
Consolidated financial statements of Corporation of the Town of Ajax

December 31, 2019

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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, 2019, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (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, 2019, and the results of its operations, changes 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 8, 2020

Corporation of the Town of Ajax
Consolidated statement of financial position

As at December 31, 2019

	Notes	2019	2018
		\$	\$
Financial assets			
Cash	3 and 4	112,397,105	101,396,514
Temporary investments	3 and 4	960,919	7,071,993
Inventories for resale		5,114	6,027
Land held for resale		940,775	940,775
Taxes receivable		9,825,128	9,546,070
Accounts receivable		9,464,691	8,545,358
Loans receivable	5	1,622,755	1,559,741
Investment in government business enterprise	6	73,056,633	63,858,769
		208,273,120	192,925,247
Liabilities			
Accounts payable and other liabilities	7	30,307,705	31,556,129
Deferred revenue	8	21,497,313	22,350,143
Accrued interest on municipal debt		169,316	146,975
Municipal debt	9	12,609,777	7,626,813
Employee benefits payable	10	7,874,844	7,628,892
Landfill post-closure liability	11	398,945	400,414
		72,857,900	69,709,366
Contingencies and commitments	13		
Net financial assets		135,415,220	123,215,881
Non-financial assets			
Tangible capital assets	15	583,655,639	535,733,787
Construction in progress	15	5,451,791	33,889,954
Inventories of supplies		329,596	359,172
Prepaid expenses		1,394,320	1,236,976
		590,831,346	571,219,889
Accumulated surplus	12	726,246,566	694,435,770

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

Corporation of the Town of Ajax
Consolidated statement of operations
Year ended December 31, 2019

	Notes	Budget \$	2019 \$	2018 \$
		(Note 14)		
Revenue				
Net taxation	16	68,422,300	68,503,543	64,742,590
Taxation from other governments		762,900	801,614	941,125
User charges		12,966,600	13,026,297	13,965,152
Government grants		19,000	223,183	480,931
Gaming and casino revenue		7,687,500	8,635,854	8,335,704
Restricted funds earned	8	12,858,400	12,167,327	17,567,835
Investment income		1,739,600	3,096,186	3,024,612
Penalties and interest on taxes receivable		1,650,000	1,888,002	1,702,043
Donations and contributions from developers	15	—	16,463,961	5,501,341
Income from government business enterprise	6	—	1,053,241	3,954,399
Change in valuation of investment in government business enterprise on amalgamation	6	—	10,060,153	—
Other		651,300	2,281,992	2,016,500
Gain (loss) on disposal of tangible capital assets		—	54,384	(208,560)
		106,757,600	138,255,737	122,023,672
Expenses				
General government	16	14,580,800	15,627,826	15,261,462
Protection to persons and property		21,953,400	22,148,887	21,276,126
Transportation services		21,639,800	20,013,438	19,114,544
Environmental services		3,520,900	4,053,055	3,735,317
Health, social and family services		280,400	280,596	269,287
Recreation and culture services		38,175,400	40,226,093	34,562,085
Planning and development		3,914,400	4,095,046	3,995,598
		104,065,100	106,444,941	98,214,419
Annual surplus		2,692,500	31,810,796	23,809,253
Accumulated surplus, beginning of year		694,435,770	694,435,770	670,626,517
Accumulated surplus, end of year		697,128,270	726,246,566	694,435,770

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

Corporation of the Town of Ajax
Consolidated statement of change in net financial assets
Year ended December 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Note 14)		
Annual surplus	2,692,500	31,810,796	23,809,253
Acquisition of tangible capital assets	(17,798,100)	(70,502,871)	(30,345,306)
Amortization of tangible capital assets	21,401,100	22,445,005	20,522,510
(Gain) loss on disposal of tangible capital assets	—	(54,384)	208,560
Proceeds on sale of tangible capital assets	—	190,398	44,387
	6,295,500	(16,111,056)	14,239,404
Additions to construction in progress	(14,196,900)	(1,670,338)	(26,902,257)
Transfer of construction in progress to tangible capital assets	—	30,096,793	6,960,963
Construction in progress expensed	—	11,708	24,895
	(14,196,900)	28,438,163	(19,916,399)
Acquisition inventory of supplies	—	(329,596)	(359,172)
Use/consumption of inventory of supplies	—	359,172	306,013
Acquisition of prepaid expenses	—	(1,394,320)	(1,236,976)
Use/consumption of prepaid expenses	—	1,236,976	1,341,350
	—	(127,768)	51,215
Net change in net financial assets	(7,901,400)	12,199,339	(5,625,780)
Net financial assets, beginning of year	123,215,881	123,215,881	128,841,661
Net financial assets, end of year	115,314,481	135,415,220	123,215,881

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

Corporation of the Town of Ajax
Consolidated statement of cash flows
Year ended December 31, 2019

	Notes	2019 \$	2018 \$
Operating activities			
Annual surplus		31,810,796	23,809,253
Items not involving cash			
Income from investment in government business enterprise	6	(1,053,241)	(3,954,399)
Change in valuation of investment in government business enterprise on amalgamation	6	(10,060,153)	—
Amortization of tangible capital assets		22,445,005	20,522,510
(Gain) loss on disposal of tangible capital assets		(54,384)	208,560
Value of contributed tangible capital assets recognized as revenue		(16,463,961)	(5,501,341)
		26,624,062	35,084,583
Changes in non-cash assets and liabilities			
Inventory held for resale		913	(370)
Taxes receivable		(279,058)	(755,238)
Accounts receivable		(919,333)	233,310
Loans receivable	5	(63,014)	(137,741)
Accounts payable and other liabilities		(1,248,424)	454,791
Deferred revenue		(852,830)	(5,193,476)
Inventories of supplies		29,576	(53,159)
Prepaid expenses		(157,344)	104,374
Employee benefits payable		245,952	377,348
Landfill post-closure liability		(1,469)	3,646
		23,379,031	30,118,068
Capital transactions			
Acquisition of tangible capital assets (net of contributed tangible capital assets)		(54,038,910)	(24,843,965)
Increase in construction in progress		28,438,163	(19,916,399)
Proceeds on disposal of tangible capital assets		190,398	44,387
		(25,410,349)	(44,715,977)
Investing activity			
Dividend from government business enterprise		1,915,530	1,508,700
Financing activities			
Municipal debt repaid		4,982,964	(3,275,975)
Decrease in accrued interest on municipal debt		22,341	10,514
		5,005,305	(3,265,461)
Net change in cash and temporary investments		4,889,517	(16,354,670)
Cash and temporary investments, beginning of year		108,468,507	124,823,177
Cash and temporary investments, end of year	4	113,358,024	108,468,507

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 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 (formerly Veridian 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. Significant accounting 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 be 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 revenues 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 the lower of cost and market value. 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.

1. Significant accounting policies (continued)

Basis of accounting (continued)

(b) Basis of accounting (continued)

(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 a 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

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 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 financial statements.

(x) Deferred revenue

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

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

(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 average remaining service period ("ARSP").

(xii) Use of estimates

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

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	122,218,014	47,394,685
Payments in lieu of taxes	746,131	462,141
	122,964,145	47,856,826

3. Cash and temporary investments

	2019	2018
	\$	\$
Unrestricted		
Cash	90,382,522	75,104,531
Temporary investments	960,919	7,071,993
	91,343,441	82,176,524
Restricted (Note 4)		
Cash	22,014,583	26,291,983
	113,358,024	108,468,507

3. Cash and temporary investments (continued)

Cash is held on deposit and in Guaranteed Investment Certificates. The cash in the bank is earning interest on a monthly basis. The interest rate is based on average balances and will fluctuate based on the bank's prime rate. The Corporation holds four Guaranteed Investment Certificates purchased from the Royal Bank of Canada totaling \$960,919. The rate of return on these GICs range from 1.15% to 2.2%.

4. Restricted assets

	2019	2018
	\$	\$
Cash (Note 3)	22,014,583	26,291,983
Interest receivable	39,953	48,155
Due to own municipality	(2,652,716)	(5,819,301)
	19,401,820	20,520,837

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

5. Loans receivable

The Town of Ajax holds a loan receivable of \$1,622,755 (\$1,559,741 in 2018) bearing interest at 4%. The loan, including interest, was due on August 31, 2019 and is secured by a registered first mortgage. As at December 31, 2020, the loan remains outstanding. 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 collectibility issues with the balance.

6. Investment in government business enterprise

(a) Until March 31, 2019, the Town held a 32.1% interest in Veridian Corporation, which was owned by the Town of Ajax, City of Pickering, Municipality of Clarington, and the City of Belleville. Effective April 1, 2019, Veridian Corporation amalgamated with Whitby Hydro Electric Corporation to form Elexicon Corporation. Elexicon Corporation is owned by the legacy owners of Veridian Corporation, and the Town of Whitby. The Town has a 21.828% interest in Elexicon Corporation.

6. Investment in government business enterprise (continued)

(a) (continued)

Ellexicon Corporation, as a government business enterprise, is accounted for on the modified equity basis in these financial statements. Ellexicon Corporation serves as the electrical distribution utility for a number of communities including the four noted above and conducts non-regulated utility service ventures through its subsidiaries. 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:

	2019	2018
	(000's)	(000's)
	\$	\$
Assets		
Current	84,933	70,908
Capital and intangibles	506,254	291,057
Other	256	166
Total assets	591,443	362,131
Regulatory balances	15,145	7,217
Total assets and regulatory balances	606,588	369,348
Liabilities		
Current	87,413	152,979
Long-term debt	180,360	37,132
Other	91,408	33,310
Total liabilities	359,181	223,421
Shareholders' equity		
Share capital	97,692	67,260
Contributed capital	25	25
2019 Contributed Surplus	79,301	
Accumulated other comprehensive loss	(816)	(53)
Retained earnings	68,597	70,537
Total equity	244,799	137,769
Regulatory balances	2,608	8,158
Total liabilities, equity and regulatory balances	606,588	369,348
Comprehensive Income		
Commodity revenue	305,445	266,543
Commodity expenses	(311,627)	(269,157)
Distribution revenue	58,759	54,254
Operating expenses	(49,195)	(42,200)
Other expense	(5,253)	(3,333)
Accumulated other comprehensive loss	(500)	263
Net movements in regulatory balances, net of tax	9,180	5,949
Total comprehensive income for the year	6,809	12,319

6. Investment in Elexicon Corporation (continued)

(b) Equity in Elexicon Corporation and amalgamation adjustments

The amalgamation of Veridian Corporation and Whitby Hydro Electric Corporation was accounted for as an acquisition by legacy Veridian Corporation. On amalgamation, the change in the Town's ownership percentage as well as the issuance of additional shares resulted in the following amalgamation adjustments:

	\$
Change in investment valuation due to decrease in ownership percentage on amalgamation	(13,892,366)
Increase in share valuation on amalgamation	23,952,519
Total amalgamation adjustments	10,060,153

The Town's equity in Elexicon Corporation is as follows at the end of 2019:

	2019	2018
	\$	\$
Balance, beginning of year	63,858,769	61,413,070
Equity share of net loss for the period ended March 31, 2019 from Veridian Corporation (year ended December 31, 2018)	(433,029)	3,954,399
Equity share of net earnings for the period April 1, 2019 to December 31, 2019 from Elexicon Corporation	1,486,269	—
Amalgamation adjustments	10,060,153	—
Dividend received	(1,915,529)	(1,508,700)
Balance, end of year	73,056,633	63,858,769

(c) Promissory note receivable

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

	2019	2018
	\$	\$
Elexicon Corporation (formerly Veridian Corporation)	5,550,000	5,550,000
Elexicon Connections Inc. (formerly Veridian Connections Inc.)	14,060,000	14,060,000
Total	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, 2020.

6. Investment in Elexicon Corporation (continued)

(c) Promissory note receivable (continued)

Commencing April 1, 2019 for a ten-year period, interest on the note 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 4.47% less 30 basis points.

On the tenth year anniversary of the note, 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.

(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 \$30,000,000 per occurrence for liability insurance, \$21,000,000 for vehicle insurance and \$164,885,000 for property insurance, plus \$10,000,000 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 \$637,000 to Hydro One and recognized the same as an intangible asset. The Corporation has also recorded a current liability and a corresponding intangible asset for \$1,533,000 as at December 31, 2019, based on management's best estimate of the future transformation connection revenues shortfall. 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.

6. Investment in Elexicon Corporation (continued)

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

(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 a \$6,900,000 letter of credit 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.

(e) *Lease commitments*

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

	\$
2020	475,000
2021	363,000
2022	229,000
2023	179,000
2024	124,000
Thereafter	210,000
	<u>1,580,000</u>

7. Liability for contaminated site

The Town has recorded an unfunded liability of \$647,000 (\$647,000 in 2018) 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.

Corporation of the Town of Ajax
Notes to the consolidated financial statements
December 31, 2019

8. Deferred revenue

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

	2019	2018
	\$	\$
Obligatory reserve funds		
Development charges	6,071,244	8,570,427
Gas tax	9,886,467	7,897,046
Recreational land	2,338,114	2,248,789
Building approvals	709,427	1,275,427
	19,005,252	19,991,689
Other unearned revenues	2,492,061	2,358,454
	21,497,313	22,350,143

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

	Development charges act	Gas tax	Recreational land	Building approvals	Total
	\$	\$	\$	\$	\$
Opening balance	8,570,427	7,897,046	2,248,789	1,275,427	19,991,689
Restricted funds received	3,488,362	7,186,430	37,859	—	10,712,651
Interest earned	197,619	219,155	51,466	—	468,240
Revenue recognized	(6,185,164)	(5,416,164)	—	(566,000)	(12,167,328)
Closing balance	6,071,244	9,886,467	2,338,114	709,427	19,005,252

9. Municipal debt

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

	2019	2018
	\$	\$
	19,705,777	15,520,813
Amount to be recovered from future revenue	19,705,777	15,520,813
Less: amount owed to operating fund	(7,096,000)	(7,894,000)
Net municipal debt	12,609,777	7,626,813

9. Municipal debt (continued)

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 2020 is \$1,892,205 (\$1,681,865 in 2018) including principal and interest, and the timing of principal repayments are as follows to be paid from general municipal revenues:

	\$
2020	1,498,706
2021	1,556,071
2022	882,000
2023	907,000
2024	934,000
2025 and beyond	6,832,000
	<u>12,609,777</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 2019 and included in expenses is \$331,341 (\$434,450 in 2018).

10. Employee benefits payable

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

	2019 \$	2018 \$
Vacation payable	1,555,782	1,398,503
Post employment benefits	6,263,162	5,974,689
Council severance	55,900	255,700
	7,874,844	7,628,892
Less: amount already funded from operations to mitigate the future impact of these obligations	(334,761)	(529,033)
Unfunded portion	7,540,083	7,099,859

(a) Vacation payable

Vacation pay owing at December 31, 2019 has been partially funded from operations and is included in employee future benefits payable in these 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 benefit payments to retirees during the year were \$379,055 (\$407,453 in 2018).

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 \$6,682,378 was determined.

10. Employee benefits payable (continued)

(b) Post-employment benefits (continued)

The post-employment benefit liability at December 31, 2019 includes the following components:

	2019	2018
	\$	\$
Actuarially determined accrued benefit obligation	6,682,378	6,904,940
Unamortized actuarial losses	(419,217)	(930,251)
	6,263,162	5,974,689

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 are as follows:

Expected inflation rate	2.50%
Discount rate	3.75%
Medical cost increases	
First year	7.00%
Decreasing over 10 years to	3.5%
Expected rate of dental cost increase	1% plus CPI
Estimated average remaining service left of the employee group	14.0 years

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:

	2019	2018
	\$	\$
Current year benefit cost	334,956	350,083
Amortization of actuarial losses	74,464	111,651
Interest on post-employment benefit liability	258,108	232,665
	667,528	694,399

(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 to 482,000 active and retired members and 984 employers.

10. Employee benefits payable (continued)

(c) Pension agreement (continued)

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 value of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107.7 billion in respect of benefits accrued for service with actuarial assets at that date of \$104.3 billion indicating an actuarial deficit of \$3.4 billion. 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 2019 was \$3,580,643 (\$3,501,927 in 2018).

(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 12 months should they not be re-elected. The estimated liability based on service and salary levels as at December 31, 2019 totaling \$55,900 (\$255,700 in 2018) has been fully funded from operations and included in employee benefits payable in these financial statements.

11. 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.

Based on an extrapolation of that valuation, the estimated present value of costs as at December 31, 2019 is \$398,945 (\$400,414 in 2018). Composition of the liability is as follows:

	2019	2018
	\$	\$
Liability, beginning of the year	400,414	396,768
Expenses	(13,687)	(11,448)
Cost adjustment to account for inflation	12,218	15,094
	398,945	400,414

12. Accumulated surplus

	2019	2018
	\$	\$
Surplus - BIAs and Library	753,861	471,388
Invested in tangible capital assets (Note 15)	583,655,689	535,733,787
Invested in construction in progress (Note 15)	5,451,791	33,889,954
Municipal debt (Note 9)	(12,609,777)	(7,626,813)
Internal debt - owing to operating fund (Note 9)	(7,096,000)	(7,894,000)
Internal capital fund	4,586,295	1,387,860
Reserve/reserve fund balances	86,093,327	81,821,323
Equity in government business enterprise (Note 6)	73,056,633	63,858,769
Liability for contaminated sites (Note 7)	(647,000)	(647,000)
Employee benefits payable (Note 10)	(7,540,083)	(7,099,859)
Landfill post-closure (Note 11)	(398,945)	(400,414)
Land for resale	940,775	940,775
	726,246,566	694,435,770

13. Contingencies and commitments

(a) Capital project commitments

The Town has committed to many capital projects expected to be completed over several years including the construction of Audley Recreation Centre Phase 2, Paradise Park Redevelopment and Pat Bayly Square. As at December 31, 2019, the Town had awarded contracts in the amount of \$42,933,512 (\$19,039,273 in 2018) and \$21,739,012 (\$12,515,227 in 2018) of those awarded amounts have been spent. The remaining contractual commitments of \$20,881,632 (\$6,182,351 in 2018) 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.

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 \$118,751 (\$118,751 in 2018) for all outstanding Town claims.

Corporation of the Town of Ajax
Notes to the consolidated financial statements
December 31, 2019

14. Budget figures

The 2019 Budget adopted by Council on March 4, 2019 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 March 4, 2019 with adjustments as follows:

	2019 budget adopted by Council \$	Non TCA expenditures from capital \$	Amortization/ post emp ben/ landfill costs \$	2019 budget presented in statements \$
Revenue				
Taxation	69,185,200	—	—	69,185,200
Restricted funds earned	12,858,400	—	—	12,858,400
Other	24,714,000	—	—	24,714,000
	106,757,600	—	—	106,757,600
Expenses				
General government	13,047,200	222,000	1,311,600	14,580,800
Protection	20,597,700	230,000	1,125,700	21,953,400
Transportation	10,388,800	2,398,900	8,852,100	21,639,800
Environmental	725,300	—	2,795,600	3,520,900
Health, family and social services	125,000	—	—	125,000
Social and Family Services	155,400	—	—	155,400
Recreation and culture	29,133,000	1,400,000	7,642,400	38,175,400
Planning and development	3,634,600	247,000	32,800	3,914,400
	77,807,000	4,497,900	21,760,200	104,065,100
Annual surplus	28,950,600	(4,497,900)	(21,760,200)	2,692,500
Capital expenditures	35,311,100			
Transfers to (from)				
reserve/reserve funds	2,257,700			
Transfer GBE dividends	(1,508,700)			
Debt proceeds	(9,360,000)			
Debt repayment	2,264,800			
Budgeted use of prior year surplus	(14,300)			
Consists of				
Ajax Public Library	(4,100)			
Ajax Downtown BIA	(5,100)			
Pickering Village BIA	(5,100)			
Town of Ajax	—			
	(14,300)			

Corporation of the Town of Ajax
Notes to the consolidated financial statements
December 31, 2019

15. Tangible capital assets

	2019											
	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	130,997,134	75,700,829	125,070,401	14,096,204	2,241,390	16,294,575	14,969,954	290,777,147	106,442,541	6,608,037	102,412	783,300,624
Additions	63,647	5,077,709	38,024,733	1,233,280	620,092	4,872,296	1,058	13,309,082	7,160,485	140,489	—	70,502,871
Disposals	(34,931)	(74,980)	(145,904)	(316,497)	(421,548)	(725,314)	(1)	(1,447,219)	—	(274,582)	—	(3,440,976)
Cost, end of year	131,025,850	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
Accumulated amortization, beginning of year	—	31,027,406	36,716,426	8,256,838	1,393,097	8,400,139	—	120,385,344	37,216,513	4,109,334	61,740	247,566,837
Amortization	—	3,659,330	3,757,691	969,065	399,624	1,661,118	—	8,684,902	2,903,274	401,197	8,805	22,445,006
Disposals	—	(74,982)	(44,821)	(316,497)	(421,548)	(725,314)	—	(1,447,219)	—	(274,582)	—	(3,304,963)
Accumulated amortization, end 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
Net book value, beginning of year	130,997,134	44,673,423	88,353,975	5,839,366	848,293	7,894,436	14,969,954	170,391,803	69,226,028	2,498,703	40,672	535,733,787
Net book value, end of year	131,025,850	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

Corporation of the Town of Ajax
Notes to the consolidated financial statements
December 31, 2019

15. Tangible capital assets (continued)

	2018											
	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	130,786,681	65,672,683	121,567,476	13,276,814	2,069,445	14,171,798	14,968,554	287,548,575	102,729,500	6,339,521	102,412	759,233,459
Additions	210,453	10,886,377	3,546,523	1,139,098	430,674	2,981,693	1,400	6,899,160	3,729,152	520,776	—	30,345,306
Disposals	—	(858,231)	(43,598)	(319,708)	(258,729)	(858,916)	—	(3,670,588)	(16,111)	(252,260)	—	(6,278,141)
Cost, end of year	130,997,134	75,700,829	125,070,401	14,096,204	2,241,390	16,294,575	14,969,954	290,777,147	106,442,541	6,608,037	102,412	783,300,624
Accumulated amortization, beginning of year	—	28,531,401	33,668,906	7,662,303	1,286,514	7,907,324	—	115,528,985	34,474,407	3,961,086	48,595	233,069,521
Amortization	—	3,296,075	3,078,568	914,242	365,312	1,345,421	—	8,351,023	2,758,217	400,507	13,145	20,522,510
Disposals	—	(800,070)	(31,048)	(319,707)	(258,729)	(852,606)	—	(3,494,664)	(16,111)	(252,259)	—	(6,025,194)
Accumulated amortization, end of year	—	31,027,406	36,716,426	8,256,838	1,393,097	8,400,139	—	120,385,344	37,216,513	4,109,334	61,740	247,566,837
Net book value, beginning of year	130,786,681	37,141,282	87,898,570	5,614,511	782,931	6,264,474	14,968,554	172,019,590	68,255,093	2,378,435	53,817	526,163,938
Net book value, end of year	130,997,134	44,673,423	88,353,975	5,839,366	848,293	7,894,436	14,969,954	170,391,803	69,226,028	2,498,703	40,672	535,733,787

Corporation of the Town of Ajax
Notes to the consolidated financial statements
December 31, 2019

15. Tangible capital assets (continued)

The net book value of tangible capital assets not being amortized because they are under construction is \$5,451,791 (\$33,889,954 in 2018).

Assets contributed to the Town in 2019, consisting of Land, Land Improvements, Road Network and Storm Water Network assets, had a fair market value of \$16,463,961 (\$5,501,341 in 2018). They have been capitalized at their fair market value.

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	2,589,871	6,996,903	66,828	616,130	10,269,732
Additions	—	129,313	188,645	—	317,958
Disposals	—	—	—	—	—
Cost, end of year	2,589,871	7,126,216	255,473	616,130	10,587,690
Accumulated amortization, beginning of year	759,356	3,097,832	23,389	572,583	4,453,160
Amortization	54,549	316,229	16,115	12,804	399,697
Disposals	—	—	—	—	—
Accumulated amortization, end of year	813,905	3,414,061	39,504	585,387	4,852,857
Net book value, beginning of year	1,830,515	3,899,071	43,439	43,547	5,816,572
Net book value, end of year	1,775,966	3,712,155	215,969	30,743	5,734,833

16. 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.

Corporation of the Town of Ajax
Notes to the consolidated financial statements
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16. 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	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Taxation	10,175,112	14,420,902	13,030,534	2,638,900	182,693	26,190,776	2,666,240	—	69,305,157
User charges	418,210	3,015,439	793,044	60,383	98,555	7,553,078	1,087,588	—	13,026,297
Government grants	—	—	—	—	21,916	176,844	24,423	—	223,183
Gaming and casinos	1,267,882	1,796,934	1,623,686	328,823	22,765	3,263,534	332,230	—	8,635,854
Investment income	454,570	644,249	582,135	117,892	8,162	1,170,065	119,113	—	3,096,186
Restricted funds earned	84,750	1,628	2,274,233	54,657	—	9,151,869	600,190	—	12,167,327
Penalties and interest on taxes	277,189	392,852	354,976	71,889	4,977	713,486	72,633	—	1,888,002
Donations and contributed assets	—	—	10,392,920	5,585,193	—	485,848	—	—	16,463,961
Government business enterprise	—	—	—	—	—	—	—	1,053,241	1,053,241
Change in valuation of investment in government business enterprise on amalgamation	—	—	—	—	—	—	—	10,060,153	10,060,153
Gain on disposal of TCA	—	—	54,384	—	—	—	—	—	54,384
Other	281,694	31,330	453,919	—	8,500	1,453,249	53,300	—	2,281,992
	12,959,407	20,303,334	29,559,831	8,857,737	347,568	50,158,749	4,955,717	11,113,394	138,255,737
Expenses									
Salaries, wages and benefits	9,981,664	18,354,236	5,550,201	307,629	28,968	19,907,828	3,247,811	—	57,378,337
Materials, supplies and services	2,836,805	967,844	3,030,986	481,497	25,573	8,353,835	446,767	—	16,143,307
Contracted services	1,883,761	748,191	1,984,379	299,816	13,586	2,432,803	483,399	—	7,845,935
Rents and financial expenses	165,648	—	551,918	—	21,703	305,629	1,205	—	1,046,103
Amortization	1,297,643	1,051,759	9,247,402	2,918,845	—	7,922,887	6,469	—	22,445,005
Other	(537,695)	1,026,857	(351,448)	45,268	190,766	1,303,111	(90,605)	—	1,586,254
	15,627,826	22,148,887	20,013,438	4,053,055	280,596	40,226,093	4,095,046	—	106,444,941
Annual (deficit) surplus	(2,668,419)	(1,845,553)	9,546,393	4,804,682	66,972	9,932,656	860,671	11,113,394	31,810,796

Corporation of the Town of Ajax
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December 31, 2019

16. 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 \$	2018 Total \$
Revenue									
Taxation	10,206,541	14,229,021	12,783,401	2,498,101	180,093	23,114,387	2,672,171	—	65,683,715
User charges	482,613	3,147,285	1,516,544	153,471	42,632	7,341,439	1,281,168	—	13,965,152
Government grants	—	—	—	—	26,940	448,991	5,000	—	480,931
Gaming and casinos	1,295,279	1,805,758	1,622,299	317,026	22,855	2,933,371	339,116	—	8,335,704
Investment income	469,992	655,220	588,652	115,033	8,293	1,064,374	123,048	—	3,024,612
Restricted funds earned	33,548	79,059	3,259,525	—	—	14,369,747	(174,044)	—	17,567,835
Penalties and interest on taxes	264,480	368,712	331,252	64,733	4,667	598,956	69,243	—	1,702,043
Donations and contributed assets	—	—	2,956,277	2,314,652	—	230,412	—	—	5,501,341
Government business enterprise	—	—	—	—	—	—	—	3,954,399	3,954,399
Loss on disposal of TCA	—	—	(208,560)	—	—	—	—	—	(208,560)
Other	313,341	436,833	392,453	76,692	5,529	709,616	82,036	—	2,016,500
	<u>13,065,795</u>	<u>20,721,887</u>	<u>23,241,843</u>	<u>5,539,707</u>	<u>291,009</u>	<u>50,811,293</u>	<u>4,397,739</u>	<u>3,954,399</u>	<u>122,023,672</u>
Expenses									
Salaries, wages and benefits	9,851,656	18,070,418	5,526,736	294,258	26,581	18,178,984	2,987,814	—	54,936,447
Materials, supplies and services	2,406,083	1,068,259	3,016,948	378,902	20,407	6,033,043	427,212	—	13,350,854
Contracted services	1,827,883	625,427	1,796,121	258,838	9,427	2,346,644	793,751	—	7,658,091
Rents and financial expenses	341,537	—	276,084	—	22,604	282,275	1,114	—	923,614
Amortization	1,241,893	1,066,019	8,900,437	2,758,935	—	6,548,758	6,469	—	20,522,511
Other	(407,590)	446,003	(401,782)	44,384	190,268	1,172,381	(220,762)	—	822,902
	<u>15,261,462</u>	<u>21,276,126</u>	<u>19,114,544</u>	<u>3,735,317</u>	<u>269,287</u>	<u>34,562,085</u>	<u>3,995,598</u>	<u>—</u>	<u>98,214,419</u>
Annual surplus	<u>(2,195,667)</u>	<u>(554,239)</u>	<u>4,127,299</u>	<u>1,804,390</u>	<u>21,722</u>	<u>16,249,208</u>	<u>402,141</u>	<u>3,954,399</u>	<u>23,809,253</u>

17. Subsequent event

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial position, results of operations and cash flows of the Town in future periods.