

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL STATEMENTS

December 31, 2020

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2020

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THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

To the Members of Council, Inhabitants and Ratepayer of the
Corporation of the Township of South Glengarry

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Corporation of the Township of South Glengarry' Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 6, 2021

Chief Administrative Officer

Treasurer

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of South Glengarry:

Opinion

We have audited the financial statements of The Corporation of the Township of South Glengarry (the "Municipality"), which comprise the statement of financial position as at December 31, 2020, and the statements of financial activities, changes in net financial assets, cash flows and the related schedules 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 Municipality as at December 31, 2020, 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 Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality'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 or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality'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 Municipality'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 Municipality 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 our audit.

Cornwall, Ontario

July 6, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	2020	2019
NET FINANCIAL ASSETS		
ASSETS		
Cash	\$ 10,316,905	\$ 9,625,728
Taxes receivable (Note 2)	4,353,188	3,673,975
Accounts receivable	928,456	1,015,793
	15,598,549	14,315,496
LIABILITIES		
Accounts payable	1,710,470	1,784,005
Deferred revenue - obligatory reserve funds (Note 3)	967,387	1,243,230
Municipal debt (Note 4)	47,309	66,009
Accrued landfill closure and post-closure costs (Note 5)	1,428,310	1,398,310
	4,153,476	4,491,554
NET FINANCIAL ASSETS	11,445,073	9,823,942
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedules 1 and 2)	50,640,373	49,326,563
Inventory	202,753	332,989
Prepaid expenses	99,053	132,635
	50,942,179	49,792,187
ACCUMULATED SURPLUS (Schedule 3)	\$ 62,387,252	\$ 59,616,129

Approved by way of minutes thus does not get signed by council

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2020

	(Note 12) BUDGET 2020	ACTUAL 2020	ACTUAL 2019
REVENUES			
Taxation	\$ 9,926,979	\$ 9,943,367	\$ 9,632,762
Fees and service charges	2,265,496	2,745,328	2,748,255
Grants (Note 7)	1,185,800	1,232,136	1,867,691
Investment income	476,500	603,070	652,976
	13,854,775	14,523,901	14,901,684
EXPENSES			
General government	1,694,595	1,760,577	1,363,671
Protection to persons and property	1,741,153	1,538,746	1,500,952
Transportation services	4,891,050	5,033,822	5,423,894
Environmental services	2,956,553	2,826,940	2,691,007
Health services	36,208	54,503	47,101
Recreation and cultural services	1,656,800	1,723,692	1,443,967
Planning and development	645,767	414,121	522,222
	13,622,126	13,352,401	12,992,814
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	1,219,000	1,266,571	-
Grants (Note 7)	333,052	333,052	329,173
	1,552,052	1,599,623	329,173
SURPLUS FOR THE YEAR	1,784,701	2,771,123	2,238,043
ACCUMULATED SURPLUS, beginning of year	59,616,129	59,616,129	57,378,086
ACCUMULATED SURPLUS, end of year	\$ 61,400,830	\$ 62,387,252	\$ 59,616,129

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2020

	(Note 12) BUDGET 2020	ACTUAL 2020	ACTUAL 2019
Surplus for the year	\$ 1,784,701	\$ 2,771,123	\$ 2,238,043
Amortization of tangible capital assets	2,344,939	2,458,244	2,505,621
Acquisition of tangible capital assets	(7,032,200)	(3,772,054)	(1,051,921)
Change in inventory	-	130,236	(182,250)
Change in prepaid expenses	-	33,582	(1,434)
Increase (decrease) in net financial assets	(2,902,560)	1,621,131	3,508,059
Net financial assets, beginning of year	9,823,942	9,823,942	6,315,883
Net financial assets, end of year	\$ 6,921,382	\$ 11,445,073	\$ 9,823,942

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	2020	2019
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 2,771,123	\$ 2,238,043
Item not affecting cash		
Amortization of tangible capital assets	2,458,244	2,505,621
Changes in non-cash working capital balances		
Taxes receivable	(679,213)	(401,832)
Accounts receivable	87,337	202,943
Inventory	130,236	(182,250)
Prepaid expenses	33,582	(1,434)
Accounts payable	(73,535)	(14,590)
Deferred revenue - obligatory reserve funds	(275,843)	847,394
Accrued landfill closure and post-closure costs	30,000	30,000
	4,481,931	5,223,895
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(34,900)	(19,644)
Proceeds from the issue of municipal debt	16,200	-
	(18,700)	(19,644)
CASH USED IN CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(3,772,054)	(1,051,921)
INCREASE IN CASH	691,177	4,152,330
CASH, beginning of year	9,625,728	5,473,398
CASH, end of year	\$ 10,316,905	\$ 9,625,728

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020

	Land	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	2020	2019
Cost										
Balance, beginning of year	\$ 1,724,559	\$ 10,780,040	\$ 4,116,714	\$ 2,748,568	\$ 21,520,543	\$ 43,520,436	\$ 12,564,748	\$ 10,869,115	\$ 107,844,723	\$ 107,946,390
Additions during the year	-	517,489	715,654	271,618	687,565	1,492,563	-	87,165	3,772,054	1,051,921
Disposals during the year	-	-	-	-	-	-	-	-	-	(1,153,588)
Balance, end of year	1,724,559	11,297,529	4,832,368	3,020,186	22,208,108	45,012,999	12,564,748	10,956,280	111,616,777	107,844,723
Accumulated Amortization										
Balance, beginning of year	-	4,547,038	2,385,540	1,337,617	12,933,410	27,990,794	3,297,867	6,025,894	58,518,160	57,166,127
Amortization during the year	-	236,397	196,854	129,771	425,697	1,109,946	154,644	204,935	2,458,244	2,505,621
Amortization on disposals	-	-	-	-	-	-	-	-	-	(1,153,588)
Balance, end of year	-	4,783,435	2,582,394	1,467,388	13,359,107	29,100,740	3,452,511	6,230,829	60,976,404	58,518,160
Net book value	\$ 1,724,559	\$ 6,514,094	\$ 2,249,974	\$ 1,552,798	\$ 8,849,001	\$ 15,912,259	\$ 9,112,237	\$ 4,725,451	\$ 50,640,373	\$ 49,326,563

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	2020	2019
Cost							
Balance, beginning of year	\$ 2,142,368	\$ 6,335,694	\$ 59,223,456	\$ 34,656,159	\$ 5,487,046	\$107,844,723	\$107,946,390
Additions during the year	131,579	602,379	1,579,728	911,438	546,930	3,772,054	1,051,921
Disposals during the year	-	-	-	-	-	-	(1,153,588)
Balance, end of year	2,273,947	6,938,073	60,803,184	35,567,597	6,033,976	111,616,777	107,844,723
Accumulated Amortization							
Balance, beginning of year	576,926	2,001,506	36,641,859	16,421,373	2,876,496	58,518,160	57,166,127
Amortization during the year	29,184	163,669	1,515,115	602,227	148,049	2,458,244	2,505,621
Amortization on disposals	-	-	-	-	-	-	(1,153,588)
Balance, end of year	606,110	2,165,175	38,156,974	17,023,600	3,024,545	60,976,404	58,518,160
Net book value	\$ 1,667,837	\$ 4,772,898	\$ 22,646,210	\$ 18,543,997	\$ 3,009,431	\$ 50,640,373	\$ 49,326,563

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
SCHEDULE 3 - SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2020

	2020	2019
Deficits		
Operating surplus (Note 10)	\$ -	\$ -
Water and sewer deficit	-	(67,620)
Street lights surplus	128,587	37,768
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post-closure	(1,428,310)	(1,398,310)
Total deficits	(1,299,723)	(1,428,162)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	4,050,191	2,903,556
Waste management	766,878	825,750
Capital	55,068	43,699
Fire	1,336,247	1,521,827
Planning	207,664	246,000
Recreation and health	1,414,545	1,352,712
Roads	2,779,748	2,384,748
Sewer and water	2,132,294	2,145,469
Other	303,967	293,967
Total reserves	13,046,602	11,717,728
Equity in tangible capital assets		
Invested in tangible capital assets	50,640,373	49,326,563
ACCUMULATED SURPLUS	\$ 62,387,252	\$ 59,616,129

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
SCHEDULE 4 - SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2020

	Deficits	Reserves	Equity in Tangible Capital Assets	2020	2019
Balance, beginning of year	\$ (1,428,162)	\$ 11,717,728	\$ 49,326,563	\$ 59,616,129	\$ 57,378,086
Surplus (deficit) for the year	2,771,123	-	-	2,771,123	2,238,043
Reserve funds used for operations	1,330,770	(1,330,770)	-	-	-
Funds transferred to reserves	(2,659,644)	2,659,644	-	-	-
Current year funds used for tangible capital assets	(3,772,054)	-	3,772,054	-	-
Amortization of tangible capital assets	2,458,244	-	(2,458,244)	-	-
Change in accumulated surplus	128,439	1,328,874	1,313,810	2,771,123	2,238,043
Balance, end of year	\$ (1,299,723)	\$ 13,046,602	\$ 50,640,373	\$ 62,387,252	\$ 59,616,129

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE 5 - SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2020

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2020	2019
REVENUE										
Taxation	\$ 1,120,251	\$ 2,023,585	\$ 3,890,914	\$ 982,410	\$ -	\$ 9,871	\$ 1,729,570	\$ 186,766	\$ 9,943,367	\$ 9,632,762
Fees and service charges	402,472	18,644	34,332	158,551	1,574,130	45,796	163,791	347,612	2,745,328	2,748,255
Grants	1,015,742	20,370	35,268	160,756	-	-	-	-	1,232,136	1,867,691
Investment income	598,140	-	-	-	4,930	-	-	-	603,070	652,976
	3,136,605	2,062,599	3,960,514	1,301,717	1,579,060	55,667	1,893,361	534,378	14,523,901	14,901,684
EXPENSES										
Wages and benefits	1,014,875	735,156	1,037,768	16,002	369,399	-	711,572	250,938	4,135,710	3,848,954
Interest on municipal debt	-	-	-	-	-	-	-	4,932	4,932	5,139
Materials and services	644,292	450,276	1,739,371	341,239	444,986	51,916	795,253	152,179	4,619,512	4,446,794
Contracted services	-	16,140	648,136	1,017,546	5,750	-	2,561	-	1,690,133	1,778,421
Insurance and financial costs	15,482	45,553	75,247	11,703	18,088	583	18,261	6,072	190,989	186,067
Third party transfers	56,744	127,952	18,185	-	-	-	50,000	-	252,881	221,818
Amortization	29,184	163,669	1,515,115	665	601,562	2,004	146,045	-	2,458,244	2,505,621
	1,760,577	1,538,746	5,033,822	1,387,155	1,439,785	54,503	1,723,692	414,121	13,352,401	12,992,814
SURPLUS (DEFICIT)										
BEFORE OTHER ITEMS	1,376,028	523,853	(1,073,308)	(85,438)	139,275	1,164	169,669	120,257	1,171,500	1,908,870
OTHER REVENUE RELATED TO CAPITAL										
Deferred revenue earned	29,962	6,146	1,010,701	-	-	-	208,779	10,983	1,266,571	-
Grants	-	-	333,052	-	-	-	-	-	333,052	329,173
	29,962	6,146	1,343,753	-	-	-	208,779	10,983	1,599,623	329,173
SURPLUS (DEFICIT)	\$ 1,405,990	\$ 529,999	\$ 270,445	\$ (85,438)	\$ 139,275	\$ 1,164	\$ 378,448	\$ 131,240	\$ 2,771,123	\$ 2,238,043

See Accompanying Notes

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

DESCRIPTION OF ORGANIZATION

The Corporation of the Township of South Glengarry (the "Municipality") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of consolidation

(i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserves and include the activities of all committees of Council.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

These financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform with those of the Municipality and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards (the "School Boards"), and the United Counties of Stormont, Dundas and Glengarry (the "United Counties") are not reflected in the municipal fund balances of these financial statements.

(b) Accrual basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Taxation and related revenue

Property tax billings are issued by the Municipality based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC"). The Municipality collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry, provincial education taxes on behalf of the Province of Ontario, payments in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legislation.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Taxation and related revenue (Continued)

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and when a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(d) Government grants and transfers

Government grants and transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Municipality recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Municipality recognizes revenue as the liability is settled.

(e) Fees and service charges

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

(f) Investment income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

(g) Cash

Cash is defined as cash on hand and cash on deposit.

(h) Reserves and reserve funds

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

(i) Deferred revenue - obligatory reserve funds

The Municipality receives restricted contributions under the authority of federal and provincial legislations. These funds by their nature are restricted in their use and are recorded as deferred revenue until applied to applicable costs. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(j) Landfill closure costs

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Future employee benefits

Employee benefits include vacation entitlements. Vacation benefits are accrued in accordance with the Municipality's policy. The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS) as a defined benefit plan.

(l) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the surplus or deficit, provides the change in net financial assets for the year.

(i) 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 costs, less residual values, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	3 to 30 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Sewage treatment plants	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	7 to 50 years
Bridges and structures	25 to 75 years

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

The Municipality has a capitalization threshold of \$25,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are desktop computer systems, vehicles, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

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

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Non-financial assets (Continued)

(iii) Leases

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.

(iv) Inventory

Inventory held for consumption is recorded at the lower of cost or replacement cost.

(m) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Municipality is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Municipality expects that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability include:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration 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 expenditures during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful lives of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, deferred revenue and the estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

(o) Future accounting pronouncements

Standards effective beginning on or after April 1, 2022

Financial instruments

PS 3450 established recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard required fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

This standard is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Asset Retirement Obligations

PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations ("ARO"). As asset retirement obligations associated with landfills are included in the scope of PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn. The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.

This standard is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

2. TAXES RECEIVABLE

The balance of taxes receivable reported on the Statement of Financial Position is comprised of the following:

	2020	2019
Taxes	\$ 3,651,791	\$ 3,184,662
Interest and penalties	731,397	519,313
Allowance for doubtful accounts	(30,000)	(30,000)
	\$ 4,353,188	\$ 3,673,975

3. 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 provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	COVID-19	Federal Gas Tax	Parkland	Development Charges	2020	2019
Balance, beginning of year	\$ -	\$ 849,330	\$ 72,055	\$ 321,845	\$ 1,243,230	\$ 395,836
Grants received	557,200	398,921	19,000	-	975,121	825,952
Interest and other	-	11,202	806	3,599	15,607	21,442
Deferred revenue earned	(258,314)	(1,008,257)	-	-	(1,266,571)	-
Balance, end of year	298,886	\$ 251,196	\$ 91,861	\$ 325,444	\$ 967,387	\$ 1,243,230

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

4. MUNICIPAL DEBT

The balance of municipal debt reported on the Statement of Financial Position is comprised of the following:

	2020	2019
Tile drain loans, interest rates 6%, repayable over a ten year period in blended payments ranging between \$1,209 and \$4,171, maturity dates ranging from 2021 to 2029	\$ 47,309	\$ 66,009
Principal payments assuming the loans are renewed under the same terms and conditions are as follows:		
2021	\$ 9,457	
2022	10,025	
2023	10,626	
2024	4,647	
2025	4,926	
Thereafter	7,628	
	\$ 47,309	

5. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Municipality operates two solid waste landfill sites. The North Lancaster landfill site has an estimated remaining life of 14 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated March 2010. The Beaverbrook landfill site has an estimated remaining life of 13 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated December 2008. The estimates associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post-closure monitoring estimated for five years. Total closure and post-closure costs are estimated to be \$2,000,000 with \$1,428,310 (2019 - \$1,398,310) being accrued at the end of the current fiscal year. These costs are to be recovered from future taxation revenue and reserves.

The reported liability is based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liability and will be recognized prospectively, as a change in estimate, when applicable.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

6. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

Amounts to be recovered from future taxation, benefiting landowners and reserves are as follows:

	2020	2019
Municipal debt	\$ 47,309	\$ 66,009
Accrued landfill closure and post-closure costs	1,428,310	1,398,310
	\$ 1,475,619	\$ 1,464,319

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 1,428,310	\$ 1,398,310
Benefiting landowners	47,309	66,009
	\$ 1,475,619	\$ 1,464,319

7. GRANTS BY FUNDING SOURCE

	2020	2019
Received from Federal Government	\$ 1,036,539	\$ 31,737
Received from Provincial Government	1,795,220	2,165,127
	\$ 2,831,759	\$ 2,196,864

8. OPERATING EXPENDITURES BY OBJECT

	(Note 12) BUDGET 2020	ACTUAL 2020	ACTUAL 2019
Wages and benefits	\$ 4,388,760	\$ 4,135,710	\$ 3,848,954
Interest on municipal debt	13,167	4,932	5,139
Materials and services	4,816,560	4,619,512	4,446,794
Contracted services	1,610,000	1,690,133	1,778,421
Insurance and other financial costs	175,000	190,989	186,067
Third party transfers	273,700	252,881	221,818
Amortization	2,344,939	2,458,244	2,505,621
	\$ 13,622,126	\$ 13,352,401	\$ 12,992,814

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

9. PENSION AGREEMENTS

The Municipality is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan. The plan is a contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are the joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS pension deficit of \$3.2 billion (2019 - \$3.4 billion) in these financial statements.

The employer amount contributed to OMERS for 2020 was \$238,697 (2019 - \$224,172) for current service and is included as an expenditure on the Statement of Financial Activities.

10. OPERATING SURPLUS

	(Note 12) BUDGET 2020	ACTUAL 2020	ACTUAL 2019
Surplus for the year	\$ 1,784,701	\$ 2,771,123	\$ 2,238,043
Funds transferred to reserves	(1,372,800)	(1,389,623)	(4,930,486)
Reserves used for operations	3,753,000	1,330,770	1,215,338
Change in accrued landfill closure and post-closure costs	-	30,000	30,000
Acquisition of tangible capital assets	(7,032,200)	(3,772,054)	(1,051,921)
Annual amortization expense	2,344,939	2,458,244	2,505,621
Operating surplus for the year	(522,360)	1,428,460	6,595
Transfer to street lights surplus	(95,000)	(90,819)	(87,197)
Transfer from (to) water and sewer surplus	617,360	(67,620)	14,228
Transfer from (to) working capital reserves	-	(1,270,021)	66,374
	\$ -	\$ -	\$ -

11. SEGMENTED INFORMATION

The Municipality is responsible for providing a range of services to its citizens. For management reporting purposes the Municipality's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Municipality of South Glengarry and expended disclosure by object has been reflected in the Schedule of Segmented Disclosure.

For each segment separately reported, the segment revenue and expenses 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 followed in the preparation of the financial statements as disclosed in Note 1.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

11. SEGMENTED INFORMATION (Continued)

A brief description of each segment follows:

(a) General government

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

(b) Protection services

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

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Municipality. In addition, services are provided for 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 Municipality.

(d) Environmental services

Environmental services includes waste collection, disposal and recycling services.

(e) 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 Municipality.

(f) Health services

Health services provides funding for local public health organizations.

(g) Recreation and cultural services

Recreation and cultural services provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and arenas.

(h) Planning and development

Planning and development manages development for business interests, 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 SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. BUDGET FIGURES

The 2020 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on March 2, 2020. The budgets established for capital, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

13. TRANSFERS TO THE SCHOOL BOARDS AND UNITED COUNTIES

The Municipality collected and remitted county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry in the amount of \$11,276,302 (2019 - \$10,693,070). During the year, the Municipality also collected and remitted \$4,264,701 (2019 - \$4,267,457) for provincial education taxes on behalf of the school boards.

14. CONTINGENCIES

Legal action

The Municipality is involved in various legal actions in the normal course of business. The Municipality and its insurers are defending all actions against the Municipality. In the opinion of administration, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Municipality's financial position. Losses, if any, will be accounted for in the period they become determinable.

WSIB disability

As a result of recent changes to the Workplace Safety and Insurance Act, the Municipality would be responsible to reimburse WSIB for disability payments under the revised regulations for work-related disabilities for firefighters. The potential future benefit and administrative costs if claims are made are estimated at \$Nil. As at December 31, 2020 no claims have been filed.

15. SIGNIFICANT EVENT

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The Municipality received \$432,200 from the provincial government and \$125,000 from the Corporation of the City of Cornwall to be used to cover additional operating costs resulting from the pandemic; \$258,314 was used in the year and the remaining \$298,886 has been included in deferred revenues - obligatory reserve funds (Note 3).

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Municipality as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Municipality's financial condition.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2020

FINANCIAL ACTIVITIES (000's)

	2020	2019	2018	2017	2016
Revenues					
Taxation	\$ 9,943	\$ 9,633	\$ 9,167	\$ 9,025	\$ 8,439
Fees and service charges	2,745	2,748	2,189	1,980	2,066
Grants	1,232	1,868	1,241	1,171	1,344
Investment income	603	653	603	564	525
Other	-	-	4	-	13
	14,523	14,902	13,204	12,740	12,387
Expenses					
General government	1,761	1,364	1,390	1,645	1,370
Protection to persons and property	1,539	1,501	1,533	1,616	2,076
Transportation services	5,034	5,424	5,124	4,833	4,989
Environmental	2,827	2,691	2,767	2,623	2,735
Health services	55	47	40	51	108
Recreation and cultural services	1,724	1,444	1,292	1,155	1,284
Planning and development	414	522	348	248	313
	13,354	12,993	12,494	12,171	12,875
Other revenue related to capital					
Deferred revenue earned	1,267	-	420	407	391
Grants	333	329	382	254	-
Gain on disposal of tangible capital assets	-	-	16	-	236
	1,600	329	818	661	627
Surplus for the year	\$ 2,769	\$ 2,238	\$ 1,528	\$ 1,230	\$ 139

PROPERTY TAXES BILLED (000's)

	2020	2019	2018	2017	2016
Own Purposes	\$ 9,943	\$ 9,633	\$ 9,167	\$ 9,025	\$ 8,439
Upper-Tier Municipality	11,276	10,693	10,346	9,891	9,344
School Boards	4,265	4,267	4,243	4,236	4,221
	\$ 25,484	\$ 24,593	\$ 23,756	\$ 23,152	\$ 22,004

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2020

TAXABLE ASSESSMENT (000's)

	2020	2019	2018	2017	2016
Residential and farm	\$ 2,315,969	\$ 2,154,224	\$ 1,995,382	\$ 1,825,457	\$ 1,685,298
Commercial and industrial	159,242	151,055	144,540	138,886	133,494
	2,475,211	2,305,279	2,139,922	1,964,343	1,818,792
Exempt	46,130	45,946	44,059	42,691	42,925
	\$ 2,521,341	\$ 2,351,225	\$ 2,183,981	\$ 2,007,034	\$ 1,861,717
Commercial and industrial	6.43%	6.55%	6.75%	7.07%	7.34%

FINANCIAL INDICATORS

	2020	2019	2018	2017	2016
Tax arrears					
Percentage of own levy	44 %	38 %	36 %	43 %	43 %
Percentage of total levy	17 %	15 %	14 %	17 %	17 %
Municipal debt	\$ 47,309	\$ 66,009	\$ 85,653	\$ 107,824	\$ 138,713
Municipal debt charges	\$ 4,932	\$ 5,139	\$ 6,466	\$ 8,323	\$ 11,227
Sustainability					
Financial assets to liabilities	3.76	3.19	2.77	2.67	2.70
Financial assets to liabilities excluding municipal debt	3.80	3.23	2.83	2.75	2.61
Municipal debt to tangible capital assets	0.09 %	0.13 %	0.17 %	0.22 %	0.28 %
Flexibility					
Debt charges to total operating revenue	0.03 %	0.03 %	0.05 %	0.06 %	0.09 %
Total operating revenue to taxable assessment	5.76 %	6.34 %	6.05 %	6.35 %	6.65 %
Vulnerability					
Operating grants to operating revenue	8.48 %	12.53 %	9.40 %	9.19 %	10.85 %
Total grants to total revenues	9.71 %	14.42 %	11.57 %	10.63 %	10.33 %
Reserve coverage					
Reserves	\$ 13,046,602	\$ 11,717,728	\$ 8,068,954	\$ 7,279,303	\$ 6,497,253
Reserves to operating expenses	98 %	90 %	65 %	60 %	50 %
Reserves to working capital	0.99	0.99	1.02	1.01	0.96