 234,326 cubic metres (2017 235,627 cubic metres), estimated to be filled in 180 years (2017 181 years). Post-closure care is estimated to be required for a period of 25 years.

Muskoka Road Landfill Site

The liability for this landfill site is recorded at \$264,117 (2017 \$275,763) and represents the present value of closure and post-closure costs for 61% (2017 60%) of the total site area, using an estimated long-term borrowing rate of 3.63% (2017 3.31%) and inflation rate of 1.7% (2017 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$430,793 (2017 \$457,186), leaving an amount to be recognized of \$166,676 (2017 \$181,423). The estimated remaining capacity of the site is approximately 36,040 cubic metres (2017 36,964 cubic metres), estimated to be filled in 39 years (2017 40 years). Post-closure care is estimated to be required for a period of 25 years.

The closure and post-closure liability is calculated from a number of factors which are themselves estimates, each of which can be made using different methodologies yielding highly variable results. The decline in the estimated liability recorded for the year is attributable to changes in the long-term discount rate and inflation rate underlying the estimated liability. As a result of these changes, the estimated liability has been reduced by approximately \$35,218.

The Municipality has reserves of \$239,079 (2017 \$234,079) that could be used to fund this liability.

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

13. CONTINGENCIES

The Municipality is involved from time to time in litigation, which arises in the normal course of business. With respect to outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation in all but two claims. Therefore, no provision has been made in the accompanying financial statements. For two claims in the total amount of \$4,500,000 the likelihood and extent of loss, if any, is not yet determinable. Therefore, no provision has been made in the accompanying financial statements.

THE CORPORATION OF THE TOWNSHIP OF STRONG

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

14. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Municipality by major asset class are outlined below.

2018							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 634,440	\$ 2,328,085	\$ 1,354,875	\$ 1,678,912	\$ 18,672,067	\$ -	\$ 24,668,379
Additions and betterments	-	-	122,875	293,902	403,936	8,395	829,108
Disposals and writedowns	(18,950)	(4,500)	(163,893)	(112,640)	(342,437)	-	(642,420)
BALANCE, END OF YEAR	615,490	2,323,585	1,313,857	1,860,174	18,733,566	8,395	24,855,067
ACCUMULATED AMORTIZATION							
Balance, beginning of year	423,760	889,485	738,445	888,163	10,318,544	-	13,258,397
Annual amortization	9,544	47,879	73,978	118,587	442,180	-	692,168
Amortization disposals	(18,950)	(3,060)	(124,924)	(101,157)	(342,437)	-	(590,528)
BALANCE, END OF YEAR	414,354	934,304	687,499	905,593	10,418,287	-	13,360,037
TANGIBLE CAPITAL ASSETS-NET	\$ 201,136	\$ 1,389,281	\$ 626,358	\$ 954,581	\$ 8,315,279	\$ 8,395	\$ 11,495,030
2017							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 571,813	\$ 2,320,545	\$ 1,446,624	\$ 1,520,824	\$ 18,660,473	\$ -	\$ 24,520,279
Additions and betterments	62,627	25,215	22,825	244,152	215,654	-	570,473
Contributed assets	-	-	-	-	9,410	-	9,410
Disposals and writedowns	-	(17,675)	(114,574)	(86,064)	(213,470)	-	(431,783)
BALANCE, END OF YEAR	634,440	2,328,085	1,354,875	1,678,912	18,672,067	-	24,668,379
ACCUMULATED AMORTIZATION							
Balance, beginning of year	351,590	848,508	774,294	865,312	10,098,581	-	12,938,285
Annual amortization	72,170	47,694	74,550	108,915	432,387	-	735,716
Amortization disposals	-	(6,717)	(110,399)	(86,064)	(212,424)	-	(415,604)
BALANCE, END OF YEAR	423,760	889,485	738,445	888,163	10,318,544	-	13,258,397
TANGIBLE CAPITAL ASSETS-NET	\$ 210,680	\$ 1,438,600	\$ 616,430	\$ 790,749	\$ 8,353,523	\$ -	\$ 11,409,982

Included in tangible capital assets are leased tangible capital assets with a cost of \$1,682 (2017 \$1,682) and accumulated amortization of \$421 (2017 \$252).

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

15. ACCUMULATED SURPLUS

The 2018 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

	Balance Beginning of Year	Annual Surplus (Deficit)	Balance End of Year
RESERVES AND RESERVE FUNDS			
Working capital	\$ 307,618	\$ -	\$ 307,618
Tax arrears coverage	323,781	-	323,781
Roads	437,023	229,822	666,845
Landfill closure	234,079	5,000	239,079
Landfill capital	14,274	5,000	19,274
Berriedale Cemetery	1,139	-	1,139
Strong Cemetery	2,222	-	2,222
Arena	10,195	1,000	11,195
Library	24,548	-	24,548
Recreation facility	25,000	5,000	30,000
	1,379,879	245,822	1,625,701
OTHER			
Consolidated tangible capital assets	11,409,982	85,048	11,495,030
General operating surplus (deficit) -			
Municipality	302,070	7,440	309,510
Berriedale Cemetery	9,360	2,015	11,375
Pevensey Cemetery	2,071	(625)	1,446
Strong Cemetery	7,055	1,583	8,638
Arena	15,835	11,009	26,844
Library	2,409	870	3,279
Medical Centre	4,150	3,421	7,571
Central Almaguin Economic Development Association	4,230	(4,536)	(306)
Unfunded amounts -			
Municipal debt	(47,687)	40,803	(6,884)
Tangible capital leases	(1,354)	287	(1,067)
Employee benefits payable	(54,170)	243	(53,927)
Landfill closure and post-closure liability	(301,343)	18,950	(282,393)
	\$ 12,732,487	\$ 412,330	\$ 13,144,817

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule of 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 solid waste management.

Health Services

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

Social and Family Services

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

Recreation and 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 related penalty and interest charges, and the municipality's annual Ontario Municipal Partnership Fund unconditional grant.

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

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,601,179	\$ 2,601,179
User charges	6,058	20,209	400	17,602	3,330	-	26,487	2,135	-	76,221
Government transfers -										
Canada	-	-	88,097	-	-	-	-	12,792	-	100,889
Ontario	-	3,605	117,277	42,908	169,855	-	8,496	-	496,900	839,041
Other municipalities	-	15,527	-	96,121	3,900	-	2,176	-	-	117,724
Loss on disposal of capital assets	-	(8,038)	(22,057)	-	-	-	(1)	-	-	(30,096)
Writedown of landfill closure liability	-	-	-	18,950	-	-	-	-	-	18,950
Other	16,150	43,554	3,158	19,653	58,136	-	54,358	848	93,093	288,950
TOTAL REVENUE	22,208	74,857	186,875	195,234	235,221	-	91,516	15,775	3,191,172	4,012,858
EXPENSES										
Salaries, wages and benefits	407,243	104,340	335,665	136,433	75,571	-	129,458	15,631	-	1,204,341
Long-term debt charges (interest)	-	-	610	-	-	-	25	-	-	635
Materials	52,689	41,461	426,885	49,163	30,480	-	73,645	5,078	-	679,401
Contracted services	94,732	332,262	48,962	47,392	203,411	-	19,120	4,871	-	750,750
Rents and financial expenses	1,627	2,949	-	-	7,725	-	4,220	8	-	16,529
External transfers	1,971	-	-	-	44,268	210,211	254	-	-	256,704
Interfunctional adjustments	(6,212)	3,099	-	-	-	-	1,500	1,613	-	-
Amortization	17,399	36,567	557,835	33,967	8,117	-	38,283	-	-	692,168
TOTAL EXPENSES	569,449	520,678	1,369,957	266,955	369,572	210,211	266,505	27,201	-	3,600,528
ANNUAL SURPLUS (DEFICIT)	\$ (547,241)	\$ (445,821)	\$ (1,183,082)	\$ (71,721)	\$ (134,351)	\$ (210,211)	\$ (174,989)	\$ (11,426)	\$ 3,191,172	\$ 412,330

THE CORPORATION OF THE TOWNSHIP OF STRONG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2018

16. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,466,496	\$ 2,466,496
User charges	6,985	4,305	750	34,990	3,875	-	28,149	750	-	79,804
Government transfers -										
Canada	-	105	140,321	-	-	-	2,585	1,260	2,151	146,422
Ontario	-	3,175	74,403	45,487	154,324	-	8,181	-	394,100	679,670
Other municipalities	-	17,691	-	95,809	3,950	-	472	846	-	118,768
Gain (loss) on disposal of capital assets	(3,092)	2,736	(12,733)	885	-	-	-	-	-	(12,204)
Other	13,397	46,995	10,867	23,051	54,328	-	81,405	30	76,385	306,458
TOTAL REVENUE	17,290	75,007	213,608	200,222	216,477	-	120,792	2,886	2,939,132	3,785,414
EXPENSES										
Salaries, wages and benefits	418,449	117,310	409,129	158,072	46,112	-	123,981	2,427	-	1,275,480
Long-term debt charges (interest)	-	-	1,457	-	-	-	30	-	-	1,487
Materials	48,103	58,020	473,757	37,078	20,461	-	93,308	1,441	-	732,168
Contracted services	107,198	336,463	24,353	47,243	208,945	-	17,918	6,017	-	748,137
Rents and financial expenses	1,076	586	-	-	6,399	-	8,602	7	-	16,670
External transfers	3,060	26	-	-	43,768	209,368	25	1,037	-	257,284
Interfunctional adjustments	(5,466)	3,396	-	-	-	-	1,500	570	-	-
Amortization	18,440	28,552	545,631	96,890	7,890	-	38,313	-	-	735,716
TOTAL EXPENSES	590,860	544,353	1,454,327	339,283	333,575	209,368	283,677	11,499	-	3,766,942
ANNUAL SURPLUS (DEFICIT)	\$ (573,570)	\$ (469,346)	\$ (1,240,719)	\$ (139,061)	\$ (117,098)	\$ (209,368)	\$ (162,885)	\$ (8,613)	\$ 2,939,132	\$ 18,472

THE CORPORATION OF THE TOWNSHIP OF STRONG

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

17. BUDGET FIGURES

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
ADOPTED BUDGET:	
Decrease in general municipal operating surplus	\$ (264,382)
Increase in municipal reserves and reserve funds	244,822
Decrease in board and joint board general operating surplus and reserves and reserve funds	(14,568)
ADJUSTMENTS:	
Acquisition of tangible capital assets	993,951
Amortization of tangible capital assets	(690,703)
Decrease in long-term debt	40,802
ANNUAL SURPLUS	\$ 309,922

18. 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 \$100,081 million with respect to benefits accrued for service with actuarial assets at that date of \$95,890 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 2018 was \$67,497 (2017 \$64,650) for current service and is included as an expense on the Consolidated Statement of Operations.