

**CORPORATION OF THE
TOWNSHIP OF FARADAY**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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TOWNSHIP OF FARADAY**

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CORPORATION OF THE TOWNSHIP OF FARADAY

For The Year Ended December 31, 2018

MANAGEMENT REPORT

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

The 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 Faraday. 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 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.

Reeve

D. J. Purcell

Date

April 3, 2019

Clerk-Treasurer

[Signature]

Date

April 3, 2019

Baker Tilly KDN LLP
272 Charlotte Street
Peterborough, ON
Canada K9J 2V4

INDEPENDENT AUDITOR'S REPORT

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**To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Township of Faraday**

www.bakertilly.ca

Opinion

We have audited the financial statements of the Corporation of the Township of Faraday (the Township), 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2018, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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 Township 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 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 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 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.

ASSURANCE • TAX • ADVISORY

Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

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 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 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 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
April 24, 2019

STATEMENT OF FINANCIAL POSITION
At December 31, 2018

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash (note 3)	4,609,003	5,026,489
Taxes receivable	302,710	311,126
Accounts receivable	342,009	163,818
Investments (note 4)	1,095,121	1,071,808
TOTAL FINANCIAL ASSETS	6,348,843	6,573,241
LIABILITIES		
Accounts payable and accrued liabilities	376,301	254,740
Landfill closure and post-closure liability (note 5)	2,125,000	2,450,000
Deferred revenue - other (note 9)	38,885	-
Deferred revenue - obligatory reserve funds (note 8)	130,818	143,268
TOTAL LIABILITIES	2,671,004	2,848,008
NET FINANCIAL ASSETS	3,677,839	3,725,233
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10)	8,538,116	7,343,082
Prepaid expenses	58,394	59,263
Inventory	15,801	39,937
TOTAL NON-FINANCIAL ASSETS	8,612,311	7,442,282
ACCUMULATED SURPLUS (note 14)	12,290,150	11,167,515

The accompanying notes are an integral part of these financial statements

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

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Property taxation	2,419,164	2,452,659	2,354,102
User charges	105,200	104,041	130,147
Government of Canada	-	-	13,429
Province of Ontario	725,495	725,495	588,495
Other municipalities	331,718	277,627	227,997
Penalties and interest on taxes	50,000	47,880	53,942
Investment income	50,000	87,128	74,190
Gain on disposal of tangible capital assets	-	7,831	-
Federal gas tax revenue earned	130,000	104,703	100,000
Other grants	118,043	25,681	2,190
Other	58,000	42,117	96,148
TOTAL REVENUES	3,987,620	3,875,162	3,640,640
EXPENSES			
General government	622,912	457,413	402,634
Protection services	785,965	759,214	734,598
Transportation services	964,163	907,287	861,600
Environmental services	877,463	858,717	596,290
Health services	22,500	20,766	20,533
Recreation and cultural services	114,628	73,363	76,074
Planning and development	2,300	767	344
Change in landfill closure and post-closure liability	-	(325,000)	1,326,136
TOTAL EXPENSES	3,389,931	2,752,527	4,018,209
ANNUAL SURPLUS/(DEFICIT)	<u>597,689</u>	1,122,635	(377,569)
ACCUMULATED SURPLUS - beginning of year		11,167,515	11,545,084
ACCUMULATED SURPLUS - end of year		12,290,150	11,167,515

The accompanying notes are an integral part of these financial statements

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

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS/(DEFICIT)	597,689	1,122,635	(377,569)
Amortization of tangible capital assets	500,946	576,392	500,946
Acquisition of tangible capital assets	(2,473,982)	(1,824,605)	(760,752)
Gain on disposal of tangible capital assets	-	(7,831)	-
Proceeds on sale of tangible capital assets	-	61,010	-
Change in prepaid expenses	-	869	715
Change in inventory	-	24,136	9,576
DECREASE IN NET FINANCIAL ASSETS	(1,375,347)	(47,394)	(627,084)
NET FINANCIAL ASSETS - beginning of year	3,725,233	3,725,233	4,352,317
NET FINANCIAL ASSETS - end of year	2,349,886	3,677,839	3,725,233

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF FARADAY

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

	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	1,122,635	(377,569)
Items not involving cash		
Amortization of tangible capital assets	576,392	500,946
Gain on disposal of tangible capital assets	(7,831)	-
Change in landfill closure and post-closure liability	(325,000)	1,326,136
Change in non-cash assets and liabilities		
Taxes receivable	8,416	37,840
Accounts receivable	(178,191)	7,927
Prepaid expenses	869	715
Inventory	24,136	9,576
Accounts payable and accrued liabilities	121,561	45,903
Deferred revenue - obligatory reserve funds	(12,450)	(10,094)
Deferred revenue - other	38,885	-
Net change in cash from operating activities	1,369,422	1,541,380
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,824,605)	(760,752)
Proceeds on disposal of tangible capital assets	61,010	-
Net change in cash from capital activities	(1,763,595)	(760,752)
INVESTING ACTIVITIES		
Purchase of investments	(23,313)	(24,114)
NET CHANGE IN CASH	(417,486)	756,514
CASH - beginning of year	5,026,489	4,269,975
CASH - end of year	4,609,003	5,026,489

The accompanying notes are an integral part of these financial statements

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

The Township of Faraday 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 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 financial statements reflect the assets, liabilities, revenues and expenses and fund balances of the reporting entity and include all committees of Council. There are no local boards.

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

(b) 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	15 - 27 years
Buildings	20 - 50 years
Roads	5 - 100 years
Equipment	4 - 20 years
Vehicles	5 - 10 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.

(c) 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.

(d) Reserves

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

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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 fees 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.

(f) 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 Township'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 Township's significant estimates are:

- The amounts recorded for landfill closure and post-closure care depend on estimates of costs for closure, post-closure, usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs; and
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

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

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF HASTINGS

During 2018, requisitions were made by the County of Hastings 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	611,924	927,472

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

3. CASH

The cash balance consists of the following:

	2018 \$	2017 \$
Unrestricted	4,478,185	4,883,221
Restricted - Federal gas tax	108,823	122,598
Restricted - Parkland	21,995	20,670
	4,609,003	5,026,489

4. INVESTMENTS

Investments consist of a Money Market and Bond Fund with The One Investment Program. All investments are recorded at cost.

	Market Value 2018 \$	2018 \$	2017 \$
One Fund - bond fund	1,040,542	1,094,028	1,070,730
One Fund - money market fund	1,091	1,093	1,078
	1,041,633	1,095,121	1,071,808

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

5. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The liability for landfill closure and post-closure costs of \$2,125,000 (2017 - \$2,450,000) has been estimated using discounted future cash flows associated with closure and post-closure care activities for the landfill site. The closure costs include final cover, vegetation and additional monitoring wells. Post-closure costs include monitoring, maintenance of control systems and consulting fees for 25 years after the site is closed. A reserve of \$275,400 (2017 - \$400,000) has been provided for this liability with the remaining costs to be funded from taxation. There are no specific assets designated for settling this liability. The Township also has a reserve of \$50,000 (2017 - \$400,000) for the reclamation of the landfill.

The reported liability is based upon estimates and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 13,352 cubic meters (2017 - 2,347) which is 13.3% (2017 - 2.3%) of the site's capacity. The remaining capacity has increased due to reclamation work performed in 2018. The total discounted future cash flows for closure and post-closure cost is estimated at \$4,901,489 (2017 - \$5,026,963) as at December 31, 2018. The landfill is expected to reach its capacity in 2028. The total discounted future cash flows for closure and post-closure costs were calculated using a discounted factor of 3.6% and an inflation rate of 2.0%.

In accordance with an agreement between the Township and the Town of Bancroft, the Township is responsible for 50% of the liability for closure and post-closure costs. Only the Township's share of the liability is recorded in these financial statements.

6. 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 \$39,449 (2017 - \$34,385).

7. 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 \$500,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate. Council authorized the temporary borrowing limit by By-law 01-2018. At December 31, 2018 there was no balance outstanding (2017 - \$Nil).

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

8. 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	21,995	20,670
Federal gas tax revenues	108,823	122,598
	130,818	143,268

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

	2018 \$	2017 \$
Balance - beginning of year	143,268	153,362
Add amounts received:		
Parkland	1,200	800
Federal gas tax funding received	46,757	45,422
County of Hastings share of Federal gas tax funding received	42,507	42,507
Interest	1,789	1,177
	92,253	89,906
Less transfer to operations:		
Federal gas tax funding earned	104,703	100,000
Balance - end of year	130,818	143,268

9. DEFERRED REVENUE - OTHER

Included in deferred revenue - other are the following amounts:

	2018 \$	2017 \$
AMO Main Street Revitalization grant	38,885	-

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

9. DEFERRED REVENUE - OTHER, continued

The continuity of deferred revenue - other is as follows:

	2018 \$	2017 \$
Balance - beginning of year	-	-
Add amounts received:		
AMO Main Street Revitalization grant	38,885	-
Balance - end of year	38,885	-

10. TANGIBLE CAPITAL ASSETS

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

	2018 \$	2017 \$
General		
Land	206,183	203,186
Land improvements	1,498,593	789,498
Buildings	346,405	367,548
Equipment	715,122	279,719
Vehicles	591,854	623,405
Infrastructure		
Roads	4,990,612	4,957,618
	8,348,769	7,220,974
Assets under construction	189,347	122,108
	8,538,116	7,343,082

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

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

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

10. TANGIBLE CAPITAL ASSETS, continued

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

	2018	2017
	\$	\$
General government	462,937	154,867
Protection services	363,631	362,477
Transportation services	5,911,136	5,725,513
Environmental services	1,698,743	990,423
Recreation and cultural services	101,669	109,802
	8,538,116	7,343,082

11. EXPENSES BY OBJECT

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

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
Salaries and benefits	852,390	796,114	751,851
Materials	836,264	545,999	490,002
Contracted services	1,095,795	1,057,510	852,597
Rents and financial	7,466	123	6,282
External transfers	97,070	101,389	90,395
Amortization	500,946	576,392	500,946
Change in landfill closure and post-closure liability	-	(325,000)	1,326,136
	3,389,931	2,752,527	4,018,209

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

12. BUDGET FIGURES

The budget, approved by the Township, for 2018 is reflected on the Statement of Operations and Accumulated Surplus and the 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.

The following is a reconciliation of the Council approved budget amounts to the PSA amounts:

	(Unaudited) Revenue \$	(Unaudited) Expenses \$
Council approved budget:		
Operating and capital	5,792,685	5,792,685
Total Council approved budget	5,792,685	5,792,685
Less: Tangible capital assets capitalized	-	(2,473,982)
Add: Amortization of tangible capital assets	-	500,946
Less: Transfers to/from reserves	(1,770,347)	(395,000)
Less: Reclassification for financial statement purposes	(34,718)	(34,718)
Adjusted budget per Statement of Operations	3,987,620	3,389,931

13. CONTINGENT LIABILITIES

The Township in the course of its operations is subject to claims, lawsuits and contingencies. The Township records settlements as liabilities in the period they are reasonably determined. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Township does not believe that such an outcome will significantly impair its operations or have a material effect on its financial position.

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

14. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Surplus/(Deficit)		
Unfunded landfill closure and post-closure liability	(2,125,000)	(2,450,000)
Invested in Capital Assets		
Tangible capital assets - net book value	8,538,116	7,343,082
Surplus	6,413,116	4,893,082
Reserves		
Working capital	570,504	570,503
Capital	4,040,363	4,052,192
Administration equipment	13,366	13,366
Roads	143,905	153,905
Tandem truck	37,100	17,100
Monck road	320,000	270,000
Fire	126,396	145,020
Fire - special grant	-	2,347
Landfill reclamation	50,000	400,000
Landfill closure costs	275,400	400,000
Asset management plan - roads	200,000	175,000
Asset management plan - structures	100,000	75,000
Total Reserves	5,877,034	6,274,433
	12,290,150	11,167,515

15. SEGMENTED INFORMATION

The Township of Faraday 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 financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure.

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

15. SEGMENTED INFORMATION, continued

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 include construction and maintenance of the Township's roads and bridges and winter control.

Environmental Services

This function is responsible for waste collection, waste disposal, and recycling.

Health Services

The health services function consists of external transfers for physician recruitment costs.

Recreation and Cultural Services

The recreation and cultural services function provides indoor and outdoor recreational facilities and external transfer for library services.

Planning and Development

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

16. CHANGES IN ACCOUNTING POLICIES

The Township has implemented the following PSA sections which are now effective under the PSA Handbook: 3320 Contingent Assets and 3380 Contractual Rights.

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 financial statements.

Under Section 3380, a contractual right arises out of a contract or agreement where it will result in the municipality 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 financial statements.

CORPORATION OF THE TOWNSHIP OF FARADAY



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

	General				Infrastructure		Assets Under Construction	Totals
	Land	Land Improvements	Buildings	Equipment	Vehicles	Roads		
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, beginning of year	203,186	2,129,506	841,765	541,033	1,094,869	8,220,748	122,108	13,153,215
Add: additions during the year	2,997	779,126	-	515,162	43,624	295,383	188,313	1,824,605
Less: disposals during the year	-	-	-	254,719	17,953	-	-	272,672
Internal transfers	-	39,243	-	-	-	81,831	(121,074)	-
Balance, end of year	206,183	2,947,875	841,765	801,476	1,120,540	8,597,962	189,347	14,705,148
ACCUMULATED AMORTIZATION								
Balance, beginning of year	-	1,340,008	474,217	261,314	471,464	3,263,130	-	5,810,133
Add: additions during the year	-	109,274	21,143	26,580	75,175	344,220	-	576,392
Less: disposals during the year	-	-	-	201,540	17,953	-	-	219,493
Balance, end of year	-	1,449,282	495,360	86,354	528,686	3,607,350	-	6,167,032
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	206,183	1,498,593	346,405	715,122	591,854	4,990,612	189,347	8,538,116

CORPORATION OF THE TOWNSHIP OF FARADAY

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 \$	Change in landfill closure and post- closure liability \$	Consolidated \$
Revenues									
Property taxation	33,495	448,375	1,106,640	735,816	22,500	105,533	300	-	2,452,659
User charges	11,988	69,622	4,549	11,007	-	2,675	4,200	-	104,041
Government transfers - operating	441,869	228,031	-	-	-	5,595	-	-	675,495
Government transfers - capital	-	-	50,000	-	-	-	-	-	50,000
Other municipalities	-	40,565	5,000	232,062	-	-	-	-	277,627
Penalties and interest on taxes	47,880	-	-	-	-	-	-	-	47,880
Investment income	87,128	-	-	-	-	-	-	-	87,128
Gain on disposal of tangible capital assets	-	1,010	(13,179)	20,000	-	-	-	-	7,831
Federal gas tax revenue earned	-	-	104,703	-	-	-	-	-	104,703
Other grants	25,681	-	-	-	-	-	-	-	25,681
Other	-	-	-	42,117	-	-	-	-	42,117
Total revenues	648,041	787,603	1,257,713	1,041,002	22,500	113,803	4,500	-	3,875,162
Expenses									
Salaries and benefits	289,810	172,644	216,996	102,733	-	13,931	-	-	796,114
Materials	115,344	87,919	215,466	105,033	266	21,204	767	-	545,999
Contracted services	40,628	406,512	69,468	540,902	-	-	-	-	1,057,510
Rents and financial	123	-	-	-	-	-	-	-	123
External transfers	1,125	49,669	-	-	20,500	30,095	-	-	101,389
Amortization	10,383	42,470	405,357	110,049	-	8,133	-	-	576,392
Change in landfill closure and post-closure liability	-	-	-	-	-	-	-	(325,000)	(325,000)
Total expenses	457,413	759,214	907,287	858,717	20,766	73,363	767	(325,000)	2,752,527
Net surplus	190,628	28,389	350,426	182,285	1,734	40,440	3,733	325,000	1,122,635

CORPORATION OF THE TOWNSHIP OF FARADAY

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 \$	Change in landfill closure and post- closure liability \$	Consolidated \$
Revenues									
Property taxation	353,339	711,802	1,169,800	26,983	22,500	68,378	1,300	-	2,354,102
User charges	11,913	90,522	2,281	18,076	-	3,905	3,450	-	130,147
Government transfers - operating	-	-	532,900	-	-	5,595	-	-	538,495
Government transfers - capital	-	-	50,000	-	-	13,429	-	-	63,429
Other municipalities	150	36,274	7,125	184,448	-	-	-	-	227,997
Penalties and interest on taxes	53,942	-	-	-	-	-	-	-	53,942
Investment income	74,190	-	-	-	-	-	-	-	74,190
Federal gas tax revenue earned	-	-	100,000	-	-	-	-	-	100,000
Other grants	2,190	-	-	-	-	-	-	-	2,190
Other	-	-	-	96,148	-	-	-	-	96,148
Total revenues	495,724	838,598	1,862,106	325,655	22,500	91,307	4,750	-	3,640,640
Expenses									
Salaries and benefits	241,289	155,983	237,766	104,861	-	11,952	-	-	751,851
Materials	117,639	91,816	210,035	43,741	33	26,394	344	-	490,002
Contracted services	28,694	408,914	63,444	351,545	-	-	-	-	852,597
Rents and financial	6,282	-	-	-	-	-	-	-	6,282
External transfers	1,250	39,050	-	-	20,500	29,595	-	-	90,395
Amortization	7,480	38,835	350,355	96,143	-	8,133	-	-	500,946
Change in landfill closure and post- closure liability	-	-	-	-	-	-	-	1,326,136	1,326,136
Total expenses	402,634	734,598	861,600	596,290	20,533	76,074	344	1,326,136	4,018,209
Net surplus/(deficit)	93,090	104,000	1,000,506	(270,635)	1,967	15,233	4,406	(1,326,136)	(377,569)