
Consolidated financial statements of The Corporation of the Town of Ajax

December 31, 2021

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Independent Auditor's Report

To the Members of Council of
The Corporation of the Town of Ajax

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Ajax (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, and the results of its operations, change in 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 ("Canadian GAAS"). 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 Town 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town'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 GAAS 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 GAAS, 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 Town'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 Town'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 Town 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town 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.

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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
September 7, 2022

The Corporation of the Town of Ajax
Consolidated statement of financial position
As at December 31, 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|--------------------|-------------|
| Financial assets | | | |
| Cash | 3 | 158,037,076 | 121,466,216 |
| Inventories for resale | | 6,979 | 7,207 |
| Land held for resale | | — | 940,775 |
| Taxes receivable | | 14,211,465 | 13,337,026 |
| Accounts receivable | | 11,624,470 | 11,137,859 |
| Loan receivable | 5 | 1,756,522 | 1,688,314 |
| Investment in government business enterprise | 6 | 74,432,719 | 73,099,028 |
| | | 260,069,231 | 221,676,425 |
| Liabilities | | | |
| Accounts payable and other liabilities | 7 | 31,220,926 | 29,014,995 |
| Deferred revenue | 8 | 45,981,931 | 26,021,204 |
| Accrued interest on municipal debt | | 72,093 | 94,351 |
| Long-term payable | 9 | 511,403 | — |
| Municipal debt | 10 | 9,555,000 | 11,111,071 |
| Employee benefits payable | 11 | 8,604,601 | 8,271,347 |
| Landfill post-closure liability | 12 | 396,427 | 396,559 |
| | | 96,342,381 | 74,909,527 |
| Contingencies and commitments | 14 | | |
| Net financial assets | | 163,726,850 | 146,766,898 |
| Non-financial assets | | | |
| Tangible capital assets | 16 | 591,266,677 | 597,633,458 |
| Construction in progress | 16 | 3,773,612 | 4,275,590 |
| Inventories of supplies | | 315,600 | 422,714 |
| Prepaid expenses | | 1,811,875 | 1,091,951 |
| | | 597,167,764 | 603,423,713 |
| Accumulated surplus | 13 | 760,894,614 | 750,190,611 |

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

The Corporation of the Town of Ajax
Consolidated statement of operations
Year ended December 31, 2021

| | Budget | 2021 | 2020 |
|---|--------------------|--------------------|-------------|
| Notes | \$ | \$ | \$ |
| | (Note 15) | | |
| Revenue | | | |
| 17 Net taxation | 75,418,800 | 75,662,587 | 71,669,457 |
| Taxation from other governments | 780,400 | 785,317 | 781,153 |
| User charges | 14,019,000 | 12,581,433 | 12,901,302 |
| Government grants | 1,345,600 | 3,670,159 | 2,652,307 |
| Gaming and casino revenue | 4,000,000 | 2,774,163 | 1,720,830 |
| 8 Obligatory reserve funds earned | 9,992,700 | 7,388,380 | 15,673,277 |
| Investment income | 1,800,500 | 1,735,172 | 2,002,718 |
| Penalties and interest on taxes receivable | 1,700,000 | 2,427,755 | 1,850,187 |
| 16 Donations and contributions from developers | — | 5,077,981 | 15,950,692 |
| 6 Income from government business enterprise | 2,468,800 | 3,817,717 | 2,510,220 |
| Other | 851,000 | 2,964,498 | 1,420,724 |
| Loss on disposal of tangible capital assets | — | (326,932) | (3,552,320) |
| | 112,376,800 | 118,558,230 | 125,580,547 |
| Expenses | | | |
| 17 General government | 10,074,915 | 17,210,403 | 16,168,362 |
| Protection to persons and property | 24,083,917 | 23,948,962 | 22,079,165 |
| Transportation services | 27,866,449 | 23,091,484 | 23,145,284 |
| Environmental services | 3,712,708 | 4,729,140 | 4,471,547 |
| Health, social and family services | 125,800 | 110,880 | 257,653 |
| Recreation and culture services | 41,236,180 | 34,869,633 | 32,035,020 |
| Planning and development | 5,004,711 | 3,893,725 | 3,479,471 |
| | 112,104,680 | 107,854,227 | 101,636,502 |
| Annual surplus | 272,120 | 10,704,003 | 23,944,045 |
| Accumulated surplus, beginning of year | 750,190,611 | 750,190,611 | 726,246,566 |
| Accumulated surplus, end of year | 750,462,731 | 760,894,614 | 750,190,611 |

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

The Corporation of the Town of Ajax
Consolidated statement of change in net financial assets
Year ended December 31, 2021

| | Budget \$ | 2021 \$ | 2020 \$ |
|---|---------------------|---------------------|--------------|
| | (Note 15) | | |
| Annual surplus | 272,120 | 10,704,003 | 23,944,045 |
| Acquisition of tangible capital assets | (34,142,500) | (18,851,946) | (41,901,532) |
| Amortization of tangible capital assets | 24,747,100 | 24,879,604 | 24,307,761 |
| Loss on disposal of tangible capital assets | — | 326,932 | 3,552,320 |
| Proceeds on disposal of tangible capital assets | — | 12,191 | 63,632 |
| | (9,123,280) | 17,070,784 | 9,966,226 |
| Additions to construction in progress | — | (1,959,653) | (1,912,853) |
| Transfer of construction in progress to tangible capital assets | — | 2,460,868 | 2,511,315 |
| Construction in progress expensed | — | 763 | 577,739 |
| | — | 501,978 | 1,176,201 |
| Acquisition inventory of supplies | — | (315,600) | (422,714) |
| Use/consumption of inventory of supplies | — | 422,714 | 329,596 |
| Acquisition of prepaid expenses | — | (1,811,875) | (1,091,951) |
| Use/consumption of prepaid expenses | — | 1,091,951 | 1,394,320 |
| | — | (612,810) | 209,251 |
| Net change in net financial assets | (9,123,280) | 16,959,952 | 11,351,678 |
| Net financial assets, beginning of year | 146,766,898 | 146,766,898 | 135,415,220 |
| Net financial assets, end of year | 137,643,618 | 163,726,850 | 146,766,898 |

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

The Corporation of the Town of Ajax
Consolidated statement of cash flows
Year ended December 31, 2021

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|---------------------|--------------|
| Operating activities | | | |
| Annual surplus | | 10,704,003 | 23,944,045 |
| Items not involving cash | | | |
| Income from investment in government business enterprise | 6 | (3,817,717) | (2,510,220) |
| Amortization of tangible capital assets | | 24,879,604 | 24,307,761 |
| Loss on sale of land held for resale | | 599,769 | — |
| Loss on disposal of tangible capital assets | | 326,932 | 3,552,320 |
| Value of contributed tangible capital assets recognized as revenue | | (5,077,981) | (15,950,692) |
| | | 27,614,610 | 33,343,214 |
| Changes in non-cash assets and liabilities | | | |
| Inventories for resale | | 228 | (2,093) |
| Taxes receivable | | (874,439) | (3,511,898) |
| Accounts receivable | | (486,611) | (1,673,168) |
| Loan receivable | 5 | (68,208) | (65,559) |
| Accounts payable and other liabilities | | 2,205,931 | (1,292,710) |
| Deferred revenue | | 19,960,727 | 4,523,891 |
| Inventories of supplies | | 107,114 | (93,118) |
| Prepaid expenses | | (719,924) | 302,369 |
| Employee benefits payable | | 333,254 | 396,503 |
| Landfill post-closure liability | | (132) | (2,386) |
| | | 48,072,550 | 31,925,045 |
| Capital transactions | | | |
| Acquisition of tangible capital assets (net of contributed tangible capital assets) | | (13,773,965) | (25,950,840) |
| Increase in construction in progress | | 501,978 | 1,176,201 |
| Proceeds from disposal of land held for resale | | 341,006 | — |
| Proceeds on disposal of tangible capital assets | | 12,191 | 63,632 |
| | | (12,918,790) | (24,711,007) |
| Investing activity | | | |
| Dividend from investment in government business enterprise | 6 | 2,484,026 | 2,467,825 |
| Financing activities | | | |
| Municipal debt repaid | | (1,556,071) | (1,498,706) |
| Increase in long-term payable | | 511,403 | — |
| Decrease in accrued interest on municipal debt | | (22,258) | (74,965) |
| | | (1,066,926) | (1,573,671) |
| Net change in cash | | 36,570,860 | 8,108,192 |
| Cash, beginning of year | | 121,466,216 | 113,358,024 |
| Cash, end of year | 4 | 158,037,076 | 121,466,216 |

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

1. Summary of significant accounting of policies

Management responsibility

The consolidated financial statements (the “financial statements”) of Corporation of the Town of Ajax (the “Town”) are the representations of management prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada (CPA Canada).

Basis of accounting

The focus of these consolidated financial statements is on the financial position of the Town and the changes thereto. The consolidated statement of financial position includes all the financial assets and liabilities of the Town as well as non-financial assets. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Net financial assets form a part of the financial position and are the difference between financial assets and liabilities. This provides information about the municipality’s overall future revenue requirements and its ability to finance activities and meet its obligations. Non-financial assets are normally used to deliver services. Their value lies with their service potential rather than their ability to generate future cash inflows. They form part of the financial position as they provide resources that the government can employ in the future to meet its objectives. The accumulated surplus is made up of the combination of net financial assets and non-financial assets.

Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity

(i) Consolidated financial statements

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the activities of all committees of Council, the Town of Ajax Public Library Board, the Ajax Downtown Business Improvement Area and the Pickering Village Business Improvement Area which are controlled by the Town.

All material inter-fund transactions and balances are eliminated on consolidation.

(ii) Investment in Elexicon Corporation

The Town’s investment in Elexicon Corporation is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, Elexicon Corporation’s accounting policies are not adjusted to conform to those of the Town and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual earnings or loss of Elexicon Corporation in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Dividends that the Town may receive from Elexicon Corporation and other capital transactions are reflected as adjustments in the investment asset account.

(iii) Operations of School Boards and the Region of Durham

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

1. Summary of significant accounting of policies (continued)

Basis of accounting (continued)

(b) Basis of accounting

(i) Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

(ii) Tax revenue

Tax revenue is recognized on all taxable properties within the Town included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the Town as it relates to supplementary or omitted assessments using tax rates authorized by Council for the Town’s own purposes in the period for which the tax is levied.

(iii) Government transfers

Government transfers are recognized as revenue by the Town in the period during which the transfer is authorized and any eligibility criteria are met, unless they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

(iv) Temporary investments

Temporary investments consist of investments in guaranteed investment certificates and are recorded at amortized cost. Accrued interest is included in accounts receivable.

(v) Inventory

Inventory is valued at cost which is determined on a weighted-average basis.

(vi) Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. A valuation allowance would be made if collection is in doubt. Interest on loans receivable is accrued in accordance with the terms of the agreements, to the extent that it is considered collectible.

(vii) Tangible capital assets ("TCA")

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly related to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on the straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for use as follows:

| | |
|----------------------------------|-------------|
| Land improvements | 15–40 years |
| Buildings | 20–50 years |
| Computer hardware/software | 5 years |
| Vehicles and rolling equipment | 7–20 years |
| Furniture fixtures and equipment | 5–20 years |
| Road network | 20–75 years |
| Storm water network | 25–75 years |

1. Summary of significant accounting of policies (continued)

Basis of accounting (continued)

(b) Basis of accounting (continued)

(vii) Tangible capital assets ("TCA") (continued)

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. Land is not amortized.

Tangible capital assets received as contributions, excluding road allowances, are recorded at their fair value at the date contributed, and that amount is also recorded as revenue. Contributed road allowances are recorded at nominal value.

(viii) Intangible assets

Intangible assets are not recognized as assets in the consolidated financial statements.

(ix) Liability for contaminated sites

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the Town's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the consolidated financial statements.

(x) Deferred revenue

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed. In addition, any contributions received with external restrictions are deferred until the related expenditures are made.

(xi) Post-employment benefits

The present value of the cost of providing employees with future benefit programs is recognized as employees earn these entitlements through service. Actuarial gains and losses are amortized over the estimated average remaining service life ("EARSL").

The Town is an employer member of the Ontario Municipal Employee Retirement Fund ("OMERS"), which is a multi-employer, defined benefit pension plan (the "Plan"). The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Town uses defined contribution plan accounting principles for this Plan. The Town records as pension expense the amount paid to OMERS for the year plus any amounts owing to OMERS at the end of the year.

(xii) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Accounts involving significant estimates include allowance for doubtful accounts, accrued liabilities, employee benefits payable, landfill post-closure liability, liability for contaminated sites and estimates relating to tangible capital assets. Actual results could differ from these estimates.

The Corporation of the Town of Ajax
Notes to the consolidated financial statements
December 31, 2021

2. Operations of school boards and the Region of Durham

Further to Note 1 (a) (iii) requisitions are made by the Region of Durham and School Boards requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

| | Region \$ | School board \$ |
|---------------------------|--------------------|--------------------|
| Taxation | 131,387,230 | 46,752,231 |
| Payments in lieu of taxes | 733,122 | 74,443 |
| | <u>132,120,352</u> | <u>46,826,674</u> |

3. Cash

| | 2021 \$ | 2020 \$ |
|--------------------------|---------------------------|--------------------|
| Unrestricted cash | 109,490,843 | 93,962,223 |
| Restricted cash (Note 4) | 48,546,233 | 27,503,993 |
| | <u>158,037,076</u> | <u>121,466,216</u> |

Cash is held on deposit with Canadian chartered banks. The cash in the bank earns interest on a monthly basis. The interest rate is based on average balances and will fluctuate based on the bank's prime rate.

4. Restricted assets

| | 2021 \$ | 2020 \$ |
|-------------------------|--------------------------|-------------------|
| Cash (Note 3) | 48,546,233 | 27,503,993 |
| Interest receivable | 19,437 | 16,205 |
| Due to own municipality | (4,699,039) | (4,935,637) |
| | <u>43,866,631</u> | <u>22,584,561</u> |

Restricted assets represent assets of obligatory reserve funds and certain deferred grants (Note 8).

5. Loan receivable

The Town of Ajax holds a loan receivable of \$1,756,522 (\$1,688,314 in 2020) bearing interest at 4%. The loan, including interest, was initially due on August 31, 2019 and is secured by a registered first mortgage. As at December 31, 2021, the loan remains outstanding and the Town anticipates it will be collectible. Given that the loan is secured against real property, the value of which is expected to be adequate to cover the amount outstanding, the Town does not anticipate any collectability issues with the balance.

6. Investment in government business enterprise

(a) The Town has a 21.828% interest in Elexicon Corporation.

Elexicon Corporation serves as the electrical distribution utility for a number of communities and conducts non-regulated utility service ventures through its subsidiaries. Elexicon Corporation, as a government business enterprise, is accounted for on the modified equity basis in these consolidated financial statements. The following table provides condensed supplementary consolidated financial information for the corporation and its subsidiaries for the year ended December 31. The amounts are disclosed in thousands of dollars:

| | 2021 | 2020 |
|---|------------------|-----------|
| | (000's) | (000's) |
| | \$ | \$ |
| Assets | | |
| Current | 104,266 | 98,525 |
| Capital and intangibles | 584,949 | 535,401 |
| Other | 341 | 161 |
| Total assets | 689,556 | 634,087 |
| Regulatory balances | 39,164 | 26,912 |
| Total assets and regulatory balances | 728,720 | 660,999 |
| Liabilities | | |
| Current | 85,153 | 88,743 |
| Long-term debt | 258,526 | 214,502 |
| Other | 132,520 | 110,913 |
| Total liabilities | 476,199 | 414,158 |
| Shareholders' equity | | |
| Share capital | 97,692 | 97,692 |
| Contributed capital | 25 | 25 |
| 2019 Contributed Surplus | 79,301 | 79,301 |
| Accumulated other comprehensive loss | (1,257) | (1,815) |
| Retained earnings | 75,354 | 69,802 |
| Total equity | 251,115 | 245,005 |
| Regulatory balances | 1,406 | 1,836 |
| Total liabilities, equity and regulatory balances | 728,720 | 660,999 |
| Comprehensive Income | | |
| Commodity revenue | 417,285 | 473,986 |
| Commodity expenses | (426,225) | (480,262) |
| Distribution revenue | 84,070 | 79,380 |
| Operating expenses | (69,322) | (64,189) |
| Other expense | (1,560) | (8,955) |
| Accumulated other comprehensive loss | 558 | (999) |
| Net movements in regulatory balances, net of tax | 12,684 | 12,539 |
| Total comprehensive income for the year | 17,490 | 11,500 |

6. Investment in Elexicon Corporation (continued)

(b) Equity in Elexicon Corporation

The Town's equity in Elexicon Corporation is as follows at the end of 2021:

| | 2021 | 2020 |
|--|--------------------|-------------|
| | \$ | \$ |
| Balance, beginning of year | 73,099,028 | 73,056,633 |
| Equity share of net earnings for the year from Elexicon Corporation | 3,817,717 | 2,510,220 |
| Dividend received | (2,484,026) | (2,467,825) |
| Balance, end of year | 74,432,719 | 73,099,028 |

(c) Promissory notes receivable

The following promissory notes are receivable and form part of the investment in government business enterprise:

| | 2021 | 2020 |
|---------------------------|-------------------|------------|
| | \$ | \$ |
| Elexicon Corporation | 5,550,000 | 5,550,000 |
| Elexicon Connections Inc. | 14,060,000 | 14,060,000 |
| | 19,610,000 | 19,610,000 |

The notes issued by Elexicon Corporation and Elexicon Connections Inc. are due on demand. The Town has agreed not to demand repayment of the notes prior to December 31, 2022.

Commencing April 1, 2019 for a ten-year period, interest on the notes will be determined based on the deemed long-term interest rate prescribed by the Ontario Energy Board in its most recent cost of capital parameter update ("OEB rate"). As of April 1, 2019, the OEB rate was determined at 4.13%.

On the tenth year anniversary of the notes, the interest rate will be adjusted to the OEB rate in effect at that time. Thereafter, the interest rate will be adjusted to the OEB rate in effect at the earlier of:

- (i) The five year anniversary of the most recent interest rate adjustment of these notes, and
- (ii) The date on which Elexicon Energy Inc. files a cost of service application with the Ontario Energy Board.

The Town may demand full or partial repayment with sixty days' notice of the principal and accrued interest.

6. Investment in Elexicon Corporation (continued)

(d) *Contingencies and guarantees of Elexicon Corporation (the "Corporation") as disclosed in their financial statements are as follows:*

(i) *Insurance claims*

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE") which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE provides general liability insurance to member electric utilities. MEARIE also provides vehicle and property insurance to the Corporation.

Insurance premiums charged to each member utility consist of a levy per \$1,000 of service revenue subject to a credit or surcharge based on each electric utility's claims experience. The maximum coverage is \$40,000,000 per occurrence for liability insurance, \$21,000,000 for vehicle insurance and \$198,798,000 for property insurance, plus \$12,000,000 excess coverage on top of the regular liability and vehicle coverage.

(ii) *Contractual obligation – Hydro One Networks Inc.*

The Corporation's subsidiary, Elexicon Energy Inc. ("EEI"), is party to a connection and cost recovery agreement with Hydro One related to the construction by Hydro One of a transformer station designated to meet VCI's anticipated electricity load growth. Construction of the project was completed during 2007 and VCI connected to the transformer station during 2008.

To the extent that the cost of the project is not recoverable from future transformation connection revenues, EEI is obliged to pay a capital contribution equal to the difference between these revenues and the construction costs allocated to EEI. The construction costs allocated to EEI for the project are \$19,950,000.

Hydro One has performed a true-up based on actual load at the end of the tenth anniversary of the in-service date and the Corporation has paid \$nil in 2021 (\$2,135,000 in 2020) to Hydro One and recognized the same as an intangible asset. Hydro One is expected to perform another true-up based on actual load at the end of the fifteenth anniversary of the in-service date.

(iii) *Prudential Support*

Purchasers of electricity in Ontario, through the Independent Electricity System Operator ("IESO"), are required to provide security to mitigate the risk of default based on their expected activity in the market. The IESO could draw on this security if the Corporation fails to make the payment required on a default notice issued by the IESO. The Corporation has provided a \$64,000,000 guarantee to the IESO on behalf of EEI. Additionally, the Corporation has provided letter of credit of \$807,000 to the IESO for prudential support.

(iv) *General claims*

From time to time, the Corporation is involved in various lawsuits, claims and regulatory proceedings in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Corporation's consolidated financial position and results of operations or cash flows.

6. Investment in Elexicon Corporation (continued)

(e) *Lease commitments*

Future minimum lease payment obligations under operating leases are as follows:

| | \$ |
|------------|----------------|
| 2022 | 217,000 |
| 2023 | 177,000 |
| 2024 | 124,000 |
| 2025 | 95,000 |
| 2026 | 71,000 |
| Thereafter | 44,000 |
| | <u>728,000</u> |

7. Liability for contaminated site

The Town has recorded an unfunded liability of \$647,000 (\$647,000 in 2020) in accounts payable and accrued liabilities for the estimated remediation costs associated with a Town owned site with identified contaminants in the soil. The liability estimate for the site identified was based on an environmental assessment conducted by a third party engineering firm. At this time, the Town does not anticipate obtaining any recoveries in respect of the estimated liability.

8. Deferred revenue

The obligatory reserve funds and other deferred revenue balances are summarized below:

| | 2021 \$ | 2020 \$ |
|--------------------------|-------------------|------------|
| Obligatory reserve funds | | |
| Development charges | 26,179,486 | 10,561,499 |
| Gas tax | 11,418,813 | 9,054,078 |
| Recreational land | 4,248,104 | 3,220,222 |
| Cash-in-lieu of parking | 7,266 | 7,219 |
| Building approvals | 2,928,527 | 1,987,427 |
| | 44,782,196 | 24,830,445 |
| Other unearned revenues | 1,199,735 | 1,190,759 |
| | 45,981,931 | 26,021,204 |

The changes during the 2021 year in obligatory reserve funds which are reflected directly in the deferred revenue balance are analyzed as follows:

| | 2021 | | | | | Total |
|--------------------------------------|-------------------------------|--------------------|-------------------------|-------------------------------|--------------------------|--------------------|
| | Development charges act \$ | Gas tax \$ | Recreational land \$ | Cash-in-lieu of parking \$ | Building approvals \$ | \$ |
| Opening balance | 10,561,499 | 9,054,078 | 3,220,222 | 7,219 | 1,987,427 | 24,830,445 |
| Restricted funds received/receivable | 18,645,277 | 7,444,367 | 1,004,369 | — | — | 27,094,013 |
| Interest earned | 150,099 | 72,459 | 23,513 | 47 | — | 246,118 |
| Revenue recognized | (3,177,389) | (5,152,091) | — | — | 941,100 | (7,388,380) |
| Closing balance | 26,179,486 | 11,418,813 | 4,248,104 | 7,266 | 2,928,527 | 44,782,196 |

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8. Deferred revenue (continued)

| | | | | | | 2020 |
|-------------------------------------|----------------------------|--------------------|----------------------|----------------------------|-----------------------|---------------------|
| | Development charges act | Gas tax | Recreational land | Cash-in-lieu of Parking | Building approvals | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening balance | 6,071,244 | 9,886,467 | 2,338,114 | — | 709,427 | 19,005,252 |
| Restricted funds received/earned | 16,752,497 | 3,630,550 | 855,091 | 7,210 | — | 21,245,348 |
| Interest earned | 96,283 | 129,813 | 27,017 | 9 | — | 253,122 |
| Revenue recognized | <u>(12,358,525)</u> | <u>(4,592,752)</u> | — | — | <u>1,278,000</u> | <u>(15,673,277)</u> |
| Closing balance | <u>10,561,499</u> | <u>9,054,078</u> | <u>3,220,222</u> | <u>7,219</u> | <u>1,987,427</u> | <u>24,830,445</u> |

9. Long-term payable

The Town has an interest-free long-term obligation payable in 2025 to a third party in relation to a development agreement.

10. Municipal debt

| | 2021 | 2020 |
|---|-------------------------|-------------------|
| | \$ | \$ |
| The municipality has assumed responsibility for the payment of principal and interest charges on certain debt issued by the Regional Municipality of Durham and internally. At the end of the year, the outstanding principal was | | |
| Amount to be recovered from future revenue | 14,995,000 | 17,390,071 |
| Less: amount owed to operating fund | (5,440,000) | (6,279,000) |
| Net municipal debt | <u>9,555,000</u> | <u>11,111,071</u> |

The above long-term debt has interest rates ranging from 1.95% to 5.12% per annum and maturity dates in, 2020, 2022, 2028 and 2034. The annual required payment expected for 2022 is \$1,168,745 (\$1,893,251 in 2021) including principal and interest, and the timing of principal repayments are as follows to be paid from general municipal revenues:

| | \$ |
|-----------------|-------------------------|
| 2022 | 882,000 |
| 2023 | 907,000 |
| 2024 | 934,000 |
| 2025 | 963,000 |
| 2026 | 992,000 |
| 2027 and beyond | <u>4,877,000</u> |
| | <u>9,555,000</u> |

The above debt issued in the name of the Town has been approved by by-law as required by legislation. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. Interest paid or payable in 2021 and included in expenses is \$314,922 (\$372,410 in 2020).

11. Employee benefits payable

The Town provides certain employee benefits which will require funding in the future.

| | 2021 | 2020 |
|--|------------------|-----------|
| | \$ | \$ |
| Vacation payable | 1,916,731 | 1,844,454 |
| Post-employment benefits | 6,502,770 | 6,309,693 |
| Council severance | 185,100 | 117,200 |
| | 8,604,601 | 8,271,347 |
| Less: amount already funded from operations to mitigate the future impact of these obligations | (489,511) | (439,748) |
| Unfunded portion | 8,115,090 | 7,831,599 |

(a) Vacation payable

Vacation pay owing at December 31, 2021 has been partially funded from operations and is included in employee benefits payable in these consolidated financial statements.

(b) Post-employment benefits

The Town sponsors a defined benefit plan for retirement benefits other than pensions for substantially all of its employees and Councillors. The plan provides extended health and dental as well as vision coverage to full-time employees and Councillors. The plan is unfunded and requires no contribution from employees or Councillors. Total employer contribution to retiree benefits during the year were \$521,479 (\$523,429 in 2020).

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. An actuarial valuation was completed as at December 31, 2019 and an accrued benefit obligation of \$7,045,547 is based on an extrapolation from that valuation to December 31, 2021.

The post-employment benefit liability at December 31, 2021 includes the following components:

| | 2021 | 2020 |
|---|------------------|-------------|
| | \$ | \$ |
| Actuarially determined accrued benefit obligation | 7,045,547 | 7,732,284 |
| Unamortized actuarial losses | (542,777) | (1,422,591) |
| | 6,502,770 | 6,309,693 |

The current actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Town's best estimates; however actual experience may vary from these estimates. The main actuarial assumptions employed for the valuation and current year extrapolation are as follows:

| | |
|--|------------|
| Expected inflation rate | 2.50% |
| Discount rate | 3.00% |
| Medical cost increases | |
| First year | 7.00% |
| Decreasing over 8 years to | 3.50% |
| Expected rate of dental cost increase | 3.50% |
| Estimated average remaining service life of the employee group | 13.2 years |

11. Employee benefits payable (continued)

(b) Post-employment benefits (continued)

The post-employment benefit expense is reported on the consolidated statement of operations in the various functional categories. Composition of the amount is as follows:

| | 2021 | 2020 |
|---|----------------|---------|
| | \$ | \$ |
| Current year benefit cost | 409,279 | 339,893 |
| Amortization of actuarial losses | 113,372 | 32,349 |
| Interest on post-employment benefit liability | 191,905 | 197,719 |
| | 714,556 | 569,961 |

(c) Pension agreement

The Town makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), a multi-employer pension plan, on behalf of 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. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services 541,000 active and retired members and 1,030 employers.

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, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million in respect of benefits accrued for service with actuarial assets at that date of \$117,665 million indicating an actuarial deficit of \$3,131 million. As 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 Town does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2021 was \$4,020,174 (\$3,874,110 in 2020).

(d) Council severance

Part of the remuneration package includes eligibility of all Councillors to receive a severance payment of one month salary per year of continuous service, with a minimum of four years of continuous service, to a maximum payment of 18 months should they not be re-elected. The estimated liability based on service and salary levels as at December 31, 2021 totaling \$185,100 (\$117,200 in 2020) has been fully funded from operations and included in employee benefits payable in these consolidated financial statements.

12. Landfill post-closure liability

The Town owns one closed landfill site requiring post-closure care including monitoring of ground and surface water, leachate and gas, as well as ongoing maintenance and annual reporting to comply with environmental legislation. Municipalities are required to recognize liabilities for all of these future costs as the sites are filled, therefore all post-closure costs must be estimated and recognized fully for closed sites. This liability is unfunded and is therefore shown as a separate component of accumulated surplus (Note 12).

In 2013, an environmental consulting firm was engaged to provide an updated estimate post-closure costs. The estimate was based on assumptions regarding the nature and amount of annual expenses, an inflation factor of 2%, a 40-year future monitoring requirement and discounted at 3.75%. Actual experience may vary from these assumptions and as new information becomes available.

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12. Landfill post-closure liability (continued)

Based on an extrapolation of that valuation, the estimated present value of costs as at December 31, 2021 is \$396,427 (\$396,559 in 2020). Composition of the liability is as follows:

| | 2021 \$ | 2020 \$ |
|--|----------------|----------------|
| Liability, beginning of the year | 396,559 | 398,945 |
| Expenses | (12,212) | (12,516) |
| Cost adjustment to account for inflation | 12,080 | 10,130 |
| | 396,427 | 396,559 |

13. Accumulated surplus

| | 2021 \$ | 2020 \$ |
|--|--------------------|--------------------|
| Surplus - BIAs and Library | 1,484,574 | 1,558,308 |
| Invested in tangible capital assets (Note 16) | 591,266,677 | 597,633,458 |
| Invested in construction in progress (Note 16) | 3,773,612 | 4,275,590 |
| Municipal debt and long-term obligation (Notes 9 and 10) | (10,066,403) | (11,111,071) |
| Internal debt - owing to operating fund (Note 10) | (5,440,000) | (6,279,000) |
| Internal capital fund | 5,020,743 | 6,395,260 |
| Reserve/reserve fund balances | 109,581,209 | 92,553,422 |
| Equity in government business enterprise (Note 6) | 74,432,719 | 73,099,028 |
| Liability for contaminated sites (Note 7) | (647,000) | (647,000) |
| Employee benefits payable (Note 11) | (8,115,090) | (7,831,599) |
| Landfill post-closure liability (Note 12) | (396,427) | (396,559) |
| Land held for resale | — | 940,775 |
| | 760,894,614 | 750,190,612 |

14. Contingencies and commitments

(a) *Capital project commitments*

The Town has committed to many capital projects expected to be completed over several years including the reconstruction of Church Street – Rossland to Hydro Corridor and Rossland Road Widening from Church to Westney. As at December 31, 2021, the Town had awarded contracts in the amount of \$44,106,135 (\$35,051,042 in 2020) and \$22,509,428 (\$25,942,399 in 2020) of those awarded amounts have been spent. The remaining contractual commitments of \$21,596,707 (\$8,161,490 in 2020) will be incurred as capital expenditures as the work is completed. Funding for the completion costs is expected to include use of funds from various discretionary and obligatory reserve funds.

(b) *Legal matters*

The Town has been named in litigation matters, the outcome of which is undeterminable and accordingly, no provision has been provided for any potential liability in these financial statements. Should any loss result from these claims, which is not covered by insurance, such loss would be charged to operations in the year of resolution or earlier if the loss is likely and measurable.

(c) *Participation in Durham Municipal Insurance Pool*

The Town is a member of the Durham Municipal Insurance Pool ("DMIP"), which was created in July 2000. DMIP provides insurance coverage to seven member municipalities.

14. Contingencies and commitments (continued)

(c) Participation in Durham Municipal Insurance Pool (continued)

The annual contributions from each member municipality are based on the value of its insured assets, claims experience, population and risk management philosophy. Future levies depend on the experience of the pool. Beyond the \$10,000 Town deductible, DMIP covers eligible insurance claims up to \$500,000. DMIP has outside coverage in place for claims over \$500,000.

Because DMIP is a multi-municipality insurance pool, surpluses or deficits are a joint responsibility of the member municipalities through future levies. The Town does not recognize any share of the DMIP surplus or deficit, but has made provision for estimated deductible amounts of \$111,402 (\$110,759 in 2020) for all outstanding Town claims.

15. Budget figures

The 2021 Budget adopted by Council on February 22, 2021 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures treated all tangible capital asset additions as expenses and did not include amortization expense on tangible capital assets, post-employment benefits or landfill costs. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the budget adopted by Council on February 22, 2021 with adjustments as follows:

| | 2021 budget adopted by council \$ | Non TCA expenditures from capital \$ | Amortization/ post emp ben/ landfill costs \$ | 2021 budget presented in statements \$ |
|---------------------------------------|--|---|--|---|
| Revenue | | | | |
| Taxation | 76,199,200 | — | — | 76,199,200 |
| Obligatory reserve funds earned | 9,992,700 | — | — | 9,992,700 |
| Other | 26,184,900 | — | — | 26,184,900 |
| | 112,376,800 | — | — | 112,376,800 |
| Expenses | | | | |
| General government | 8,508,215 | 248,200 | 1,318,500 | 10,074,915 |
| Protection to persons and property | 22,966,417 | 90,000 | 1,027,500 | 24,083,917 |
| Transportation services | 17,479,149 | 253,600 | 10,133,700 | 27,866,449 |
| Environmental services | 415,608 | — | 3,297,100 | 3,712,708 |
| Health, social and family services | 125,800 | — | — | 125,800 |
| Recreation and culture services | 31,916,980 | 286,000 | 9,033,200 | 41,236,180 |
| Planning and development | 4,993,911 | — | 10,800 | 5,004,711 |
| | 86,406,080 | 877,800 | 24,820,800 | 112,104,680 |
| Annual surplus | 25,970,720 | (877,800) | (24,820,800) | 272,120 |
| Capital expenditures | 19,767,300 | | | |
| Transfers to (from) | | | | |
| reserve/reserve funds | 6,558,700 | | | |
| Transfer GBE dividends | (2,468,800) | | | |
| Debt proceeds | — | | | |
| Debt repayment | 1,556,100 | | | |
| Budgeted use of prior year surplus | 557,420 | | | |
| Consists of | | | | |
| Ajax Public Library | 612,400 | | | |
| Ajax Downtown BIA | (4,980) | | | |
| Pickering Village BIA | (50,000) | | | |
| Town of Ajax | — | | | |
| | 557,420 | | | |

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16. Tangible capital assets

| | 2021 | | | | | | | | | | | |
|---|----------------|--------------|-------------|------------------------------|------------------------------|---------------------------------|-----------------------|--------------|---------------------|------------------------------|---------------------------------|-------------|
| | General assets | | | | | | Infrastructure assets | | | | | |
| | Land | Land improv. | Buildings | Vehicles & rolling equipment | Computer hardware & software | Furniture, fixtures & equipment | Land | Road network | Storm water network | Vehicles & rolling equipment | Furniture, fixtures & equipment | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost, beginning of year | 131,293,265 | 82,736,377 | 164,933,377 | 16,038,331 | 2,462,987 | 21,205,928 | 14,971,011 | 321,499,782 | 121,645,377 | 6,991,804 | 102,412 | 883,880,651 |
| Additions | 560,234 | 2,722,300 | 941,667 | 1,435,044 | 777,884 | 1,351,048 | 2 | 8,637,299 | 2,244,369 | 182,099 | - | 18,851,946 |
| Disposals | - | (61,467) | (177,867) | (692,787) | (737,591) | (579,479) | - | (1,157,429) | (151,829) | - | - | (3,558,449) |
| Cost, end of year | 131,853,499 | 85,397,210 | 165,697,177 | 16,780,588 | 2,503,280 | 21,977,497 | 14,971,013 | 328,979,652 | 123,737,917 | 7,173,903 | 102,412 | 899,174,148 |
| Accumulated amortization, beginning of year | - | 38,297,549 | 43,689,603 | 9,820,380 | 1,435,611 | 10,620,169 | - | 134,828,776 | 43,243,468 | 4,232,287 | 79,350 | 286,247,193 |
| Amortization | - | 3,827,091 | 4,415,442 | 987,447 | 410,467 | 1,883,595 | - | 9,660,258 | 3,267,935 | 418,564 | 8,805 | 24,879,604 |
| Disposals | - | (61,469) | (109,106) | (692,787) | (737,591) | (579,479) | - | (887,065) | (151,829) | - | - | (3,219,326) |
| Accumulated amortization, end of year | - | 42,063,171 | 47,995,939 | 10,115,040 | 1,108,487 | 11,924,285 | - | 143,601,969 | 46,359,574 | 4,650,851 | 88,155 | 307,907,471 |
| Net book value, beginning of year | 131,293,265 | 44,438,828 | 121,243,774 | 6,217,951 | 1,027,376 | 10,585,759 | 14,971,011 | 186,671,006 | 78,401,909 | 2,759,517 | 23,062 | 597,633,458 |
| Net book value, end of year | 131,853,499 | 43,334,039 | 117,701,238 | 6,665,548 | 1,394,793 | 10,053,212 | 14,971,013 | 185,377,683 | 77,378,343 | 2,523,052 | 14,257 | 591,266,677 |

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16. Tangible capital assets (continued)

| | 2020 | | | | | | | | | | | |
|---|----------------|--------------|-------------|------------------------------|------------------------------|---------------------------------|-----------------------|--------------|---------------------|------------------------------|---------------------------------|-------------|
| | General assets | | | | | | Infrastructure assets | | | | | Total \$ |
| | Land | Land improv. | Buildings | Vehicles & rolling equipment | Computer hardware & software | Furniture, fixtures & equipment | Land | Road network | Storm water network | Vehicles & rolling equipment | Furniture, fixtures & equipment | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | |
| Cost, beginning of year | 13,102,850 | 80,703,558 | 162,949,230 | 15,012,987 | 2,439,934 | 20,441,557 | 14,971,011 | 302,639,010 | 113,603,026 | 6,473,944 | 102,412 | 850,362,519 |
| Additions | 267,415 | 2,183,479 | 3,402,527 | 1,129,648 | 344,542 | 131,165 | — | 24,281,583 | 8,042,351 | 933,822 | — | 4,190,153 |
| Disposals | — | (160,660) | (141,380) | (104,304) | (321,489) | (551,794) | — | (5,420,811) | — | (415,962) | — | (8,383,440) |
| Cost, end of year | 13,129,325 | 82,736,377 | 164,939,377 | 16,038,331 | 2,462,987 | 21,205,928 | 14,971,011 | 321,499,782 | 121,645,377 | 6,991,804 | 102,412 | 883,880,651 |
| Accumulated amortization, beginning of year | — | 34,611,754 | 40,429,296 | 8,909,406 | 1,371,173 | 9,335,943 | — | 127,623,027 | 40,119,787 | 4,235,949 | 70,545 | 266,706,880 |
| Amortization | — | 3,810,066 | 4,286,094 | 1,003,586 | 385,927 | 1,836,020 | — | 9,441,282 | 3,123,681 | 412,300 | 8,805 | 24,307,761 |
| Disposals | — | (124,271) | (1,025,787) | (92,612) | (321,489) | (551,794) | — | (2,235,533) | — | (415,962) | — | (4,767,448) |
| Accumulated amortization, end of year | — | 38,297,549 | 43,689,603 | 9,820,380 | 1,435,611 | 10,620,169 | — | 134,828,776 | 43,243,468 | 4,232,287 | 79,350 | 286,247,193 |
| Net book value, beginning of year | 13,102,850 | 46,091,804 | 122,519,934 | 6,103,581 | 1,068,761 | 11,105,614 | 14,971,011 | 175,015,983 | 73,483,239 | 2,237,995 | 31,867 | 583,655,639 |
| Net book value, end of year | 13,129,325 | 44,438,828 | 121,243,774 | 6,217,951 | 1,027,376 | 10,585,759 | 14,971,011 | 186,671,006 | 78,401,909 | 2,759,517 | 23,062 | 597,633,458 |

16. Tangible capital assets (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$3,773,612 (\$4,275,590 in 2020).

Assets contributed to the Town in 2021, consisting of Land, Land Improvements, Road Network and Storm Water Network assets, had a fair market value of \$5,077,981 (\$15,590,692 in 2020).

The Town holds various works of art and historical treasures pertaining to the heritage and history of the Town of Ajax. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Under agreement with Toronto Region Conservation Authority ("TRCA"), the Town has the right to use certain lands owned by TRCA for recreational purposes and enjoyment of the general public. Within the terms of the agreement, the Town is responsible for the full cost of construction and maintenance of assets which are situated on the property as well as maintenance and improvements to the land.

The following table summarizes the value of assets located on TRCA land.

| | Buildings \$ | Land improvement \$ | Furniture, fixtures and equipment \$ | Storm water network \$ | Total \$ |
|--|------------------|---------------------------|---|------------------------------|-------------------|
| Cost, beginning of year | 2,589,870 | 7,268,083 | 255,473 | 616,130 | 10,729,556 |
| Additions | — | 1,295,684 | — | — | 1,295,684 |
| Disposals | — | (25,649) | — | — | (25,649) |
| Cost, end of year | 2,589,870 | 8,538,118 | 255,473 | 616,130 | 11,999,591 |
| Accumulated amortization, beginning of year | 868,454 | 3,722,360 | 65,052 | 594,171 | 5,250,037 |
| Amortization | 53,328 | 327,461 | 25,547 | 8,784 | 415,120 |
| Disposals | — | (25,649) | — | — | (25,649) |
| Accumulated amortization, end of year | 921,782 | 4,024,172 | 90,599 | 602,955 | 5,639,508 |
| Net book value, beginning of year | 1,721,416 | 3,545,723 | 190,421 | 21,959 | 5,479,519 |
| Net book value, end of year | 1,668,088 | 4,513,946 | 164,874 | 13,175 | 6,360,083 |

17. Segmented information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

This item relates to revenues and expenses of the Town itself and cannot be directly attributed to specific segments.

Protection to persons and property

Protection includes fire services, animal control and building inspection/enforcement of building code to ensure the safety and protection of citizens and their property.

Transportation services

Transportation includes construction and maintenance of the Municipality's roadways, including snow removal, asphalt patching and sidewalk repairs.

Environmental services

Environmental services include urban storm water management costs, litter pickup and closed landfill site monitoring costs.

Health, social and family services

Health and social services for assistance or services for seniors.

Recreation and culture services

Recreation and cultural services are actively supported by the municipality and include recreation programs, current and new facilities, parks, maintenance and construction and library services.

Planning and development

Planning and development provides a number of services including municipal planning and review of all property development plans through its application processes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Where revenues are not directly attributable to a segment, they are prorated as a percentage of the segment's expenses versus total expenses.

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17. Segmented information (continued)

| | General government \$ | Protection to persons and property \$ | Transportation services \$ | Environmental services \$ | Health, social and family services \$ | Recreation and culture services \$ | Planning and development \$ | Unallocated \$ | 2021 Total \$ |
|---|-----------------------------|--|----------------------------------|---------------------------------|--|---|-----------------------------------|-------------------|---------------------|
| Revenue | | | | | | | | | |
| Taxation | 12,199,570 | 16,976,185 | 16,368,367 | 3,352,245 | 78,597 | 24,712,878 | 2,760,062 | — | 76,447,904 |
| User charges | 599,911 | 4,860,482 | 2,267,329 | 147,584 | 45,213 | 1,746,795 | 2,914,121 | — | 12,581,433 |
| Government grants | 2,987,573 | 34,100 | 297,946 | — | 49,600 | 276,940 | 24,000 | — | 3,670,159 |
| Gaming and casinos | 442,701 | 616,037 | 593,980 | 121,647 | 2,852 | 896,788 | 100,158 | — | 2,774,163 |
| Investment income | 276,899 | 385,316 | 371,520 | 76,087 | 1,784 | 560,919 | 62,646 | — | 1,735,172 |
| Obligatory reserve funds earned | 834,542 | 31,120 | 5,331,080 | 162,230 | — | 1,029,408 | — | — | 7,388,380 |
| Penalties and interest on taxes receivable | 387,422 | 539,112 | 519,810 | 106,457 | 2,496 | 784,807 | 87,651 | — | 2,427,755 |
| Donations and contributed assets | — | — | 3,293,960 | 1,142,635 | — | 641,386 | — | — | 5,077,981 |
| Government business enterprise | — | — | — | — | — | — | — | 3,817,717 | 3,817,717 |
| Loss on disposal of TCA | — | — | (326,932) | — | — | — | — | — | (326,932) |
| Other | 1,757,746 | 26,038 | 1,067,350 | — | 2,700 | 66,914 | 43,750 | — | 2,964,498 |
| | 19,486,365 | 23,468,390 | 29,784,410 | 5,108,885 | 183,242 | 30,716,834 | 5,992,388 | 3,817,717 | 118,558,230 |
| Expenses | | | | | | | | | |
| Salaries, wages and benefits | 10,937,825 | 19,761,753 | 5,989,354 | 666,238 | 22,074 | 16,710,411 | 3,321,179 | — | 57,408,834 |
| Materials, supplies and services | 2,080,029 | 1,157,919 | 4,995,942 | 165,760 | 53,537 | 4,520,905 | 462,489 | — | 13,436,581 |
| Contracted services | 2,255,412 | 1,470,484 | 1,942,060 | 524,347 | 8,977 | 2,089,425 | 406,620 | — | 8,697,325 |
| Rents and financial expenses | 706,299 | 3 | 850,016 | — | — | 48,549 | 1,516 | — | 1,606,383 |
| Amortization | 1,312,139 | 1,013,178 | 10,181,596 | 3,302,185 | — | 9,064,036 | 6,469 | — | 24,879,603 |
| Other | (81,366) | 545,600 | (867,505) | 70,606 | 26,292 | 2,430,050 | (298,176) | — | 1,825,501 |
| | 17,210,338 | 23,948,937 | 23,091,463 | 4,729,136 | 110,880 | 34,863,376 | 3,900,097 | — | 107,854,227 |
| Annual surplus (deficit) | 2,276,027 | (480,547) | 6,692,947 | 379,749 | 72,362 | (4,146,542) | 2,092,291 | 3,817,717 | 10,704,003 |

The Corporation of the Town of Ajax
Notes to the consolidated financial statements
December 31, 2021

17. Segmented information (continued)

| | General government | Protection to persons and property | Transportation services | Environmental services | Health, social and family services | Recreation and culture services | Planning and development | Unallocated | 2020 Total |
|--|--------------------|------------------------------------|-------------------------|------------------------|------------------------------------|---------------------------------|--------------------------|------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | | |
| Taxation | 6,924,433 | 16,866,867 | 17,413,019 | 3,205,958 | 183,665 | 24,812,046 | 3,044,622 | — | 72,450,610 |
| User charges | 702,561 | 4,319,229 | 3,756,005 | 41,211 | 43,917 | 2,034,146 | 2,004,233 | — | 12,901,302 |
| Government grants | 2,348,000 | — | — | — | 54,337 | 214,393 | 35,577 | — | 2,652,307 |
| Gaming and casinos | 164,468 | 400,618 | 413,590 | 76,147 | 4,362 | 589,330 | 72,315 | — | 1,720,830 |
| Investment income | 191,408 | 466,243 | 481,340 | 88,621 | 5,077 | 685,868 | 84,161 | — | 2,002,718 |
| Obligatory reserve funds earned | 287,923 | 9,730 | 13,698,175 | 17,571 | — | 2,809,213 | (1,149,335) | — | 15,673,277 |
| Penalties and interest on taxes receivable | 176,831 | 430,733 | 444,680 | 81,871 | 4,690 | 633,631 | 77,751 | — | 1,850,187 |
| Donations and contributed assets | — | — | 9,770,683 | 5,609,688 | — | 570,321 | — | — | 15,950,692 |
| Government business enterprise | — | — | — | — | — | — | — | 2,510,220 | 2,510,220 |
| Loss on disposal of TCA | — | — | (3,552,320) | — | — | — | — | — | (3,552,320) |
| Other | 527,102 | 15,175 | 455,040 | — | — | 94,541 | 328,866 | — | 1,420,724 |
| | <u>11,322,726</u> | <u>22,508,595</u> | <u>42,880,212</u> | <u>9,121,067</u> | <u>296,048</u> | <u>32,443,489</u> | <u>4,498,190</u> | <u>2,510,220</u> | <u>125,580,547</u> |
| Expenses | | | | | | | | | |
| Salaries, wages and benefits | 10,831,103 | 19,084,092 | 5,056,001 | 454,871 | 22,105 | 15,408,341 | 3,102,650 | — | 53,959,163 |
| Materials, supplies and services | 2,157,344 | 832,509 | 6,697,493 | 208,411 | 31,652 | 4,311,829 | 401,616 | — | 14,640,854 |
| Contracted services | 2,007,795 | 744,422 | 1,291,593 | 588,454 | 6,533 | 1,837,332 | 250,334 | — | 6,726,463 |
| Rents and financial expenses | 118,000 | — | 797,867 | — | 7,378 | 73,239 | 1,095 | — | 997,579 |
| Amortization | 1,276,424 | 1,016,329 | 9,994,542 | 3,157,932 | — | 8,856,065 | 6,469 | — | 24,307,761 |
| Other | (222,304) | 401,818 | (692,212) | 61,879 | 189,985 | 1,548,209 | (282,693) | — | 1,004,682 |
| | <u>16,168,362</u> | <u>22,079,170</u> | <u>23,145,284</u> | <u>4,471,547</u> | <u>257,653</u> | <u>32,035,015</u> | <u>3,479,471</u> | <u>—</u> | <u>101,636,502</u> |
| Annual surplus | (4,845,636) | 429,425 | 19,734,928 | 4,649,520 | 38,395 | 408,474 | 1,018,719 | 2,510,220 | 23,944,045 |