

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

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

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TOWNSHIP OF
**NORTH
STORMONT** 
A good place to grow

Management's Responsibility for the Financial Statements

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

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards 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 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 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 financial statements. The external auditors have full and free access to financial management of the The Corporation of the Township of North Stormont and meet when required.

On behalf of the The Corporation of the Township of North Stormont:



Craig Calder
Chief Administrative Officer/Clerk

Berwick, Ontario
August 11, 2020



Carly Wheeler
Director of Finance/Treasurer



T. 613-984-2821 | F. 613-984-2908
PO Box 99, 15 Union Street
Berwick, Ontario K0C 1G0
northstormont.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the:

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2019 and the results of its operations, changes in its net financial assets (liabilities) 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



**Cornwall, Ontario
August 11, 2020**

**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash (note 2)	\$ 3,256,568	\$ 1,356,127
Taxes receivable	833,261	724,846
Accounts receivable (note 4)	1,383,258	1,286,124
Long-term receivables	<u>129,941</u>	<u>155,173</u>
	<u>5,603,028</u>	<u>3,522,270</u>
Financial liabilities		
Accounts payable and accrued liabilities	795,579	373,486
Employee benefits payable (note 6)	94,082	192,180
Deferred revenue - obligatory reserve funds (note 5)	383,103	8
Deferred revenue - other	154,924	45,326
Municipal debt (note 8)	<u>2,906,539</u>	<u>3,031,525</u>
	<u>4,334,227</u>	<u>3,642,525</u>
Net financial assets (liabilities)	<u>1,268,801</u>	<u>(120,255)</u>
Non-financial assets		
Tangible capital assets (note 7)	31,429,017	31,947,128
Inventories	80,372	59,200
Prepaid expenses	<u>22,532</u>	<u>6,640</u>
	<u>31,531,921</u>	<u>32,012,968</u>
Accumulated surplus (note 9)	<u>\$ 32,800,722</u>	<u>\$ 31,892,713</u>

Contingencies (note 13)

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

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u> <u>Budget</u> (Note 15)	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Operating revenues			
Municipal taxation	\$ 2,904,486	\$ 2,878,557	\$ 2,754,833
User charges	2,402,211	2,443,455	2,053,565
Government transfers - operating	1,037,482	1,663,356	1,053,993
Investment income	20,000	61,777	42,574
Interest and penalties on taxes	149,500	128,116	131,739
Donations and other income	-	<u>2,486</u>	<u>10,114</u>
	<u>6,513,679</u>	<u>7,177,747</u>	<u>6,046,818</u>
Operating expenditures			
General government	1,086,980	1,064,804	1,037,067
Protection to persons and property	941,901	871,899	872,134
Transportation services	2,415,726	2,360,731	2,339,300
Environmental services	416,686	417,256	448,314
Water and sewer services	810,320	821,387	830,895
Health services	23,565	18,993	21,623
Recreational and cultural services	700,630	738,045	755,283
Planning and development	<u>262,501</u>	<u>183,464</u>	<u>231,812</u>
	<u>6,658,309</u>	<u>6,476,579</u>	<u>6,536,428</u>
Net operating income (expenditures)	<u>(144,630)</u>	<u>701,168</u>	<u>(489,610)</u>
Other income related to capital			
Government transfers - capital	268,876	163,748	236,753
Donations	-	29,589	12,451
Gain on disposal of tangible capital assets	<u>15,000</u>	<u>13,504</u>	<u>16,707</u>
	<u>283,876</u>	<u>206,841</u>	<u>265,911</u>
Annual surplus (deficit)	139,246	908,009	(223,699)
Accumulated surplus at beginning of year	<u>31,892,713</u>	<u>31,892,713</u>	<u>32,116,412</u>
Accumulated surplus at end of year	<u>\$ 32,031,959</u>	<u>\$ 32,800,722</u>	<u>\$ 31,892,713</u>

(See accompanying notes)

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

	<u>2019</u> <u>Budget</u> (Note 15)	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Annual surplus (deficit)	\$ 139,246	\$ 908,009	\$ (223,699)
Amortization of tangible capital assets	1,236,317	1,236,317	1,204,158
Acquisition of tangible capital assets	(980,400)	(768,673)	(1,260,248)
Gain on disposal of tangible capital assets	-	(13,504)	(16,707)
Proceeds on sale of tangible capital assets	-	63,971	72,150
Change in inventory	-	(21,172)	28,575
Change in prepaid expenses	<u>-</u>	<u>(15,892)</u>	<u>(6,640)</u>
(Increase) decrease in net financial liabilities	395,163	1,389,056	(202,411)
Net financial assets (liabilities) at beginning of year	<u>(120,255)</u>	<u>(120,255)</u>	<u>82,156</u>
Net financial assets (liabilities) at end of year	<u>\$ 274,908</u>	<u>\$ 1,268,801</u>	<u>\$ (120,255)</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Annual surplus (deficit)	\$ 908,009	\$ (223,699)
Items not affecting cash:		
Amortization	1,236,317	1,204,158
Gain on disposal of tangible capital assets	<u>(13,504)</u>	<u>(16,707)</u>
	2,130,822	963,752
Net changes in non-cash working capital items:		
Taxes receivable	(108,415)	118,863
Accounts receivable	(97,134)	(2,549)
Inventories	(21,172)	28,575
Prepaid expenses	(15,892)	(6,640)
Accounts payable and accrued liabilities	422,093	(32,322)
Employee benefits payable	(98,098)	(10,799)
Deferred revenue	<u>492,693</u>	<u>32,855</u>
	<u>2,704,897</u>	<u>1,091,735</u>
Cash flows from capital activities		
Acquisition of tangible capital assets	(768,673)	(1,260,248)
Proceeds on disposal of tangible capital assets	<u>63,971</u>	<u>72,150</u>
	<u>(704,702)</u>	<u>(1,188,098)</u>
Cash flows from investing activities		
Repayment of long-term receivable	<u>25,232</u>	<u>35,826</u>
Cash flows from financing activities		
Temporary borrowings	-	(200,000)
Municipal debt repaid	(309,986)	(291,597)
Proceeds from long-term debt	<u>185,000</u>	<u>575,000</u>
	<u>(124,986)</u>	<u>83,403</u>
Increase in cash	1,900,441	22,866
Cash at beginning of year	<u>1,356,127</u>	<u>1,333,261</u>
Cash at end of year	<u>\$ 3,256,568</u>	<u>\$ 1,356,127</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

NATURE OF OPERATIONS

The Corporation of the Township of North Stormont (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.

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) *Trust funds*

Trust funds and their related operations administered by the Township are not reflected in these financial statements, but are reported separately.

d) *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.

e) *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.

f) *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.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *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.

h) *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.

i) *Contaminated Sites Liability*

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when, as at the financial reporting date, all of the following criteria are met for a site or a portion of a site which is no longer in productive use:

- (a) an environmental standard exists;
- (b) contamination exceeds environmental standard;
- (c) the Township is directly responsible or accepts responsibility; and
- (d) a reasonable estimate of the amount can be made.

j) *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 the accrued liability for employee benefits. Actual results could differ from those estimates.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) *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:

Buildings	20 to 60 years
Vehicles	5 to 25 years
Machinery and equipment	5 to 25 years
Transportation:	
- roads	15 to 50 years
- bridges and structures	90 years
- sidewalks	50 years
- illumination	50 years
Water and waste plants and networks:	
- underground networks	80 to 100 years
- sewage treatment plants	80 years
- water pumping stations and reservoirs	80 years
- flood stations and other infrastructure	80 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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	\$ 1,450,927	\$ 9,712
Restricted under federal gas tax agreement	383,103	8
Restricted for general reserves	269,767	264,622
Restricted for water and sewer reserves	1,102,771	1,081,785
Restricted for Nationrise Wind Farm project	<u>50,000</u>	<u>-</u>
	<u>\$ 3,256,568</u>	<u>\$ 1,356,127</u>

3. CREDIT FACILITY

The Township has a revolving operating credit facility of up to \$2,800,000 with its main financial institution to finance current expenditures pending receipt of property taxes. The credit facility bears interest at prime and was unused at year-end.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Water and sewer user fees receivables	\$ 236,380	\$ 224,715
Excise tax rebates receivable	115,186	110,007
Municipal drains charges receivable	43,298	68,052
Zoning charges receivable	10,728	7,268
Accounts receivable - other	<u>977,666</u>	<u>876,082</u>
	<u>\$1,383,258</u>	<u>\$1,286,124</u>

5. 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 balance held under the federal gas tax program is summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ <u>8</u>	\$ <u>4,926</u>
Transactions in year:		
Grants received in year	428,310	215,797
Interest earned and other	2,654	1,085
Transferred to revenue	<u>(47,869)</u>	<u>(221,800)</u>
	<u>383,095</u>	<u>(4,918)</u>
Balance at end of year	<u>\$ 383,103</u>	<u>\$ 8</u>

6. EMPLOYEE BENEFITS PAYABLE

The Township provides certain employee benefits that will require funding in future periods for sick leave benefits, vacation pay and banked time owing. The Township is eliminating its accumulated sick leave bank within the next three years by allowing active employees to use their banked sick time to pay for disability premiums. The liability for sick leave benefits at December 31, 2019 has been estimated based on the following assumptions: a discount rate of 3.45%, future salary rate increases of 2.2% per annum and projected cash payments as estimated by management. Vacation pay and banked time liabilities have been estimated based on pay rates in effect at December 31, 2019 and are expected to be paid out over the next fiscal year.

Employee benefits payable is comprised of:

	<u>2019</u>	<u>2018</u>
Sick leave benefits	\$ 34,014	\$ 118,794
Vacation pay	53,369	46,116
Banked time	<u>6,699</u>	<u>27,270</u>
	<u>\$ 94,082</u>	<u>\$ 192,180</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

7. 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	\$ 40,983	\$ -	\$ -	\$ 40,983
Buildings	10,488,625	12,662	(17,529)	10,483,758
Vehicles	5,393,612	-	(328,910)	5,064,702
Equipment	2,153,745	330,456	-	2,484,201
Roads	8,790,726	74,352	-	8,865,078
Bridges	4,402,289	18,851	-	4,421,140
Water and sewer	<u>20,385,121</u>	<u>332,352</u>	<u>-</u>	<u>20,717,473</u>
	<u>\$ 51,655,101</u>	<u>\$ 768,673</u>	<u>\$ (346,439)</u>	<u>\$ 52,077,335</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	\$ -	\$ -	\$ -	\$ -
Buildings	4,168,827	250,437	(11,658)	4,407,606
Vehicles	2,180,561	275,508	(284,314)	2,171,755
Equipment	1,115,563	101,860	-	1,217,423
Roads	4,159,289	330,125	-	4,489,414
Bridges	1,721,740	51,078	-	1,772,818
Water and sewer	<u>6,361,993</u>	<u>227,309</u>	<u>-</u>	<u>6,589,302</u>
	<u>\$ 19,707,973</u>	<u>\$ 1,236,317</u>	<u>\$ (295,972)</u>	<u>\$ 20,648,318</u>

<u>Net book value</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Land	\$ 40,983	\$ 40,983
Buildings	6,319,798	6,076,152
Vehicles	3,213,051	2,892,947
Equipment	1,038,182	1,266,778
Roads	4,631,437	4,375,664
Bridges	2,680,549	2,648,322
Water and sewer	<u>14,023,128</u>	<u>14,128,171</u>
	<u>\$ 31,947,128</u>	<u>\$ 31,429,017</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

8. MUNICIPAL DEBT

Municipal debt consists of the following:

	<u>2019</u>	<u>2018</u>
<u>Ontario Infrastructure and Lands Corporation:</u>		
Debenture loan - 3.24% repayable in blended semi-annual payments of \$51,246, due November, 2034	\$1,210,026	\$1,271,807
Debenture loan - 3.30% repayable in blended semi-annual payments of \$15,629, due August, 2038	438,623	455,000
Debenture loans - 2.38% repayable in blended semi-annual payments of \$35,990, due July, 2025	400,258	461,616
Debenture loan - 2.39% repayable in blended semi-annual payments of \$23,310, due December, 2026	298,867	337,648
Debenture loan - 2.35% repayable in blended semi-annual payments of \$23,310, due November, 2024	185,000	-
Debenture loan - 3.23% repayable in blended semi-annual payments of \$14,433, due September, 2023	107,550	132,339
Debenture loan - 2.75% repayable in blended semi-annual payments of \$12,926, due August, 2023	97,293	120,000
Debenture loan - 1.66% repayable in blended semi-annual payments of \$23,605, due July, 2020	46,238	92,102
Debenture loans - other	<u>-</u>	<u>16,420</u>
	<u>2,783,855</u>	<u>2,886,932</u>
<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 \$870 and \$6,793, maturity dates ranging from 2022 to 2027	<u>122,684</u>	<u>144,593</u>
	<u>\$2,906,539</u>	<u>\$3,031,525</u>

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	\$ 337,337
2021	299,521
2022	308,628
2023	308,462
2024	254,569
2025 and subsequent	<u>1,398,022</u>
	<u>\$2,906,539</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

9. 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 capital	\$ 1,389,585	\$ 1,085,879
Transportation	376,759	404,353
Modernization funding	541,500	-
Buiding permit fees	232,980	-
Elections	5,118	58
Fire	217,224	215,951
Water and sewer	1,241,486	1,103,553
Capital	99,347	70,248
Landfill	20,237	20,117
Infrastructure	146,787	145,919
Less funded by reserve funds	<u>(1,372,538)</u>	<u>(1,346,407)</u>
	<u>2,898,485</u>	<u>1,699,671</u>
Reserve funds:		
General reserve funds	269,767	264,622
Water and sewer reserve funds	<u>1,102,771</u>	<u>1,081,785</u>
	<u>1,372,538</u>	<u>1,346,407</u>
Reserves and reserve funds - total	<u>4,271,023</u>	<u>3,046,078</u>
Invested in tangible capital assets:		
Equity in tangible capital assets	31,429,017	31,947,128
Less: related debt	<u>(2,783,855)</u>	<u>(2,886,932)</u>
	<u>28,645,162</u>	<u>29,060,196</u>
Amounts to be recovered from future revenues:		
Accrued interest	(21,381)	(21,381)
Future employee benefits	<u>(94,082)</u>	<u>(192,180)</u>
	<u>(115,463)</u>	<u>(213,561)</u>
	<u>\$ 32,800,722</u>	<u>\$ 31,892,713</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

10. 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 waste collection, disposal and recycling services.

Water and Sewer Services

Water and sewer services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Township.

Health Services

Health services includes health and safety programs, cemetery maintenance and costs related to medical centres.

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.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

10. SEGMENTED INFORMATION (continued)

	<u>General Government</u>	<u>Protection</u>	<u>Transportation</u>	<u>Environment</u>	<u>Water and Sewer</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	\$ 541,074	\$ 340,982	\$ 1,519,266	\$ -	\$ -	\$ 8,007	\$ 290,813	\$ 178,415	\$ 2,878,557	\$ 2,754,833
User charges	85,520	440,892	76,932	631,336	924,292	12,600	226,115	45,768	2,443,455	2,053,565
Government transfers	312,656	197,034	877,898	-	-	4,627	168,045	103,096	1,663,356	1,053,993
- operating										
Government transfers	-	-	47,869	-	115,879	-	-	-	163,748	236,753
- capital										
Other	<u>185,155</u>	<u>2,486</u>	<u>-</u>	<u>-</u>	<u>4,738</u>	<u>-</u>	<u>43,093</u>	<u>-</u>	<u>235,472</u>	<u>213,585</u>
	<u>1,124,405</u>	<u>981,394</u>	<u>2,521,965</u>	<u>631,336</u>	<u>1,044,909</u>	<u>25,234</u>	<u>728,066</u>	<u>327,279</u>	<u>7,384,588</u>	<u>6,312,729</u>
Expenditures										
Wages and benefits	680,779	401,965	705,905	110,725	-	-	143,779	26,956	2,070,109	2,040,273
Interest municipal debt	-	7,266	9,088	6,524	-	-	60,108	8,676	91,662	84,974
Materials and services	347,968	189,809	825,544	107,051	51,587	4,912	287,396	147,832	1,962,099	2,037,915
Contracted services	8,307	44,373	197,723	129,749	524,835	-	-	-	904,987	938,759
Insurance and	19,583	28,686	37,633	-	17,656	14,081	44,208	-	161,847	157,258
financial costs										
Third party transfers	-	44,859	-	-	-	-	4,700	-	49,559	73,091
Amortization	<u>8,167</u>	<u>154,941</u>	<u>584,838</u>	<u>63,207</u>	<u>227,309</u>	<u>-</u>	<u>197,854</u>	<u>-</u>	<u>1,236,316</u>	<u>1,204,158</u>
	<u>1,064,804</u>	<u>871,899</u>	<u>2,360,731</u>	<u>417,256</u>	<u>821,387</u>	<u>18,993</u>	<u>738,045</u>	<u>183,464</u>	<u>6,476,579</u>	<u>6,536,428</u>
Net surplus (deficit)	\$ <u>59,601</u>	\$ <u>109,495</u>	\$ <u>161,234</u>	\$ <u>214,080</u>	\$ <u>223,522</u>	\$ <u>6,241</u>	\$ <u>(9,979)</u>	\$ <u>143,815</u>	\$ <u>908,009</u>	\$ <u>(223,699)</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

11. 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>\$ 1,750,493</u>	<u>\$ 1,630,032</u>
United Counties of Stormont, Dundas and Glengarry	<u>\$ 4,808,010</u>	<u>\$ 4,496,461</u>

12. 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 \$110,683 (2018 - \$108,277) for current service and is included as an expenditure on the statement of operations.

13. 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 nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2019, management believes that the Township has valid defences and appropriate insurance coverage's in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in these financial statements.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

14. EXPENSES BY OBJECT

Operating expenditures by object is summarized as follows:

	<u>2019</u>	<u>2018</u>
Wages and benefits	\$2,070,109	\$2,040,273
Interest on municipal debt	91,662	84,974
Materials and services	1,962,099	2,037,915
Contracted services	904,987	938,759
Insurance and financial costs	161,847	157,258
Third party transfers	49,559	73,091
Amortization	<u>1,236,316</u>	<u>1,204,158</u>
	<u>\$6,476,579</u>	<u>\$6,536,428</u>

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	980,400
Principal repayment of municipal debt expensed	305,512
Transfers to reserves expensed	509,651
Less:	
Loan proceeds included as income	(190,000)
Transfers from reserves included as income	(230,000)
Amortization of tangible capital assets not recorded	<u>(1,236,317)</u>
Annual budgeted surplus as presented on the statement of operations	<u>\$ 139,246</u>

16. SUBSEQUENT EVENTS

In Mid-March of 2020, subsequent to the Township's year-end, 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.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

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)	5,534	5,567	5,770	5,766	5,804
Number of Households (MPAC)	2,926	2,906	2,881	2,922	2,828
Taxable Assessment (000's)					
Residential and farm	\$ 1,216,444	\$ 1,098,746	\$ 989,347	\$ 885,865	\$ 818,476
Commercial and industrial	39,282	36,994	34,407	31,748	29,885
Exempt	<u>28,017</u>	<u>26,930</u>	<u>24,469</u>	<u>24,442</u>	<u>22,928</u>
Total	<u>\$ 1,283,743</u>	<u>\$ 1,162,670</u>	<u>\$ 1,048,223</u>	<u>\$ 942,055</u>	<u>\$ 871,289</u>
Property Taxes Billed (000's)					
Own purpose	\$ 2,879	\$ 2,755	\$ 2,723	\$ 2,720	\$ 2,474
Upper-Tier Municipality	4,808	4,496	4,250	3,953	3,766
School Boards	<u>1,750</u>	<u>1,630</u>	<u>1,649</u>	<u>1,676</u>	<u>1,573</u>
Total	<u>\$ 9,437</u>	<u>\$ 8,881</u>	<u>\$ 8,622</u>	<u>\$ 8,349</u>	<u>\$ 7,813</u>
Tax Arrears					
% of own levy	29 %	26 %	31 %	36 %	39 %
% of total levy	9 %	8 %	10 %	12 %	12 %
Municipal Debt (000's)					
Municipal debt	\$ 2,907	\$ 3,032	\$ 2,748	\$ 3,012	\$ 2,886
Annual debt charges	\$ 326	\$ 326	\$ 331	\$ 356	\$ 294
Municipal Equity (000's)					
Surplus and reserves	\$ 4,271	\$ 3,046	\$ 2,963	\$ 2,712	\$ 2,038
Invested in tangible capital assets	\$ 28,645	\$ 29,060	\$ 29,376	\$ 29,525	\$ 29,706
Reserves as % of operating expenses	65.95 %	46.60 %	47.48 %	43.52 %	35.85 %
Financial Indicators:					
Sustainability:					
Financial assets to liabilities	1.29 %	0.97 %	1.02 %	0.88 %	0.81 %
Municipal debt to tangible capital assets	9.25 %	9.49 %	8.60 %	9.31 %	8.91 %
Flexibility:					
Debt charges to total operating revenue	4.54 %	5.39 %	5.56 %	5.90 %	5.42 %
Total operating revenue to taxable assessment	0.56 %	0.52 %	0.57 %	0.64 %	0.69 %
Vulnerability:					
Operating government transfers to operating revenues	23.17 %	17.43 %	19.11 %	20.23 %	20.12 %
Total government transfers to total revenues	25.46 %	21.35 %	25.25 %	26.89 %	20.12 %