

CONSOLIDATED FINANCIAL STATEMENTS
For the
CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
For year ended
DECEMBER 31, 2019

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

	<u>Page(s)</u>
Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets (Liabilities)	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-18
Schedule 1 - Five year financial review (unaudited)	19

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the **Corporation of the Township of North Glengarry** are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Welch LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Corporation of the Township of North Glengarry and meet when required.

On behalf of the Corporation of the Township of North Glengarry:

Sarah Huskinson, CPA, CGA
Chief Administrative Officer/Clerk

Kimberley Goyette
Director of Finance/Treasurer

Alexandria, Ontario
October 13, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the:

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the **Corporation of the Township of North Glengarry** (the Township), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of operations, changes in net financial assets (liabilities) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, excepts for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2019 and the results of its consolidated operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Township is expected to receive insurance proceeds related to an investigation into its taxes receivable. A provision in the amount of \$550,000 for estimated insurance recoveries has been recorded in these consolidated financial statements. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of this expected insurance recovery due to the measurement uncertainty of the insurable loss. Consequently, we were unable to determine whether any adjustments might have been necessary to the financial assets recorded in the consolidated statement of financial position as at December 31, 2019, as well as any related adjustments to the consolidated statements of operations, changes in net assets and the cash flows.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the 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 qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud and error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the audit.



**Cornwall, Ontario
October 13, 2020**

**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash (note 2)	\$ 5,228,714	\$ 195,836
Taxes receivable	1,937,171	1,960,870
Accounts receivable (note 3)	3,510,030	11,101,094
Long-term receivables (note 5)	<u>456,165</u>	<u>447,281</u>
	<u>11,132,080</u>	<u>13,705,081</u>
Financial liabilities		
Accounts payable and accrued liabilities	4,203,123	3,641,650
Employee benefits payable (note 7)	211,073	205,999
Deferred revenue - obligatory reserve funds (note 6)	573,199	422,874
Deferred revenue - other	6,504	27,749
Landfill closure and post-closure liabilities	1,415,134	1,409,347
Municipal debt (note 9)	<u>9,732,501</u>	<u>8,115,900</u>
	<u>16,141,534</u>	<u>13,823,519</u>
Net financial assets (liabilities)	<u>(5,009,454)</u>	<u>(118,438)</u>
Non-financial assets		
Tangible capital assets (note 8)	71,308,744	39,842,213
Tangible capital assets under construction	608,154	20,318,309
Inventory	147,062	138,201
Prepaid expenses	<u>1,536</u>	<u>-</u>
	<u>72,065,496</u>	<u>60,298,723</u>
Accumulated surplus (note 10)	<u>\$ 67,056,042</u>	<u>\$ 60,180,285</u>

Contingencies (note 14)

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

(See accompanying notes)

Welch LLP[®]

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CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	2019 <u>Budget</u> (Note 15)	2019 <u>Actual</u>	2018 <u>Actual</u>
Operating revenues			
Municipal taxation	\$ 5,912,086	\$ 5,742,819	\$ 5,596,538
User charges	5,898,612	5,326,547	5,786,471
Government transfers - operating	2,539,300	3,132,088	2,432,993
Investment income	20,000	78,702	15,022
Interest and penalties on taxes	320,000	319,759	311,788
Donations and other income	-	<u>1,328</u>	<u>2,764</u>
	<u>14,689,998</u>	<u>14,601,243</u>	<u>14,145,576</u>
Operating expenditures			
General government	1,306,396	1,401,245	1,317,027
Protection to persons and property	1,439,156	1,515,126	1,554,666
Transportation services	3,486,931	3,606,466	3,521,414
Environmental services	4,606,724	4,575,586	4,316,853
Health services	23,000	1,066	101,313
Recreational and cultural services	1,860,954	2,180,983	2,412,602
Planning and development	<u>1,246,483</u>	<u>896,371</u>	<u>542,722</u>
	<u>13,969,644</u>	<u>14,176,843</u>	<u>13,766,597</u>
Net operating surplus	<u>720,354</u>	<u>424,400</u>	<u>378,979</u>
Other income related to capital			
Government transfers - capital	8,113,005	6,446,173	15,818,049
Gain on disposal of tangible capital assets	<u>27,000</u>	<u>5,184</u>	<u>110,144</u>
	<u>8,140,005</u>	<u>6,451,357</u>	<u>15,928,193</u>
Annual surplus	8,860,359	6,875,757	16,307,172
Accumulated surplus at beginning of year	<u>60,180,285</u>	<u>60,180,285</u>	<u>43,873,113</u>
Accumulated surplus at end of year	<u>\$ 69,040,644</u>	<u>\$ 67,056,042</u>	<u>\$ 60,180,285</u>

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)
YEAR ENDED DECEMBER 31, 2019

	<u>2019</u> <u>Budget</u> <small>(Note 15)</small>	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Annual surplus	\$ 8,860,359	\$ 6,875,757	\$16,307,172
Amortization of tangible capital assets	2,420,471	2,420,471	2,296,751
Acquisition of tangible capital assets and tangible capital assets under construction	(18,899,715)	(14,176,847)	19,146,955)
Gain on disposal of tangible capital assets	(27,000)	(5,184)	(110,144)
Proceeds on disposal of tangible capital assets	27,000	5,184	214,745
Change in inventory	-	(8,861)	46,116
Change in prepaid expenses	<u>-</u>	<u>(1,536)</u>	<u>17,598</u>
Increase (decrease) in net financial assets	(7,618,885)	(4,891,016)	(374,717)
Net financial assets at beginning of year	<u>(118,438)</u>	<u>(118,438)</u>	<u>256,279</u>
Net financial assets (liabilities) at end of year	<u>\$ (7,737,323)</u>	<u>\$ (5,009,454)</u>	<u>\$ (118,438)</u>

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Annual surplus	\$ 6,875,757	\$ 16,307,172
Items not affecting cash:		
Amortization	2,420,471	2,296,751
Gain on disposal of tangible capital assets	<u>(5,184)</u>	<u>(110,144)</u>
	9,291,044	18,493,779
Net changes in non-cash working capital items:		
Taxes receivable	23,699	(72,514)
Accounts receivable	7,591,064	(8,705,204)
Inventory	(8,861)	46,116
Prepaid expenses	(1,536)	17,598
Accounts payable and accrued liabilities	561,473	1,904,453
Employee benefits payable	5,074	14,600
Landfill closure and post-closure liabilities	5,787	13,625
Deferred revenue	<u>129,080</u>	<u>188,477</u>
	<u>17,596,824</u>	<u>11,900,930</u>
Cash flows from capital activities		
Acquisition of tangible capital assets and tangible capital assets under construction	(14,176,847)	(19,146,955)
Proceeds on disposal of tangible capital assets	<u>5,184</u>	<u>214,745</u>
	<u>(14,171,663)</u>	<u>(18,932,210)</u>
Cash flows from investing activities		
Advances of long-term receivables	(75,800)	(75,800)
Repayment of long-term receivable	<u>66,916</u>	<u>105,017</u>
	<u>(8,884)</u>	<u>29,217</u>
Cash flows from financing activities		
Municipal debt repaid	(14,757,999)	(649,412)
Proceeds from municipal debt	<u>16,374,600</u>	<u>6,303,730</u>
	<u>1,616,601</u>	<u>5,654,318</u>
Increase (decrease) in cash	5,032,878	(1,347,745)
Cash at beginning of year	<u>195,836</u>	<u>1,543,581</u>
Cash at end of year	<u>\$ 5,228,714</u>	<u>\$ 195,836</u>

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

NATURE OF OPERATIONS

The Corporation of the Township of North Glengarry (the "Township") was incorporated on January 1, 1998 and is a lower tier municipality in the Province of Ontario. The Township is responsible for providing a variety of municipal services to its residents. The Township conducts its operations under the direction of its elected Council, guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township are prepared by management in accordance with Canadian generally accepted accounting policies for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. These financial statements include the following significant accounting policies:

a) *Reporting entity*

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all municipal organizations, committees, and local boards accountable to the Township, and which are owned or controlled by the Township. Included with the municipality is the following:

Palais des Sports Glengarry Sports Palace

Interdepartmental and organizational transactions and balances are eliminated.

b) *Accounting for United Counties and School Board transactions*

The assets, liabilities, revenues, and expenditures with respect to the operations of the school boards and the United Counties of Stormont, Dundas and Glengarry are not reflected in these financial statements.

c) *Basis of accounting*

These financial statements are prepared using 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 based upon cost of goods or services acquired.

d) *Deferred revenue*

The Township receives contributions under the authority of federal and provincial legislation and funding agencies. These funds, by their nature, are restricted in their use, and until applied to applicable projects, are recorded as deferred revenue. Amounts applied to projects are recorded as revenue in the fiscal period in which they are expended.

e) *Reserve and reserve funds*

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to and from reserves and reserve funds are recorded as an adjustment to the respective fund when approved.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Government transfers*

Government transfers are recognized as revenues or expenditures in the period in which the events giving rise to the transfer occurred, provided the transfers are authorized, any eligibility criteria have been met by the recipient, and a reasonable estimates of the amounts can be made.

g) *Taxation and related revenues*

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council incorporating amounts to be raised for local services and amounts the Township is required to collect on behalf of the United Counties of Stormont, Dundas and Glengarry and the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Township determines the taxes applicable and renders supplementary tax billings. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the period they are determined and the effect shared with the school boards as appropriate.

h) *Landfill Closure and Post-closure Liability*

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering, landscaping, as well as surface and ground water monitoring and visual inspections. The reported liability is based on estimated future expenses in current dollars, adjusted for estimated inflation and charges to expense are based on usage.

i) *Use of Estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the year they become known. Management makes accounting estimates when determining the estimated useful life of the Township's tangible capital assets, its allowance for doubtful accounts and accounts receivable, the accrued liability for employee benefits and the accrued liability for landfill closure and post closure costs. Actual results could differ from those estimates.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) *Tangible capital assets*

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful life as follows:

Land improvements	10 years
Buildings	40 years
Vehicles	10 to 25 years
Machinery and equipment	5 to 50 years
Transportation:	
- roads	7 to 40 years
- bridges and structures	40 years
Water and waste plants and networks	50 to 100 years

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

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

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

2. CASH

Cash consists of the following:

	<u>2019</u>	<u>2018</u>
Unappropriated cash	\$ 4,121,321	\$ (331,873)
Restricted under federal gas tax agreement	559,379	409,054
Restricted for parkland	13,820	13,820
Restricted for reserve funds	<u>534,194</u>	<u>104,835</u>
	<u>\$ 5,228,714</u>	<u>\$ 195,836</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Water and sewer user fees receivables	\$ 352,707	\$ 340,346
Excise tax rebates receivable	533,809	595,904
Municipal drains charges receivable	669,242	617,825
Due from School Boards and the United Counties	517,977	272,314
Due from Infrastructure Ontario	522,362	8,018,303
Accounts receivable - other	<u>913,933</u>	<u>1,256,402</u>
	<u>\$ 3,510,030</u>	<u>\$ 11,101,094</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

4. CREDIT FACILITY

The Township has an authorized revolving operating line of credit facility with a maximum limit of \$2,000,000. The credit facility bears interest at prime plus 0.5% and was unused at December 31, 2019. Additional credit facilities are described under note 9.

5. LONG-TERM RECEIVABLES

Long-term receivables consists of the following:

	<u>2019</u>	<u>2018</u>
Community improvement program loans receivable	\$ 147,600	\$ 142,518
Tile drainage loans receivable	<u>308,565</u>	<u>304,763</u>
	<u>\$ 456,165</u>	<u>\$ 447,281</u>

6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances held in the obligatory reserve funds are as follows:

	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Transferred to Income</u>	<u>Balance December 31, 2019</u>
Parkland	\$ 13,820	\$ -	\$ -	\$ 13,820
Federal gas tax	<u>409,054</u>	<u>645,614</u>	<u>(495,289)</u>	<u>559,379</u>
	<u>\$ 422,874</u>	<u>\$ 645,614</u>	<u>\$ (495,289)</u>	<u>\$ 573,199</u>

7. EMPLOYEE BENEFITS PAYABLE

The Township provides employee benefits that will require funding in future periods for vacation pay. The vacation pay liability has been estimated based on pay rates in effect at December 31, 2019 and is expected to be paid out over the next fiscal year.

Employee benefits payable is comprised of:

	<u>2019</u>	<u>2018</u>
Vacation pay	<u>\$ 211,073</u>	<u>\$ 205,999</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

8. TANGIBLE CAPITAL ASSETS

Tangible capital assets consists of the following:

<u>Cost</u>	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2019</u>
Land	\$ 536,998	\$ -	\$ -	\$ 536,998
Land improvements	635,086	80,604	-	715,690
Buildings	24,639,468	147,774	-	24,787,242
Vehicles	6,799,630	504,767	-	7,304,397
Equipment	7,602,221	206,225	-	7,808,446
Roads	17,422,132	1,138,229	-	18,560,361
Bridges	6,551,539	83,264	-	6,634,803
Water and sewer	<u>20,034,231</u>	<u>31,726,139</u>	<u>-</u>	<u>51,760,370</u>
	<u>\$ 84,221,305</u>	<u>\$ 33,887,002</u>	<u>\$ -</u>	<u>\$ 118,108,307</u>

<u>Accumulated Amortization</u>	<u>Balance December 31, 2018</u>	<u>Amortization Expense</u>	<u>Disposals</u>	<u>Balance December 31, 2019</u>
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	318,224	44,690	-	362,914
Buildings	16,291,400	600,979	-	16,892,379
Vehicles	3,842,004	316,793	-	4,158,797
Equipment	5,213,459	358,238	-	5,571,697
Roads	11,988,011	575,872	-	12,563,883
Bridges	2,960,441	137,920	-	3,098,361
Water and sewer	<u>3,765,553</u>	<u>385,979</u>	<u>-</u>	<u>4,151,532</u>
	<u>\$ 44,379,092</u>	<u>\$ 2,420,471</u>	<u>\$ -</u>	<u>\$ 46,799,563</u>

<u>Net book value</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Land	\$ 536,998	\$ 536,998
Land improvements	316,862	352,776
Buildings	8,348,068	7,894,863
Vehicles	2,957,626	3,145,600
Equipment	2,388,762	2,236,749
Roads	5,434,121	5,996,478
Bridges	3,591,098	3,536,442
Water and sewer	<u>16,268,678</u>	<u>47,608,838</u>
	<u>\$ 39,842,213</u>	<u>\$ 71,308,744</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

9. MUNICIPAL DEBT

Municipal debt consists of the following:

	<u>2019</u>	<u>2018</u>
<u>Royal Bank of Canada</u>		
Term loans - interest rates between 2.96% and 3.725%, repayable in monthly blended payments ranging between \$103 and \$10,878, maturity dates ranging from 2020 to 2026	\$ 595,659	\$ 814,159
Bridge loan Maxville water project - refinanced in year	-	5,400,000
<u>Ontario Infrastructure and Lands Corporation</u>		
Debenture loans - interest rates between 1.86% and 3.01%, repayable in semi-annual payments ranging between \$15,245 and \$125,000 plus interest, maturity dates ranging from 2022 to 2049	8,828,277	1,596,978
<u>Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA):</u>		
Tile drainage debenture loans - 6% repayable over a ten year period in blended annual payments ranging between \$217 and \$6,793, maturity dates ranging from 2020 to 2029	<u>308,565</u>	<u>304,763</u>
	<u>\$9,732,501</u>	<u>\$8,115,900</u>

The Township has authorized revolving and non-revolving term credit facilities related to the Maxville water upgrade project with maximum limits of \$11,000,000 and \$7,500,000 respectively. The credit facilities were unused at year-end. Total maximum aggregate borrowings under both credit facilities may not exceed \$11,000,000. Both credit facilities bear interest at prime + 0.75% and are secured by borrowing by-laws. The Township is required to comply with a number of reporting requirements.

The Township has offsetting tile drain loans receivable from property owners with the same terms and maturity dates as the OMAFRA tile drain loans above. These loans receivable have been included in long-term receivables on the statement of financial position.

Principal repayments on municipal debt are estimated to be as follows:

2020	\$ 814,482
2021	672,520
2022	655,403
2023	447,622
2024	434,346
2025 and subsequent	<u>6,708,128</u>
	<u>\$9,732,501</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

10. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2019</u>	<u>2018</u>
Reserves:		
Working funds	\$ 817,912	\$ 4,288,020
CEMC contingency fund	43,500	50,000
Fire	309,560	474,560
Modernization & efficiency	598,861	-
Recreation	53,000	109,455
Roads	547,380	736,380
Waste management	1,018,394	1,002,843
Water & sewer	2,423,488	2,493,488
WSIB	54,443	54,443
Zoning and elections	82,500	65,000
Other	254,305	184,770
Less funded by reserve funds	<u>(534,194)</u>	<u>(104,835)</u>
	<u>5,669,149</u>	<u>9,354,124</u>
Reserve funds:		
General reserve funds	<u>534,194</u>	<u>104,835</u>
Reserves and reserve funds - total	<u>6,203,343</u>	<u>9,458,959</u>
Invested in tangible capital assets:		
Equity in tangible capital assets	71,916,898	60,160,522
Less: related debt	<u>(9,423,936)</u>	<u>(7,811,137)</u>
	<u>62,492,962</u>	<u>52,349,385</u>
Amounts to be recovered from future revenues:		
Accrued interest	(14,056)	(12,713)
Accrued landfill closure and post-closure costs	(1,415,134)	(1,409,347)
Employee benefits payable	<u>(211,073)</u>	<u>(205,999)</u>
	<u>(1,640,263)</u>	<u>(1,628,059)</u>
	<u>\$ 67,056,042</u>	<u>\$ 60,180,285</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

11. SEGMENTED INFORMATION

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the statement of operations. Departments have been separately disclosed in the segmented information. For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those in the preparation of the financial statements as disclosed in note 1. The nature of the Township's segments and the activities they encompass are as follows:

General Government

General government includes corporate services and governance of the Township. Administration as a segment includes operating and maintaining municipal owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting and overall budget status as well as frontline reception and customer service.

Protection to Persons and Property

Protection services includes fire protection, conservation authority, protective inspection and control, and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

Transportation Services

Transportation services includes administration and operation of traffic and parking services for the Township. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Township.

Environmental Services

Environmental services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services as well as solid waste collection, disposal and recycling services.

Health Services

Health services includes health and safety programs, and contributions to the Glengarry Memorial Hospital.

Recreation and Cultural Services

Recreation and cultural services includes services that contribute to the Township's development and sustainability through the provision of recreation and leisure programs including community halls, libraries, parks, recreation fields and arenas.

Planning and Development

Planning and development manages development for business interest, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

11. SEGMENTED INFORMATION (continued)

	<u>General Government</u>	<u>Protection</u>	<u>Transportation</u>	<u>Environment</u>	<u>Health</u>	<u>Recreation and Cultural</u>	<u>Planning and Development</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Revenues									
Municipal taxation	\$ 688,086	\$ 737,534	\$ 2,722,685	\$ 405,699	\$ 15,629	\$ 887,275	\$ 285,911	\$ 5,742,819	\$ 5,596,538
User charges	86,756	279,213	52,432	4,029,462	-	710,239	168,445	5,326,547	5,786,471
Government transfers									
- operating	375,277	402,245	1,484,931	221,265	8,524	483,913	155,933	3,132,088	2,432,993
- capital	-	-	250,076	6,196,097	-	-	-	6,446,173	15,818,049
Other	<u>404,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,973</u>	<u>439,718</u>
	<u>1,555,092</u>	<u>1,418,992</u>	<u>4,510,124</u>	<u>10,852,523</u>	<u>24,153</u>	<u>2,081,427</u>	<u>610,289</u>	<u>21,052,600</u>	<u>30,073,769</u>
Expenditures									
Wages and benefits	871,998	667,840	1,337,396	1,371,699	-	855,671	314,407	5,419,011	5,205,802
Interest municipal debt	-	31,411	2,767	118,976	-	-	18,094	171,248	102,858
Materials and services	352,330	397,136	1,132,455	1,639,720	1,066	765,327	496,429	4,784,463	4,795,652
Contracted services	-	33,086	90,682	534,194	-	31,333	-	689,295	546,779
Insurance and financial costs	148,327	60,067	53,238	83,646	-	(15,248)	-	330,030	370,625
Third party transfers	-	115,544	-	-	-	187,608	59,173	362,325	448,130
Amortization	<u>28,590</u>	<u>210,042</u>	<u>989,928</u>	<u>827,351</u>	<u>-</u>	<u>356,292</u>	<u>8,268</u>	<u>2,420,471</u>	<u>2,296,751</u>
	<u>1,401,245</u>	<u>1,515,126</u>	<u>3,606,466</u>	<u>4,575,586</u>	<u>1,066</u>	<u>2,180,983</u>	<u>896,371</u>	<u>14,176,843</u>	<u>13,766,597</u>
Net surplus (deficit)	<u>\$ 153,847</u>	<u>\$ (96,134)</u>	<u>\$ 903,658</u>	<u>\$ 6,276,937</u>	<u>\$ 23,087</u>	<u>\$ (99,556)</u>	<u>\$ (286,082)</u>	<u>\$ 6,875,757</u>	<u>\$ 16,307,172</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

12. OPERATION OF SCHOOL BOARDS AND THE UNITED COUNTIES

The following taxation revenues were raised and remitted to school boards and the United Counties of Stormont, Dundas and Glengarry:

	<u>2019</u>	<u>2018</u>
School boards	<u>\$ 2,872,450</u>	<u>\$ 2,826,437</u>
United Counties of Stormont, Dundas and Glengarry	<u>\$ 6,533,156</u>	<u>\$ 6,288,745</u>

13. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees, based on length of service and rates of pay. OMERS provides pension services to approximately 1,000 employers and 480,000 plan members.

Each year an independent actuary determines the funding status of the OMERS pension plan (the Plan) by comparing the actuarial value of the 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, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million in respect of defined benefit obligations with actuarial assets of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of employers and plan members participating in the Plan. The Township has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. As a result, the Township does not recognize any share of the OMERS pension deficit.

The amount contributed to OMERS for 2019 was \$285,565 (2018 - \$269,086) for current service and is included as an expenditure on the statement of operations.

14. CONTINGENCIES

In 2014, the Government of Ontario expanded regulations to include six additional cancers presumed to be work related for firefighters under the Workplace Safety and Insurance Act. This change is retroactive to January 1, 1960. The Workplace Safety and Insurance Board (WSIB) has determined a potential liability for all Schedule 2 employers based on the total number of firefighters employed across the province. As the WSIB potential liability has been based on assumptions and general allocations and no specific claims have been filed with the Township, no provision for potential claims has been recorded in these financial statements. The Township previously established a reserve for future WSIB costs in the amount of \$54,443 to mitigate any claims from when it previously was a Schedule 2 employer.

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. A provision for litigation claims has been recorded in these consolidated financial statements based on management's best estimate of the likely outcomes. Should claims be settled for amounts other than established accruals, the outstanding amounts will be offset against operations in the year of settlement.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

15. BUDGETED FIGURES

The budgeted figures are presented for comparison purposes as prepared and approved by the Township's Council. The budget figures have been adjusted from the cash basis of accounting as originally prepared and have been restated as follows to conform with Canadian public sector accounting standards:

	<u>2019</u>
Annual surplus as budgeted	\$ -
Add:	
Capital expenditures expensed	18,899,715
Principal repayment of municipal debt expensed	564,258
Transfers to reserves expensed	388,303
Less:	
Loan proceeds included as income	(7,500,000)
Transfers from reserves included as income	(980,196)
Principal repayment of tile drain loans receivable included as income	(91,250)
Amortization of tangible capital assets not recorded	<u>(2,420,471)</u>
Annual surplus as presented on the statement of operations	<u>\$ 8,860,359</u>

16. EXPENSES BY OBJECT

Operating expenditures by object is summarized as follows:

	<u>2019</u>	<u>2018</u>
Wages and benefits	\$ 5,419,011	\$ 5,205,802
Interest on municipal debt	171,248	102,858
Materials and services	4,784,463	4,795,652
Contracted services	689,295	546,779
Insurance and financial costs	330,030	370,625
Third party transfers	362,325	448,130
Amortization	<u>2,420,471</u>	<u>2,296,751</u>
	<u>\$ 14,176,843</u>	<u>\$ 13,766,597</u>

17. UNCERTAINTY DUE TO THE CORONAVIRUS DISEASE OUTBREAK

In Mid-March of 2020 the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of the coronavirus disease. A high degree of uncertainty persists surrounding the full economic impact of the situation. Consequently, at the time of issuance of these financial statements the financial impact of the current situation is not yet known.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

SCHEDULE 1 - FIVE YEAR FINANCIAL REVIEW (unaudited)

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Population (MPAC)	8,379	8,511	8,865	10,088	9,740
Number of Households (MPAC)	4,879	4,887	5,847	5,734	5,754
Taxable Assessment (000's)					
Residential and farm	\$ 1,255,913	\$ 1,158,414	\$ 1,055,595	\$ 969,296	\$ 907,281
Commercial and industrial	<u>109,351</u>	<u>103,960</u>	<u>101,315</u>	<u>106,141</u>	<u>101,852</u>
Total	<u>\$ 1,365,264</u>	<u>\$ 1,262,374</u>	<u>\$ 1,156,910</u>	<u>\$ 1,075,437</u>	<u>\$ 1,009,133</u>
Property Taxes Billed (000's)					
Own purpose	\$ 5,743	\$ 5,597	\$ 4,973	\$ 5,021	\$ 4,785
Upper-Tier Municipality	6,533	6,289	5,818	5,776	5,646
School Boards	<u>2,872</u>	<u>2,826</u>	<u>2,535</u>	<u>2,915</u>	<u>2,843</u>
Total	<u>\$ 15,148</u>	<u>\$ 14,712</u>	<u>\$ 13,326</u>	<u>\$ 13,712</u>	<u>\$ 13,274</u>
Tax Arrears					
% of own levy	34 %	35 %	38 %	50 %	54 %
% of total levy	13 %	13 %	14 %	18 %	20 %
Municipal Debt (000's)					
Municipal debt	\$ 9,733	\$ 8,116	\$ 2,462	\$ 3,060	\$ 3,851
Annual debt charges	\$ 705	\$ 648	\$ 603	\$ 799	\$ 666
Municipal Equity (000's)					
Surplus and reserves	\$ 6,203	\$ 9,459	\$ 5,044	\$ 4,566	\$ 4,096
Invested in tangible capital assets	\$ 62,493	\$ 52,349	\$ 40,424	\$ 40,479	\$ 38,697
Reserves as % of operating expenses	43.75 %	68.71 %	36.71 %	31.71 %	35.85 %
Financial Indicators:					
Sustainability:					
Financial assets to liabilities	0.69 %	0.99 %	1.04 %	1.02 %	1.06 %
Municipal debt to tangible capital assets	13.53 %	13.49 %	5.67 %	7.09 %	9.14 %
Flexibility:					
Debt charges to total operating revenue	4.83 %	4.58 %	4.36 %	5.69 %	5.94 %
Total operating revenue to taxable assessment	1.07 %	1.12 %	1.19 %	1.31 %	1.27 %
Vulnerability:					
Operating government transfers to operating revenues	21.45 %	17.20 %	18.93 %	20.09 %	19.22 %
Total government transfers to total revenues	65.60 %	129.02 %	21.30 %	21.34 %	22.46 %