CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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Township of Augusta
Consolidated
Financial Statements
December 31, 2018

Township of Augusta
Five Year Financial Review
(not subject to audit)

December 31	2018	2017	2016	2015	2014
Population (Statistics Canada)	7,353	7,353	7,353	7,430	7,430
Number of Households (MPAC)	3,130	3,118	3,004	3,085	3,085
Taxable Assessment (000's)	$	$	$	$	$
Residential and farm	732,643	709,738	722,630	699,059	672,455
Commercial and industrial	50,096	48,835	55,807	54,378	54,297
Total	782,739	758,573	778,437	753,437	726,752
Commercial, industrial as % of assessment	6.40%	6.43%	7.17%	7.22%	7.43%
Rates of Taxation					
Residential					
▸ for general municipal purposes	0.589648	0.578085	0.563986	0.555587	0.544815
▸ for county purposes	0.370869	0.370869	0.363579	0.367257	0.367257
▸ for school board purposes	0.170000	0.179000	0.188000	0.195000	0.203000
Total	1.130517	1.127954	1.115565	1.117844	1.115072
Multi-Residential (municipal)	0.589648	0.578085	0.563986	0.555587	0.544815
Commercial (municipal)	0.793902	0.778334	0.759351	0.748042	0.733539
Industrial (municipal)	1.068088	1.047143	1.021604	1.006390	0.986878
Tax Arrears ▸ percentage of current levy (‹10%)**	16.87%	18.98%	14.99%	14.80%	12.99%
Taxes Transferred (000's)					
▸ County	3,009	2,860	2,806	2,875	2,742
▸ School Boards	1,908	1,866	1,887	2,109	2,068
Revenues (000's)	$	$	$	$	$
▸ Taxation and payments in lieu	4,758	4,472	4,370	4,326	4,082
▸ Government transfers	914	706	725	679	710
▸ Fees and service charges	118	77	80	144	42
▸ Other	343	314	292	303	265
▸ Revenues related to capital assets	309	296	226	218	261
Total	6,442	5,865	5,693	5,670	5,360
Expenditures (000's)					
▸ Operations	5,729	5,724	5,746	5,393	4,687
▸ Amortization	1,173	1,290	1,281	1,103	1,021
Net Assets (Net Debt)					
▸ % of Operating Revenue (>(20%))**	46.34%	58.93%	61.67%	75.58%	78.65%
▸ % of Taxation and User Charges (>(50%))**	59.72%	73.40%	77.13%	95.24%	98.24%

**** Represents the Provincial Low Risk Indicator.**
(Note: All dollar amounts are in thousands of dollars.)

Township of Augusta
Five Year Financial Review
(not subject to audit)

December 31	2018	2017	2016	2015	2014
	$	$	$	$	$
Long Term Debt					
▸ Annual repayment limit (000's)	**1,182**	1,192	1,097	1,099	1,099
Municipal Equity (000's)					
▸ Surplus and Reserves	**3,052**	3,407	3,486	4,239	4,109
▸ Invested in capital assets	**15,191**	14,122	13,902	13,812	13,665
▸ Reserves as % of operating expenses **(>20%)** **	**52.24%**	58.44%	59.74%	69.24%	76.35%
▸ Asset consumption ratio	**53.97%**	54.12%	52.65%	50.62%	49.45%
Financial Indicators					
▸ Sustainability					
▸ financial assets to liabilities	**1.79**	2.48	2.86	3.87	3.99
▸ capital reserves to accumulated amortization	**12.17%**	14.97%	14.52%	18.68%	17.29%
▸ Flexibility					
▸ Debt charges to total operating revenue **(‹5%)** **	**0.00%**	0.00%	0.00%	0.00%	0.00%
▸ Total operating revenue to taxable assessment	**0.79%**	0.73%	0.70%	0.72%	0.70%
▸ Working capital to operating expenses **(>10%)** **	**49.95%**	57.34%	58.65%	76.40%	85.55%
▸ Vulnerability					
▸ Operating government transfers ▸ to operating revenue	**14.90%**	12.68%	13.26%	12.46%	13.93%
▸ Total government transfers ▸ to total revenues	**18.82%**	17.09%	16.70%	15.78%	17.34%

Augusta TOWNSHIP
A Community of Opportunity

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Augusta are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Council approval of the consolidated financial statements.

The consolidated financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Municipality. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Ray Morrison, CAO / Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Augusta:

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Augusta (the 'Entity'), which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of operations and accumulated surplus for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and the notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net financial assets 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 ***'Auditors' Responsibilities for the Audit of the Financial Statements'*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 Entity's internal control.

- Evaluate the appropriateness of accounting polices 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 Entity's ability to continue as a going concern. If we
conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
September 23, 2019.

Township of Augusta
Consolidated Statement of Financial Position

December 31	2018	2017
	$	$
ASSETS		
Financial Assets		
Cash and short term deposits	**1,939,645**	2,107,420
Taxes receivable	**1,561,771**	1,672,921
Accounts receivable	**891,031**	787,795
Long term receivables	**32,735**	38,214
	4,425,182	4,606,350
LIABILITIES		
Financial Liabilities		
Accounts payable and accrued liabilities	**741,376**	501,120
Accrued landfill closure and post closure (note 9)	**516,673**	516,673
Prepaid property taxes	**141,224**	188,002
Other current liabilities	**39,952**	39,389
Deferred revenues (note 4)	**111,502**	40,827
Long term liabilities (note 5)	**32,735**	38,214
	1,583,462	1,324,225
NET FINANCIAL ASSETS	**2,841,720**	3,282,125
NON-FINANCIAL ASSETS		
Tangible capital assets (note 13)	**15,190,546**	14,122,236
Inventories	**116,905**	62,925
Prepaid expenses	**93,100**	61,671
	15,400,551	14,246,832
Contingent Liabilities (note 11)		
MUNICIPAL EQUITY (note 6)	**18,242,271**	17,528,957

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

Township of Augusta
Consolidated Statement of Operations

For the year ended December 31	(Note 15) Budget	2018	2017
	$	$	$
REVENUES			
Taxation ▸ residential	4,126,248	**4,128,593**	3,998,831
▸ commercial	548,815	**602,952**	445,643
▸ local improvements	8,120	**8,222**	7,960
▸ other governments	18,709	**18,659**	19,302
User charges ▸ general government	10,834	**13,593**	11,049
▸ protection to persons and property	10,694	**41,269**	19,638
▸ transportation services	8,650	**27,242**	9,226
▸ recreation and culture	14,948	**4,446**	13,765
▸ planning	27,039	**31,038**	23,511
Government transfers	912,738	**913,735**	706,396
Licences and permits	79,132	**67,591**	67,239
Investment income	33,200	**57,123**	44,521
Penalties and interest on taxes	186,000	**213,253**	200,411
Other	1,161	**5,167**	2,113
TOTAL REVENUES	5,986,288	**6,132,883**	5,569,605
EXPENDITURES			
General government	677,742	**762,628**	756,503
Protection to persons and property	1,632,525	**1,818,459**	1,774,856
Transportation services	1,370,756	**2,237,018**	2,270,944
Environmental services	422,870	**411,541**	336,698
Social and health services	10,000	**12,353**	4,101
Recreation and cultural services	302,246	**332,756**	323,366
Planning and development	209,474	**153,999**	257,672
TOTAL EXPENDITURES	4,625,613	**5,728,754**	5,724,140
NET REVENUES (EXPENDITURES) FROM OPERATIONS	1,360,675	**404,129**	(154,535)
OTHER			
Grants and transfers related to capital Government transfers	269,442	**298,713**	295,695
Gain on disposal of capital assets	---	**10,472**	---
	269,442	**309,185**	295,695
ANNUAL SURPLUS	1,630,117	**713,314**	141,160
MUNICIPAL EQUITY, BEGINNING OF YEAR	17,528,957	**17,528,957**	17,387,797
MUNICIPAL EQUITY, END OF YEAR	19,159,074	**18,242,271**	17,528,957

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

Township of Augusta
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	(Note 15) Budget	2018	2017
	$	$	$
ANNUAL SURPLUS	1,630,117	**713,314**	141,160
Amortization of tangible capital assets	---	**1,172,800**	1,290,313
Acquisition of tangible capital assets	(1,196,444)	**(2,264,536)**	(1,510,976)
Disposition of tangible capital assets	---	**23,426**	---
Acquisition of supplies inventories	---	**(53,980)**	7,150
Acquisition of prepaid expenses	---	**(31,429)**	(16,238)
	(1,196,444)	**(1,153,719)**	(229,751)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	433,673	**(440,405)**	(88,591)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,282,125	**3,282,125**	3,370,716
NET FINANCIAL ASSETS, END OF YEAR	3,715,798	**2,841,720**	3,282,125

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

Township of Augusta
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
	$	$
OPERATING ACTIVITIES		
Annual surplus for the year	713,314	141,160
Amortization	1,172,800	1,290,313
	1,886,114	1,431,473
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	252,374	(333,012)
Accounts receivable	(103,236)	319,855
Accounts payable and accrued liabilities	240,256	80,170
Prepaid property taxes	(188,002)	78,819
Other current liabilities	563	(13,491)
Deferred revenues (note 4)	70,675	4,885
Inventories	(53,980)	7,150
Prepaid expenses	(31,429)	(16,238)
Long term receivables	5,479	5,169
	192,700	133,307
Working Capital from Operations	2,078,814	1,564,780
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,264,536)	(1,510,976)
Disposal of capital assets	23,426	---
Net investment in tangible capital assets	(2,241,110)	(1,510,976)
FINANCING ACTIVITIES		
Debt principal repayments	(5,479)	(5,169)
Net decrease in cash from financing activities	(5,479)	(5,169)
NET (DECREASE) INCREASE IN CASH	(167,775)	48,635
CASH, BEGINNING OF YEAR	2,107,420	2,058,785
CASH, END OF YEAR	1,939,645	2,107,420

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

1. Status of the Township of Augusta

The Township of Augusta (the 'Township') was formed January 21, 1850 and assumed its responsibilities under the authority of the Provincial Secretary. The Township operates as a lower tier government in the United Counties of Leeds and Grenville, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements of the Township of Augusta are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Township are as follows:

Reporting Entity

(i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- North Augusta Cemetery Board
- McGinn's Cemetery Board
- Augusta Library Board
- Police Services Board

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

Basis of Accounting

(i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenditures are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

(ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

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

2. Significant Accounting Policies / continued

Taxation and Related Revenues

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by the Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of the United Counties of Leeds and Grenville for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenues can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. 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	
Buildings	40 years
Furniture and Equipment	7 years
Vehicles	7 to 20 years
Roads	10 to 40 years
Bridges	75 years
Construction in Progress	

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Township has a capitalization threshold of $5,000 for vehicles and equipment and $20,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

2. **Significant Accounting Policies** / continued

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Inventories and Prepaid Expenses

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

Pension and Employee Benefits

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

Cash and Cash Equivalents

The Township considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Government Transfers

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

Deferred Revenues

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997,* and recreational lands collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Township receives restricted contributions under the authority of Federal and Provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenues. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenues represent certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenues also represent contributions that the Township has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenues in the fiscal year the services are performed or related expenses incurred.

2. Significant Accounting Policies / continued

Investments

Short-term and long-term investments are recorded at cost plus accrual interest. If the market value of investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

Landfill Closure and Post-Closure Liabilities

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

(a) an environmental standard exists;
(b) contamination exceeds the environmental standard;
(c) the Township:
    (i) is directly responsible; or
    (ii) accepts responsibility
(d) it is expected that future economic benefit will be given up; and
(e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Township has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

2. Significant Accounting Policies / continued

Financial Instruments / continued

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Township classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

Measurement Uncertainty

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

3. Operations of the School Boards and United Counties of Leeds and Grenville

During 2018, the Township collected and made property tax transfers including payments in lieu of property taxes, to the United Counties of Leeds and Grenville and School Boards as follows:

	School Boards $	County $
Property taxes	1,908,195	3,000,404
Taxation from other governments	277	8,124
Amounts requisitioned and paid	1,908,472	3,008,528

4. Deferred Revenues

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

4. Deferred Revenues / continued

The balances in the obligatory reserve funds of the Township are summarized below:

	Government Grants	Parkland	Total
	$	$	$
January 1, 2018	---	40,827	40,827
Government grants	69,150	---	69,150
Contributions from developers	---	500	500
Interest	324	701	1,025
December 31, 2018	69,474	42,028	111,502

5. Long Term Liabilities

(a) The balance of long term liabilities reported on the "Consolidated Statement of Financial Position" is comprised of the following:

	2018	2017
	$	$
Instalment debentures with the Province of Ontario under the Ontario Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	32,735	38,214
Net long term liabilities at the end of the year	32,735	38,214

(b) Principal payments fall due as follows:

	General Revenues
	$
2019	5,807
2020	6,156
2021	6,525
2022	6,917
2023 and thereafter	7,330
	32,735

(c) Interest expense on long term liabilities in 2018 amounted to $2,293 (2017 $2,603).

5. Long Term Liabilities / continued

(d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

6. Municipal Equity

Municipal equity consists of:

		2018	2017
		$	$
Investment in Tangible Capital Assets			
Tangible capital assets		**15,190,546**	14,122,236
Unrestricted Surplus	▸ Library Board	**37,363**	40,922
	▸ Police Services Board	**21,691**	20,765
Reserves (Schedule 1)		**2,982,671**	3,272,394
Reserve Funds (Schedule 1)		**10,000**	72,640
Total Municipal Equity		**18,242,271**	17,528,957

7. Pension Contributions

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was $87,048 (2017 $81,041) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. Trust Funds

Trust funds administered by the Township amounting to $2,458 (2017 $2,388) are presented in a separate financial statement of trust fund balances and operations. 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 financial activities.

9. Landfill Closure and Post Closure Liability

The Environment Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage and is in accordance with the Township's accounting policy.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

The Township currently has two closed landfill sites - North Augusta and Maynard which were closed in 2015.

Annual post closure maintenance and monitoring costs are estimated to be $50,000 per year for 2018 through 2020. For subsequent years, the results of the monitoring may result in decreased monitoring requirements.

Future events may result in significant changes to the estimated expenditures and the estimated liability would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Township's average long term borrowing rate of 2.0% and using an assumed rate of 2.0% for inflation. The estimated landfill post-closure care expenditures are calculated to be approximately $500,000. The estimated liability for these expenditures have been recognized in the records of the Municipality. Included in liabilities on the Consolidated Statement of Financial Position at December 31, 2018 is an amount of $516,673 (2017 $516,673) with respect to post-closure liabilities recognized to date.

10. Contractual Obligations

The Municipality has negotiated a long term contract for the operation of the Township's landfill site. The contract ends December 31, 2018. Annual charges under the contract are determined by the contract. The current contract amounts to $136,600 annually.

The Municipality has extended a long term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 31, 2018. Annual charges are determined based on level of service and are reconciled to actual costs in the following year. Contract payments for 2018 were $1,025,389 (2017 $1,003,561).

The Township has entered into a contract for the construction of a new fire hall. The contract amount is $3,623,000 and approximately $1,006,000 has been spent in 2018. The balance of the construction will be completed in 2019. The project will be funded from the proceeds of long term debt and reserves.

11. Contingent Liabilities

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2018, management believes that the Township has valid defences an d appropriate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

12. Risk Management

In the normal course of operations, the Township is exposed to a variety of financial risks which are actively managed by the Township.

The Township's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, investments and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

The Township's exposure to and management of risk has not changed materially from December 31, 2017.

Credit Risk

Credit risk arises from the possibility that the entities to which the Township provides services to may experience difficulty and be unable to fulfill their obligations. The Township is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Township does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Township is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Township's operating results.

Liquidity Risk

Liquidity risk is the risk that the Township will not be able to meet its obligations as they fall due. The Township requires working capital to meet day-to-day operating activities. Management expects that the Township's cash flows from operating activities will be sufficient to meet these requirements.

13. Tangible Capital Assets

	2018	2017
	$	$
Land	**547,513**	552,043
Buildings	**3,388,837**	2,173,996
Furniture and Equipment	**291,752**	298,492
Vehicles	**1,775,293**	1,951,002
Roads	**7,944,347**	7,880,327
Bridges	**963,318**	986,890
Construction in Progress	**279,486**	279,486
	15,190,546	14,122,236

For additional information, see Schedule 2 ▸ Tangible Capital Assets.

14. Segmented Information

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the Consolidated Statement of Operations.

Departments have been separately disclosed in the segmented information, along with the service they provide which are set out in the schedule below.

For each reported segment, expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

14. Segmented Information / continued

2018	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	$	$	$	$	$	$
General Government						
Governance	89,832	---	6,894	---	---	96,726
Corporate Management & Program Support	433,396	---	216,823	---	15,683	665,902
Protection to Persons & Property						
Fire	153,721	---	189,192	100,369	136,604	579,886
Police	---	---	1,025,389	---	---	1,025,389
Conservation Authority	---	---	---	46,585	---	46,585
Protective Inspection	132,204	---	28,953	5,442	---	166,599
Transportation						
Roadways	464,491	---	729,872	---	958,925	2,153,288
Winter Control	---	---	69,011	---	---	69,011
Street Lighting	---	---	14,719	---	---	14,719
Environmental						
Waste Services	21,224	---	390,317	---	---	411,541
Health Services						
Cemeteries	---	---	12,353	---	---	12,353
Recreation and Cultural Services						
Recreation Facilities & Programs	36,127	---	84,107	28,080	26,092	174,406
Libraries	74,699	---	48,155	---	35,496	158,350
Planning and Development						
Planning & Zoning	31,798	2,293	119,908	---	---	153,999
2018	**1,437,492**	**2,293**	**2,935,693**	**180,476**	**1,172,800**	**5,728,754**

14. Segmented Information / continued

2017	Salaries, Wages & Employee Benefits	Debenture Debt Interest	Materials & Services	External Transfers	Amortization	Total
	$	$	$	$	$	$
General Government						
Governance	74,485	---	18,334	---	---	92,819
Corporate Management & Program Support	407,900	---	238,678	---	17,106	663,684
Protection to Persons & Property						
Fire	121,532	---	209,778	100,115	129,594	561,019
Police	---	---	1,009,674	---	---	1,009,674
Conservation Authority	---	---	---	45,247	---	45,247
Protective Inspection	126,400	---	32,516	---	---	158,916
Transportation						
Roadways	393,652	---	621,680	---	1,073,955	2,089,287
Winter Control	96,000	---	66,330	---	---	162,330
Street Lighting	---	---	19,327	---	---	19,327
Environmental						
Waste Services	20,808	---	315,890	---	---	336,698
Health Services						
Cemeteries	---	---	4,101	---	---	4,101
Recreation and Cultural Services						
Recreation Facilities & Programs	10,548	---	95,197	29,948	34,490	170,183
Libraries	72,482	---	45,533	---	35,168	153,183
Planning and Development						
Planning & Zoning	65,993	2,603	161,256	27,820	---	257,672
2017	**1,389,800**	**2,603**	**2,838,294**	**203,130**	**1,290,313**	**5,724,140**

15. Budget Figures

The 2018 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Statement of Operations. The revenues attributable to these items continue to be included in the Statement of Operations, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget	Actual
	$	$
Total Revenues	5,986,288	6,132,883
Total Expenditures	4,625,613	5,728,754
Net Revenues	1,360,675	404,129
Amortization	---	1,172,800
Adjusted Net Revenues	1,360,675	1,576,929
Capital Revenues	269,442	298,713
Funds Available	1,630,117	1,875,642
Capital Expenditures	(1,196,444)	(2,264,536)
Disposal of Tangible Capital Assets	---	33,898
Decrease in Operating Surplus	433,673	(354,996)
Allocated as follows:		
Net transfers from reserves	433,673	(352,363)
Library Board surplus	---	926
Police Service Board surplus	---	(3,559)
	433,673	(354,996)

Township of Augusta
Schedule 1 ▸ Continuity of Reserves and Reserve Funds

For the year ended December 31	(Note 15) Budget	2018	2017
	$	$	$
Net Transfers From / (To) Other Funds			
Transfers from operations	1,755,018	**1,455,593**	1,202,040
Transfers to capital acquisitions	(1,321,345)	**(1,807,956)**	(1,290,023)
Total Net Transfers	433,673	**(352,363)**	(87,983)
Reserves and Reserve Fund Balances, Change in Year	433,673	**(352,363)**	(87,983)
Reserves and Reserve Fund Balances, Beginning of Year	3,345,034	**3,345,034**	3,433,017
Reserves and Reserve Fund Balances, End of Year	3,778,707	**2,992,671**	3,345,034

Composition of Reserves and Reserve Funds

For the year ended December 31	2018	2017
	$	$
Reserves set aside for specific purposes by Council:		
▸ for working capital	**699,708**	677,691
▸ for insurance deductible	**50,000**	48,832
▸ for elections	**6,426**	16,863
▸ for recreation	**21,338**	114
▸ for municipal drains	**1,000**	1,000
▸ for library	**5,000**	---
▸ for economic development	**31,217**	34,699
	814,689	779,199
For Capital Purposes		
▸ for administrative equipment	**74,702**	64,702
▸ for fire building	**---**	696,722
▸ for fire vehicle / equipment	**55,594**	42,590
▸ for roads equipment	**460,632**	301,451
▸ for salt dome	**40,680**	30,680
▸ for roads construction	**807,685**	736,604
▸ for bridge repairs	**728,689**	620,446
	2,167,982	2,493,195
Total Reserves	**2,982,671**	3,272,394
Reserve Funds		
▸ for capital landfill	**10,000**	---
▸ for subdivision levies	**---**	72,640
Total Reserve Funds	**10,000**	72,640
Total Reserves and Reserve Funds	**2,992,671**	3,345,034

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

Township of Augusta
Schedule 2 ▸ 2018 Tangible Capital Assets

Asset Class	Cost 01/01/18	Additions	(Disposals)	Cost 31/12/18
	$	$	$	$
Land	597,529	---	---	597,529
Buildings	3,737,954	1,300,176	---	5,038,130
Furniture and Equipment	672,146	45,743	(17,930)	699,959
Vehicles	4,704,877	75,340	(25,556)	4,754,661
Roads	19,020,432	843,277	---	19,863,709
Bridges	1,767,933	---	---	1,767,933
Construction in Progress	279,486	---	---	279,486
	30,780,357	2,264,536	(43,486)	33,001,407

Asset Class	Accumulated Amortization 01/01/18	Amortization	(Disposals)	Accumulated Amortization 31/12/18	Net Book Value 31/12/18
	$	$	$	$	$
Land	45,486	4,530	---	50,016	547,513
Buildings	1,563,958	85,335	---	1,649,293	3,388,837
Furniture and Equipment	373,654	52,483	(17,930)	408,207	291,752
Vehicles	2,753,875	227,623	(2,130)	2,979,368	1,775,293
Roads	11,140,105	779,257	---	11,919,362	7,944,347
Bridges	781,043	23,572	---	804,615	963,318
Construction in Progress	---	---	---	---	279,486
	16,658,121	1,172,800	(20,060)	17,810,861	15,190,546

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

Township of Augusta
Schedule 2 ▸ 2017 Tangible Capital Assets

Asset Class	Cost 01/01/17	Additions	(Disposals)	Cost 31/12/17
	$	$	$	$
Land	597,529	---	---	597,529
Buildings	3,602,244	135,710	---	3,737,954
Furniture & Equipment	685,426	39,873	(53,153)	672,146
Vehicles	4,513,454	191,423	---	4,704,877
Roads	18,155,948	864,484	---	19,020,432
Bridges	1,767,933	---	---	1,767,933
Construction in Progress	---	279,486	---	279,486
	29,322,534	1,510,976	(53,153)	30,780,357

Asset Class	Accumulated Amortization 01/01/17	Amortization	(Disposals)	Accumulated Amortization 31/12/17	Net Book Value 31/12/17
	$	$	$	$	$
Land	39,107	6,379	---	45,486	552,043
Buildings	1,457,672	106,286	---	1,563,958	2,173,996
Furniture & Equipment	388,293	38,514	(53,153)	373,654	298,492
Vehicles	2,505,111	248,764	---	2,753,875	1,951,002
Roads	10,273,307	866,798	---	11,140,105	7,880,327
Bridges	757,471	23,572	---	781,043	986,890
Construction in Progress	---	---	---	---	279,486
	15,420,961	1,290,313	(53,153)	16,658,121	14,122,236

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Augusta:

Opinion

We have audited the statement of financial statements of the trust fund of the Corporation of the Township of Augusta(the 'Entity'), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of financial activities for the year then ended;
- and the notes to the financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial activities 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 ***'Auditors' Responsibilities for the Audit of the Financial Statements'*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 of 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 Entity's internal control.

- Evaluate the appropriateness of accounting polices 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
September 23, 2019.

Township of Augusta
Trust Fund
Statement of Financial Position

December 31	2018	2017
	$	$
ASSETS		
Cash	**2,458**	2,388
LIABILITIES		
Fund balance	**2,458**	2,388

Statement of Financial Activities

For the year ended December 31	2018	2017
	$	$
REVENUES		
Perpetual care fees	**70**	18
NET REVENUES FOR THE YEAR	**70**	18
BALANCE AT THE BEGINNING OF THE YEAR	**2,388**	2,370
BALANCE AT THE END OF THE YEAR	**2,458**	2,388

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

December 31, 2018

1. Significant Accounting Policies

Reporting Entity

Perpetual care receipts are reported on the cash basis of accounting and interest income is reported on the accrual basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.