

FINANCIAL STATEMENTS

For the

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

For year ended

DECEMBER 31, 2021

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

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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 23, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the:

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

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, 2021 and the statements of operations, changes 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2021 and the results of its 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 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.

Welch LLP

**Cornwall, Ontario
August 23, 2022**

**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash (note 2)	\$ 2,586,526	\$ 3,782,031
Taxes receivable	1,023,315	975,297
Accounts receivable (note 4)	1,649,731	1,357,636
Long-term receivables	<u>63,503</u>	<u>93,782</u>
	<u>5,323,075</u>	<u>6,208,746</u>
 Financial liabilities		
Accounts payable and accrued liabilities	1,025,714	803,519
Employee benefits payable (note 6)	88,082	85,231
Deferred revenue - obligatory reserve funds (note 5)	117,938	229,369
Deferred revenue - other	292,741	112,435
Municipal debt (note 8)	<u>2,258,340</u>	<u>2,563,523</u>
	<u>3,782,815</u>	<u>3,794,077</u>
 Net financial assets	 <u>1,540,260</u>	 <u>2,414,669</u>
 Non-financial assets		
Tangible capital assets (note 7)	32,131,004	30,936,757
Tangible capital assets under construction	530,419	63,013
Inventories	77,592	86,092
Prepaid expenses	<u>86,955</u>	<u>79,959</u>
	<u>32,825,970</u>	<u>31,165,821</u>
 Accumulated surplus (note 9)	 <u>\$ 34,366,230</u>	 <u>\$ 33,580,490</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, 2021

	<u>2021</u> <u>Budget</u> (Note 15)	<u>2021</u> <u>Actual</u>	<u>2020</u> <u>Actual</u>
Operating revenues			
Municipal taxation	\$ 3,127,415	\$ 3,181,583	\$ 2,963,858
User charges	2,299,442	2,517,457	2,498,872
Government transfers - operating	1,227,939	1,046,141	1,443,896
Investment income	25,000	17,503	32,047
Interest and penalties on taxes	129,700	139,249	117,415
Donations and other income	-	4,600	969
	<u>6,809,496</u>	<u>6,906,533</u>	<u>7,057,057</u>
Operating expenditures			
General government	980,158	1,019,414	998,056
Protection to persons and property	1,071,015	1,029,157	935,338
Transportation services	2,579,409	2,590,080	2,377,506
Environmental services	554,244	627,445	555,429
Water and sewer services	844,667	865,816	850,465
Health services	20,400	20,711	18,501
Recreational and cultural services	916,795	717,614	662,499
Planning and development	241,356	253,469	279,408
	<u>7,208,044</u>	<u>7,123,706</u>	<u>6,677,202</u>
Net operating income (expenditures)	<u>(398,548)</u>	<u>(217,173)</u>	<u>379,855</u>
Other income related to capital			
Government transfers - capital	476,225	577,339	393,942
Other transfers - capital	300,000	272,748	-
Donations	51,835	149,305	35,116
Gain (loss) on disposal of tangible capital assets	5,000	3,521	(29,145)
	<u>833,060</u>	<u>1,002,913</u>	<u>399,913</u>
Annual surplus	434,512	785,740	779,768
Accumulated surplus at beginning of year	<u>33,580,490</u>	<u>33,580,490</u>	<u>32,800,722</u>
Accumulated surplus at end of year	<u>\$ 34,015,002</u>	<u>\$ 34,366,230</u>	<u>\$ 33,580,490</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED DECEMBER 31, 2021

	<u>2021</u> <u>Budget</u> (Note 15)	<u>2021</u> <u>Actual</u>	<u>2020</u> <u>Actual</u>
Annual surplus	\$ 434,512	\$ 785,740	\$ 779,768
Amortization of tangible capital assets	1,287,418	1,287,418	1,205,246
Acquisition of tangible capital assets and assets under construction	(4,345,392)	(2,950,421)	(813,880)
(Gain) loss on disposal of tangible capital assets	-	(3,521)	29,195
Proceeds on sale of tangible capital assets	-	4,871	8,686
Change in inventory	-	8,500	(5,720)
Change in prepaid expenses	-	(6,996)	(57,427)
Increase (decrease) in net financial assets	(2,623,462)	(874,409)	1,145,868
Net financial assets at beginning of year	<u>2,414,669</u>	<u>2,414,669</u>	<u>1,268,801</u>
Net financial assets (liabilities) at end of year	<u>\$ (208,793)</u>	<u>\$ 1,540,260</u>	<u>\$ 2,414,669</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Annual surplus	\$ 785,740	\$ 779,768
Items not affecting cash:		
Amortization	1,287,418	1,205,246
(Gain) loss on disposal of tangible capital assets	<u>(3,521)</u>	<u>29,195</u>
	2,069,637	2,014,209
Net changes in non-cash working capital items:		
Taxes receivable	(48,018)	(142,036)
Accounts receivable	(292,095)	25,622
Inventories	8,500	(5,720)
Prepaid expenses	(6,996)	(57,427)
Accounts payable and accrued liabilities	222,195	7,940
Employee benefits payable	2,851	(8,851)
Deferred revenue	<u>68,875</u>	<u>(196,223)</u>
	<u>2,024,949</u>	<u>1,637,514</u>
Cash flows from capital activities		
Acquisition of tangible capital assets	(2,950,421)	(813,880)
Proceeds on disposal of tangible capital assets	<u>4,871</u>	<u>8,686</u>
	<u>(2,945,550)</u>	<u>(805,194)</u>
Cash flows from investing activities		
Repayment of long-term receivable	<u>30,279</u>	<u>36,159</u>
Cash flows from financing activities		
Municipal debt repaid	<u>(305,183)</u>	<u>(343,016)</u>
	<u>(305,183)</u>	<u>(343,016)</u>
Increase (decrease) in cash	(1,195,505)	525,463
Cash at beginning of year	<u>3,782,031</u>	<u>3,256,568</u>
Cash at end of year	<u>\$ 2,586,526</u>	<u>\$ 3,782,031</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021

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, 2021

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>2021</u>	<u>2020</u>
Unappropriated cash	\$ 1,260,847	\$ 1,548,199
Restricted under federal gas tax agreement	117,938	229,369
Restricted for water and sewer reserves	472,266	1,112,562
Restricted for other reserves	534,520	841,200
Restricted for Nationrise Wind Farm project	<u>200,955</u>	<u>50,701</u>
	<u>\$ 2,586,526</u>	<u>\$ 3,782,031</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, 2021

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2021</u>	<u>2020</u>
Water and sewer user fees receivables	\$ 288,992	\$ 281,865
Excise tax rebates receivable	132,142	57,653
Municipal drains charges receivable	98,138	73,180
Accounts receivable - other	<u>1,130,459</u>	<u>944,938</u>
	<u>\$1,649,731</u>	<u>\$1,357,636</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>2021</u>	<u>2020</u>
Balance at beginning of year	\$ <u>229,369</u>	\$ <u>383,103</u>
Transactions in year:		
Grants received in year	427,527	208,500
Interest earned and other	3,057	4,243
Transferred to revenue	<u>(542,015)</u>	<u>(366,477)</u>
	<u>(111,431)</u>	<u>153,734</u>
Balance at end of year	<u>\$ 117,938</u>	<u>\$ 229,369</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 two 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, 2021 has been estimated based on the following assumptions: a discount rate of 3.45%, future salary rate increases of 2.1% 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, 2021 and are expected to be paid out over the next fiscal year.

Employee benefits payable is comprised of:

	<u>2021</u>	<u>2020</u>
Sick leave benefits	\$ 7,337	\$ 19,000
Vacation pay	67,074	55,341
Banked time	<u>13,671</u>	<u>10,890</u>
	<u>\$ 88,082</u>	<u>\$ 85,231</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets consists of the following:

<u>Cost</u>	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2021</u>
Land	\$ 40,983	\$ 215,567	\$ -	\$ 256,550
Buildings	10,501,578	186,122	-	10,687,700
Vehicles	4,989,423	127,365	(30,936)	5,085,852
Equipment	2,550,165	205,553	(5,000)	2,750,718
Roads	9,281,095	539,081	(39,812)	9,780,364
Bridges	4,421,140	-	-	4,421,140
Water and sewer	<u>20,938,593</u>	<u>1,209,327</u>	<u>-</u>	<u>22,147,920</u>
	<u>\$ 52,722,977</u>	<u>\$ 2,483,015</u>	<u>\$ (75,748)</u>	<u>\$ 55,130,244</u>

<u>Accumulated Amortization</u>	<u>Balance December 31, 2020</u>	<u>Amortization Expense</u>	<u>Disposals</u>	<u>Balance December 31, 2021</u>
Land	\$ -	\$ 7,883	\$ -	\$ 7,883
Buildings	4,655,811	251,083	-	4,906,894
Vehicles	2,346,488	236,326	(30,936)	2,551,878
Equipment	1,339,577	129,237	(3,650)	1,465,164
Roads	4,797,968	362,324	(39,812)	5,120,480
Bridges	1,827,001	54,182	-	1,881,183
Water and sewer	<u>6,819,375</u>	<u>246,383</u>	<u>-</u>	<u>7,065,758</u>
	<u>\$ 21,786,220</u>	<u>\$ 1,287,418</u>	<u>\$ (74,398)</u>	<u>\$ 22,999,240</u>

<u>Net book value</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Land	\$ 40,983	\$ 248,667
Buildings	5,845,767	5,780,806
Vehicles	2,642,935	2,533,974
Equipment	1,210,588	1,285,554
Roads	4,483,127	4,659,884
Bridges	2,594,139	2,539,957
Water and sewer	<u>14,119,218</u>	<u>15,082,162</u>
	<u>\$ 30,936,757</u>	<u>\$ 32,131,004</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

8. MUNICIPAL DEBT

Municipal debt consists of the following:

	<u>2021</u>	<u>2020</u>
<u>Ontario Infrastructure and Lands Corporation:</u>		
Debenture loan - 3.24% repayable in blended semi-annual payments of \$51,246, due November, 2034	\$1,080,344	\$1,146,227
Debenture loan - 3.30% repayable in blended semi-annual payments of \$15,629, due August, 2038	404,216	421,701
Debenture loans - 2.38% repayable in blended semi-annual payments of \$35,990, due July, 2025	273,100	337,431
Debenture loan - 2.39% repayable in blended semi-annual payments of \$23,310, due December, 2026	218,486	259,154
Debenture loan - 2.35% repayable in blended semi-annual payments of \$23,310, due November, 2024	113,582	149,708
Debenture loan - 3.23% repayable in blended semi-annual payments of \$14,433, due September, 2023	55,524	81,953
	<u>49,585</u>	<u>73,567</u>
	2,194,837	2,469,741
<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>63,503</u>	<u>93,782</u>
	<u>\$2,258,340</u>	<u>\$2,563,523</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:

2022	\$ 305,706
2023	308,462
2024	254,569
2025	218,528
2026	154,952
2027 and subsequent	<u>1,016,123</u>
	<u>\$2,258,340</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

9. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Reserves:		
Working capital	\$ 1,720,628	\$ 1,797,519
Transportation	376,537	376,083
Modernization funding	105,218	456,246
Building permit fees	308,007	393,416
Elections	17,160	11,146
Fire	119,141	217,817
Water and sewer	959,197	1,426,539
Capital	77,210	92,704
Landfill	20,314	20,287
Infrastructure	148,400	147,201
Safe restart	39,274	78,839
Social service relief	28,036	78,952
Other	83,724	60,322
Less funded by reserve funds	<u>(1,006,786)</u>	<u>(1,953,762)</u>
	<u>2,996,060</u>	<u>3,203,309</u>
Reserve funds:		
General reserve funds	534,520	841,200
Water and sewer reserve funds	<u>472,266</u>	<u>1,112,562</u>
	<u>1,006,786</u>	<u>1,953,762</u>
Reserves and reserve funds - total	<u>4,002,846</u>	<u>5,157,071</u>
Invested in tangible capital assets:		
Equity in tangible capital assets	32,661,425	30,999,772
Less: related debt	<u>(2,194,837)</u>	<u>(2,469,741)</u>
	<u>30,466,588</u>	<u>28,530,031</u>
Amounts to be recovered from future revenues:		
Accrued interest	(15,121)	(21,381)
Future employee benefits	<u>(88,083)</u>	<u>(85,231)</u>
	<u>(103,204)</u>	<u>(106,612)</u>
	<u>\$ 34,366,230</u>	<u>\$ 33,580,490</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021

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>2021 Totals</u>	<u>2020 Totals</u>
Revenues										
Municipal taxation	\$ 270,549	\$ 558,064	\$1,657,403	\$ -	\$ -	\$ 3,922	\$ 565,586	\$ 126,059	\$3,181,583	\$2,963,858
User charges	81,463	271,858	35,219	758,414	1,078,919	14,995	172,921	103,668	2,517,457	2,498,872
Government transfers	88,960	183,498	544,973	-	-	1,290	185,971	41,449	1,046,141	1,443,896
- operating										
Government transfers	-	-	577,339	-	-	-	-	-	577,339	393,942
- capital										
Other	<u>432,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,732</u>	<u>-</u>	<u>149,305</u>	<u>-</u>	<u>586,926</u>	<u>156,402</u>
	<u>873,861</u>	<u>1,013,420</u>	<u>2,814,934</u>	<u>758,414</u>	<u>1,083,651</u>	<u>20,207</u>	<u>1,073,783</u>	<u>271,176</u>	<u>7,909,446</u>	<u>7,456,970</u>
Expenditures										
Wages and benefits	821,809	407,149	836,496	59,341	-	-	163,251	-	2,288,046	2,189,161
Interest municipal debt	-	17,290	7,364	3,698	-	-	36,985	5,768	71,105	87,475
Materials and services	156,214	313,867	988,381	72,049	48,014	7,327	215,798	247,701	2,049,351	1,981,356
Contracted services	11,295	43,333	72,981	470,215	555,821	-	-	-	1,153,645	983,676
Insurance and	21,929	32,924	47,675	-	15,598	13,384	59,162	-	190,672	176,876
financial costs										
Third party transfers	-	51,420	-	-	-	-	32,049	-	83,469	53,413
Amortization	<u>8,167</u>	<u>163,174</u>	<u>637,183</u>	<u>22,142</u>	<u>246,383</u>	<u>-</u>	<u>210,369</u>	<u>-</u>	<u>1,287,418</u>	<u>1,205,245</u>
	<u>1,019,414</u>	<u>1,029,157</u>	<u>2,590,080</u>	<u>627,445</u>	<u>865,816</u>	<u>20,711</u>	<u>717,614</u>	<u>253,469</u>	<u>7,123,706</u>	<u>6,677,202</u>
Net surplus (deficit)	\$ (145,553)	\$ (15,737)	\$ 224,854	\$ 130,969	\$ 217,835	\$ (504)	\$ 356,169	\$ 17,707	\$ 785,740	\$ 779,768

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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>2021</u>	<u>2020</u>
School boards	<u>\$ 1,728,918</u>	<u>\$ 1,762,775</u>
United Counties of Stormont, Dundas and Glengarry	<u>\$ 5,283,164</u>	<u>\$ 5,145,806</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, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million in respect of defined benefit obligations with actuarial assets of \$117,665 million indicating an actuarial deficit of \$3,131 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 2021 was \$144,298 (2020 - \$116,252) 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, 2021, 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, 2021

14. EXPENSES BY OBJECT

Operating expenditures by object is summarized as follows:

	<u>2021</u>	<u>2020</u>
Wages and benefits	\$2,288,046	\$2,189,161
Interest on municipal debt	71,105	87,475
Materials and services	2,049,351	1,981,356
Contracted services	1,153,645	983,676
Insurance and financial costs	190,672	176,876
Third party transfers	83,469	53,413
Amortization	<u>1,287,418</u>	<u>1,205,245</u>
	<u>\$7,123,706</u>	<u>\$6,677,202</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>2021</u>
Annual surplus as budgeted	\$ -
Add:	
Capital expenditures expensed	4,345,392
Principal repayment of municipal debt expensed	301,407
Transfers to reserves expensed	324,931
Less:	
Loan proceeds included as income	(1,000,000)
Transfers from reserves included as income	(2,249,800)
Amortization of tangible capital assets not recorded	<u>(1,287,418)</u>
Annual budgeted surplus as presented on the statement of operations	<u>\$ 434,512</u>

16. 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 still 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Population	7,400	5,561	5,534	5,567	5,770
Number of Households	2,998	2,943	2,926	2,906	2,881
Taxable Assessment (000's)					
Residential and farm	\$ 1,342,529	\$ 1,330,293	\$ 1,216,444	\$ 1,098,746	\$ 989,347
Commercial and industrial	43,785	43,506	39,282	36,994	34,407
Exempt	<u>26,159</u>	<u>26,149</u>	<u>28,017</u>	<u>26,930</u>	<u>24,469</u>
Total	<u>\$ 1,412,473</u>	<u>\$ 1,399,948</u>	<u>\$ 1,283,743</u>	<u>\$ 1,162,670</u>	<u>\$ 1,048,223</u>
Property Taxes Billed (000's)					
Own purpose	\$ 3,182	\$ 2,964	\$ 2,879	\$ 2,755	\$ 2,723
Upper-Tier Municipality	5,283	5,146	4,808	4,496	4,250
School Boards	<u>1,729</u>	<u>1,763</u>	<u>1,750</u>	<u>1,630</u>	<u>1,649</u>
Total	<u>\$ 10,194</u>	<u>\$ 9,873</u>	<u>\$ 9,437</u>	<u>\$ 8,881</u>	<u>\$ 8,622</u>
Tax Arrears					
% of own levy	32 %	33 %	29 %	26 %	31 %
% of total levy	10 %	10 %	9 %	8 %	10 %
Municipal Debt (000's)					
Municipal debt	\$ 2,258	\$ 2,564	\$ 2,907	\$ 3,032	\$ 2,748
Annual debt charges	\$ 347	\$ 394	\$ 326	\$ 326	\$ 331
Municipal Equity (000's)					
Surplus and reserves	\$ 4,003	\$ 5,157	\$ 4,271	\$ 3,046	\$ 2,963
Invested in tangible capital assets	\$ 30,467	\$ 28,530	\$ 28,645	\$ 29,060	\$ 29,376
Reserves as % of operating expenses	56.19 %	77.23 %	65.95 %	46.60 %	47.48 %
Financial Indicators:					
Sustainability:					
Financial assets to liabilities	1.41 %	1.64 %	1.29 %	0.97 %	1.02 %
Municipal debt to tangible capital assets	7.03 %	8.29 %	9.25 %	9.49 %	8.60 %
Flexibility:					
Debt charges to total operating revenue	5.02 %	5.58 %	4.54 %	5.39 %	5.56 %
Total operating revenue to taxable assessment	0.49 %	0.50 %	0.56 %	0.52 %	0.57 %
Vulnerability:					
Operating government transfers to operating revenues	15.15 %	20.46 %	23.17 %	17.43 %	19.11 %
Total government transfers to total revenues	23.51 %	26.04 %	25.46 %	21.35 %	25.25 %