

**THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY**

**FINANCIAL STATEMENTS**

**December 31, 2019**

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

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, 2019, and the statements of financial activities, changes in net financial assets, cash flows and 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, 2019, and the results of its operations 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  
November 2, 2020



**Chartered Professional Accountants**  
Licensed Public Accountants

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

As at December 31, 2019

	2019	2018
<b>NET FINANCIAL ASSETS</b>		
<b>ASSETS</b>		
Cash	\$ 9,625,728	\$ 5,473,398
Taxes receivable (Note 2)	3,673,975	3,272,143
Accounts receivable	1,148,428	1,349,938
	<b>14,448,131</b>	<b>10,095,479</b>
<b>LIABILITIES</b>		
Accounts payable	1,784,005	1,798,596
Deferred revenue - obligatory reserve funds (Note 3)	1,243,230	395,836
Municipal debt (Note 4)	66,009	85,653
Accrued landfill closure and post-closure costs (Note 5)	1,398,310	1,368,310
	<b>4,491,554</b>	<b>3,648,395</b>
<b>NET FINANCIAL ASSETS</b>	<b>9,956,577</b>	<b>6,447,084</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedules 1 and 2)	49,326,563	50,780,263
Inventory	332,989	150,739
	<b>49,659,552</b>	<b>50,931,002</b>
<b>ACCUMULATED SURPLUS (Schedule 3)</b>	<b>\$ 59,616,129</b>	<b>\$ 57,378,086</b>

**SUBSEQUENT EVENT (Note 15)**

See Accompanying Notes

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

For the year ended December 31, 2019

	(Note 12) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
<b>REVENUES</b>			
Taxation	\$ 9,599,675	\$ 9,632,762	\$ 9,167,278
Fees and service charges	2,086,632	2,748,255	2,188,990
Grants (Note 7)	1,180,400	1,867,691	1,240,675
Investment income	506,441	652,665	602,697
Other	-	311	4,363
	<b>13,373,148</b>	<b>14,901,684</b>	<b>13,204,003</b>
<b>EXPENSES</b>			
General government	1,615,100	1,363,671	1,390,108
Protection to persons and property	1,806,030	1,500,952	1,532,888
Transportation services	4,979,120	5,423,894	5,124,336
Environmental services	2,777,360	2,691,007	2,767,404
Health services	46,000	47,101	39,510
Recreation and cultural services	1,319,490	1,443,967	1,291,899
Planning and development	684,507	522,222	347,780
	<b>13,227,607</b>	<b>12,992,814</b>	<b>12,493,925</b>
<b>OTHER REVENUE RELATED TO CAPITAL</b>			
Deferred revenue earned (Note 2)	400,000	-	420,000
Grants (Note 7)	329,000	329,173	381,894
Gain (loss) on disposal of tangible capital assets	(25,000)	-	16,410
	<b>704,000</b>	<b>329,173</b>	<b>818,304</b>
<b>SURPLUS FOR THE YEAR</b>	<b>849,541</b>	<b>2,238,043</b>	<b>1,528,382</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>57,378,086</b>	<b>57,378,086</b>	<b>55,849,704</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 58,227,627</b>	<b>\$ 59,616,129</b>	<b>\$ 57,378,086</b>

See Accompanying Notes

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

For the year ended December 31, 2019

	(Note 12) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Surplus for the year	\$ 849,541	\$ <b>2,238,043</b>	\$ 1,528,382
Amortization of tangible capital assets	2,449,000	<b>2,505,621</b>	2,394,577
Acquisition of tangible capital assets	(3,822,000)	<b>(1,051,921)</b>	(3,276,767)
Proceeds on disposal of tangible capital assets	-	-	16,410
(Gain) loss on disposal of tangible capital assets	25,000	-	(16,410)
Change in inventory	-	<b>(182,250)</b>	16,052
Increase (decrease) in net financial assets	(498,459)	<b>3,509,493</b>	662,244
Net financial assets, beginning of year	6,447,084	<b>6,447,084</b>	5,784,840
Net financial assets, end of year	\$ 5,948,625	\$ <b>9,956,577</b>	\$ 6,447,084

See Accompanying Notes

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
<b>CASH FROM OPERATING ACTIVITIES</b>		
Surplus for the year	\$ 2,238,043	\$ 1,528,382
Items not affecting cash		
Amortization of tangible capital assets	2,505,621	2,394,577
Gain on disposal of tangible capital assets	-	(16,410)
Changes in non-cash working capital balances		
Taxes receivable	(401,832)	585,113
Accounts receivable	201,510	5,038
Inventory	(182,250)	16,052
Accounts payable	(14,591)	145,900
Deferred revenue - obligatory reserve funds	847,394	26,244
Accrued landfill closure and post-closure costs	30,000	30,000
	<b>5,223,895</b>	<b>4,714,896</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of municipal debt	(19,644)	(22,171)
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Proceeds on disposal of tangible capital assets	-	16,410
Acquisition of tangible capital assets	(1,051,921)	(3,276,767)
	<b>(1,051,921)</b>	<b>(3,260,357)</b>
<b>INCREASE IN CASH</b>	<b>4,152,330</b>	<b>1,432,368</b>
<b>CASH, beginning of year</b>	<b>5,473,398</b>	<b>4,041,030</b>
<b>CASH, end of year</b>	<b>\$ 9,625,728</b>	<b>\$ 5,473,398</b>

See Accompanying Notes



**THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY**

**SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2019

	Land	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	2019	2018
<b>Cost</b>										
Balance, beginning of year	\$ 1,724,559	\$ 10,435,787	\$ 4,889,765	\$ 2,996,604	\$ 21,520,543	\$ 42,945,269	\$ 12,564,748	\$ 10,869,115	\$ 107,946,390	\$ 104,786,067
Additions during the year	-	369,195	107,559	-	-	575,167	-	-	1,051,921	3,276,767
Disposals during the year	-	(24,942)	(880,610)	(248,036)	-	-	-	-	(1,153,588)	(116,444)
<b>Balance, end of year</b>	<b>1,724,559</b>	<b>10,780,040</b>	<b>4,116,714</b>	<b>2,748,568</b>	<b>21,520,543</b>	<b>43,520,436</b>	<b>12,564,748</b>	<b>10,869,115</b>	<b>107,844,723</b>	<b>107,946,390</b>
<b>Accumulated Amortization</b>										
Balance, beginning of year	-	4,337,673	3,036,401	1,494,736	12,501,349	26,843,427	3,143,224	5,809,317	57,166,127	54,887,994
Amortization during the year	-	234,307	229,749	90,917	432,061	1,147,367	154,643	216,577	2,505,621	2,394,577
Amortization on disposals	-	(24,942)	(880,610)	(248,036)	-	-	-	-	(1,153,588)	(116,444)
<b>Balance, end of year</b>	<b>-</b>	<b>4,547,038</b>	<b>2,385,540</b>	<b>1,337,617</b>	<b>12,933,410</b>	<b>27,990,794</b>	<b>3,297,867</b>	<b>6,025,894</b>	<b>58,518,160</b>	<b>57,166,127</b>
<b>Net book value</b>	<b>\$ 1,724,559</b>	<b>\$ 6,233,002</b>	<b>\$ 1,731,174</b>	<b>\$ 1,410,951</b>	<b>\$ 8,587,133</b>	<b>\$ 15,529,642</b>	<b>\$ 9,266,881</b>	<b>\$ 4,843,221</b>	<b>\$ 49,326,563</b>	<b>\$ 50,780,263</b>

See Accompanying Notes

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	2019	2018
<b>Cost</b>							
Balance, beginning of year	\$ 2,095,694	\$ 7,179,286	\$ 58,746,736	\$ 34,598,258	\$ 5,326,416	\$107,946,390	\$104,786,067
Additions during the year	71,616	37,018	724,756	57,901	160,630	1,051,921	3,276,767
Disposals during the year	(24,942)	(880,610)	(248,036)	-	-	(1,153,588)	(116,444)
<b>Balance, end of year</b>	<b>2,142,368</b>	<b>6,335,694</b>	<b>59,223,456</b>	<b>34,656,159</b>	<b>5,487,046</b>	<b>107,844,723</b>	<b>107,946,390</b>
<b>Accumulated Amortization</b>							
Balance, beginning of year	574,474	2,700,677	35,325,180	15,833,211	2,732,585	57,166,127	54,887,994
Amortization during the year	27,394	181,439	1,564,715	588,162	143,911	2,505,621	2,394,577
Amortization on disposals	(24,942)	(880,610)	(248,036)	-	-	(1,153,588)	(116,444)
<b>Balance, end of year</b>	<b>576,926</b>	<b>2,001,506</b>	<b>36,641,859</b>	<b>16,421,373</b>	<b>2,876,496</b>	<b>58,518,160</b>	<b>57,166,127</b>
<b>Net book value</b>	<b>\$ 1,565,442</b>	<b>\$ 4,334,188</b>	<b>\$ 22,581,597</b>	<b>\$ 18,234,786</b>	<b>\$ 2,610,550</b>	<b>\$ 49,326,563</b>	<b>\$ 50,780,263</b>

See Accompanying Notes

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE 3 - SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2019

	2019	2018
<b>Deficits</b>		
Operating surplus (Note 10)	\$ -	\$ -
Water and sewer deficit	(67,620)	(53,392)
Street lights surplus (deficit)	37,768	(49,429)
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post-closure	(1,398,310)	(1,368,310)
<b>Total deficits</b>	<b>(1,428,162)</b>	<b>(1,471,131)</b>
<b>Reserves</b>		
<b>Reserves set aside for specific purposes by Council:</b>		
Working capital	2,903,556	2,551,706
Waste management	825,750	660,750
Capital	43,699	25,068
Fire	1,521,827	538,027
Planning	246,000	196,000
Recreation and health	1,352,712	943,624
Roads	2,384,748	1,304,748
Sewer and water	2,145,469	1,565,064
Other	293,967	283,967
<b>Total reserves</b>	<b>11,717,728</b>	<b>8,068,954</b>
<b>Equity in tangible capital assets</b>		
Invested in tangible capital assets	49,326,563	50,780,263
<b>ACCUMULATED SURPLUS</b>	<b>\$ 59,616,129</b>	<b>\$ 57,378,086</b>

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, 2019

	Deficits	Reserves	Equity in Tangible Capital Assets	2019	2018
<b>Balance, beginning of year</b>	<b>\$ (1,471,131)</b>	<b>\$ 8,068,954</b>	<b>\$ 50,780,263</b>	<b>\$ 57,378,086</b>	<b>\$ 55,849,704</b>
Surplus (deficit) for the year	4,743,664	-	(2,505,621)	2,238,043	1,528,382
Reserve funds used for operations	1,281,712	(1,281,712)	-	-	-
Funds transferred to reserves	(4,930,487)	4,930,487	-	-	-
Current year funds used for tangible capital assets	(1,051,921)	-	1,051,921	-	-
Change in accumulated surplus	42,968	3,648,775	(1,453,700)	2,238,043	1,528,382
<b>Balance, end of year</b>	<b>\$ (1,428,163)</b>	<b>\$ 11,717,729</b>	<b>\$ 49,326,563</b>	<b>\$ 59,616,129</b>	<b>\$ 57,378,086</b>

See Accompanying Notes

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE 5 - SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2019	2018
<b>REVENUE</b>										
Taxation	\$ 680,510	\$ 2,061,424	\$ 4,493,352	\$ 829,623	\$ -	\$ 14,291	\$ 1,317,005	\$ 236,557	\$ 9,632,762	\$ 9,167,278
Fees and service charges	329,495	9,414	3,075	115,808	1,529,620	50,675	313,761	396,407	2,748,255	2,188,990
Grants	1,665,724	36,968	18,673	146,326	-	-	-	-	1,867,691	1,240,675
Investment income	645,853	-	-	-	6,812	-	-	-	652,665	602,697
Other	-	-	-	-	-	-	311	-	311	4,363
	<b>3,321,582</b>	<b>2,107,806</b>	<b>4,515,100</b>	<b>1,091,757</b>	<b>1,536,432</b>	<b>64,966</b>	<b>1,631,077</b>	<b>632,964</b>	<b>14,901,684</b>	<b>13,204,003</b>
<b>EXPENSES</b>										
Wages and benefits	820,973	690,908	1,030,090	18,396	406,208	-	652,302	230,077	3,848,954	3,765,580
Interest on municipal debt	-	-	-	-	-	-	-	5,139	5,139	6,466
Materials and services	463,959	447,869	1,779,253	387,730	465,110	38,994	582,893	280,986	4,446,794	4,556,515
Contracted services	-	18,316	955,911	784,917	13,468	-	5,809	-	1,778,421	1,430,766
Insurance and financial costs	16,737	40,395	78,740	12,884	14,132	652	16,507	6,020	186,067	174,866
Third party transfers	34,608	122,025	15,185	-	-	-	50,000	-	221,818	165,155
Amortization	27,394	181,439	1,564,715	1,457	586,705	7,455	136,456	-	2,505,621	2,394,577
	<b>1,363,671</b>	<b>1,500,952</b>	<b>5,423,894</b>	<b>1,205,384</b>	<b>1,485,623</b>	<b>47,101</b>	<b>1,443,967</b>	<b>522,222</b>	<b>12,992,814</b>	<b>12,493,925</b>
<b>SURPLUS (DEFICIT)</b>										
<b>BEFORE OTHER ITEMS</b>	<b>1,957,911</b>	<b>606,854</b>	<b>(908,794)</b>	<b>(113,627)</b>	<b>50,809</b>	<b>17,865</b>	<b>187,110</b>	<b>110,742</b>	<b>1,908,870</b>	<b>710,078</b>
<b>OTHER REVENUE RELATED TO CAPITAL</b>										
Deferred revenue earned	-	-	-	-	-	-	-	-	-	420,000
Grants	-	-	329,173	-	-	-	-	-	329,173	381,894
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	16,410
	<b>-</b>	<b>-</b>	<b>329,173</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>329,173</b>	<b>818,304</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ 1,957,911</b>	<b>\$ 606,854</b>	<b>\$ (579,621)</b>	<b>\$ (113,627)</b>	<b>\$ 50,809</b>	<b>\$ 17,865</b>	<b>\$ 187,110</b>	<b>\$ 110,742</b>	<b>\$ 2,238,043</b>	<b>\$ 1,528,382</b>

See Accompanying Notes

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 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, 2019

### 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, 2019

### 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, 2019

### 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, 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) 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, 2019

**2. TAXES RECEIVABLE**

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

	<b>2019</b>	<b>2018</b>
Taxes	<b>\$ 3,184,662</b>	\$ 2,849,578
Interest and penalties	<b>519,313</b>	452,565
Allowance for doubtful accounts	<b>(30,000)</b>	(30,000)
	<b>\$ 3,673,975</b>	\$ 3,272,143

**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:

		<b>Federal Gas Tax</b>	<b>Parkland</b>	<b>Development Charges</b>	<b>2019</b>	<b>2018</b>
Balance, beginning of year	<b>\$</b>	<b>15,773</b>	<b>\$ 65,528</b>	<b>\$ 314,535</b>	<b>\$ 395,836</b>	\$ 369,592
Grants received		<b>825,952</b>	-	-	<b>825,952</b>	419,222
Interest and other		<b>7,605</b>	<b>6,527</b>	<b>7,310</b>	<b>21,442</b>	27,022
Deferred revenue earned		-	-	-	-	(420,000)
Balance, end of year	<b>\$</b>	<b>849,330</b>	<b>\$ 72,055</b>	<b>\$ 321,845</b>	<b>\$ 1,243,230</b>	\$ 395,836

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

For the year ended December 31, 2019

**4. MUNICIPAL DEBT**

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

	<b>2019</b>	<b>2018</b>
Tile drain loans, interest rates ranging from 6% to 8%, repayable over a ten year period in blended payments ranging between \$665 and \$4,171, maturity dates ranging from 2020 to 2026	<b>\$ 66,009</b>	\$ 85,653
Principal payments assuming the loans are renewed under the same terms and conditions are as follows:		
2020	\$ 18,104	
2021	10,386	
2022	11,010	
2023	11,670	
2024	5,753	
Thereafter	9,086	
	<b>\$ 66,009</b>	

**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 15 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 14 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 \$1,398,310 (2018 - \$1,368,310) 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, 2019

**6. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES**

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

	<b>2019</b>	<b>2018</b>
Municipal debt	\$ <b>66,009</b>	\$ 85,653
Accrued landfill closure and post-closure costs	<b>1,398,310</b>	1,368,310
	<b>\$ 1,464,319</b>	\$ 1,453,963

Amounts are to be recovered from the following sources:

General municipal revenues	\$ <b>1,398,310</b>	\$ 1,368,310
Benefiting landowners	<b>66,009</b>	85,653
	<b>\$ 1,464,319</b>	\$ 1,453,963

**7. GRANTS BY FUNDING SOURCE**

	<b>2019</b>	<b>2018</b>
Received from Federal Government	\$ <b>31,737</b>	\$ 60,012
Received from Provincial Government	<b>2,165,127</b>	1,562,557
	<b>\$ 2,196,864</b>	\$ 1,622,569

**8. OPERATING EXPENDITURES BY OBJECT**

	(Note 12) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Wages and benefits	\$ 4,284,870	\$ <b>3,848,954</b>	\$ 3,765,580
Interest on municipal debt	12,857	<b>5,139</b>	6,466
Materials and services	4,267,960	<b>4,446,794</b>	4,556,515
Contracted services	1,844,000	<b>1,778,421</b>	1,430,766
Insurance and other financial costs	179,700	<b>186,067</b>	174,866
Third party transfers	189,220	<b>221,818</b>	165,155
Amortization	2,449,000	<b>2,505,621</b>	2,394,577
	<b>\$ 13,227,607</b>	<b>\$ 12,992,814</b>	\$ 12,493,925

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

### 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 \$3.4 billion (2018 - \$4.2 billion) in these financial statements.

The employer amount contributed to OMERS for 2019 was \$197,767 (2018 - \$203,474) for current service and is included as an expenditure on the Statement of Financial Activities.

### 10. OPERATING SURPLUS

	(Note 12) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Surplus for the year	\$ 849,541	\$ 2,238,043	\$ 1,528,382
Funds transferred to reserves	(1,307,000)	(4,930,486)	(2,238,969)
Reserves used for operations	1,947,181	1,215,338	2,011,228
Change in accrued landfill closure and post-closure costs	-	30,000	30,000
Acquisition of tangible capital assets	(3,822,000)	(1,051,921)	(3,276,767)
Annual amortization expense	2,449,000	2,505,621	2,394,577
Disposal of tangible capital assets	25,000	-	-
Operating surplus for the year	141,722	6,595	448,451
Transfer to street lights surplus	-	(87,197)	(77,009)
Transfer from (to) water and sewer surplus	(141,722)	14,228	190,476
Transfer from (to) working capital reserves	-	66,374	(561,918)
	\$ -	\$ -	\$ -

### 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, 2019

### 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, 2019

### 12. BUDGET FIGURES

The 2019 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on March 22, 2019. 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 \$10,693,070 (2018 - \$10,345,658). During the year, the Municipality also collected and remitted \$4,267,457 (2018 - \$4,242,998) for provincial education taxes on behalf of the school boards.

### 14. CONTINGENCY

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, 2019 no claims have been filed.

### 15. SUBSEQUENT EVENT

Subsequent to year-end, 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. 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, 2019

### FINANCIAL ACTIVITIES (000's)

	2019	2018	2017	2016	2015
<b>Revenues</b>					
Taxation	\$ 9,633	\$ 9,167	\$ 9,025	\$ 8,439	\$ 7,861
Fees and service charges	2,748	2,189	1,980	2,066	1,955
Grants	1,868	1,241	1,171	1,344	1,716
Investment income	653	603	564	525	574
Other	-	4	-	13	254
	<b>14,902</b>	<b>13,204</b>	<b>12,740</b>	<b>12,387</b>	<b>12,360</b>
<b>Expenses</b>					
General government	1,364	1,390	1,645	1,370	1,195
Protection to persons and property	1,501	1,533	1,616	2,076	1,612
Transportation services	5,424	5,124	4,833	4,989	4,509
Environmental	2,691	2,767	2,623	2,735	2,596
Health services	47	40	51	108	46
Recreation and cultural services	1,444	1,292	1,155	1,284	1,404
Planning and development	522	348	248	313	265
	<b>12,993</b>	<b>12,494</b>	<b>12,171</b>	<b>12,875</b>	<b>11,627</b>
<b>Other revenue related to capital</b>					
Deferred revenue earned	-	420	407	391	391
Grants	329	382	254	-	-
Gain on disposal of tangible capital assets	-	16	-	236	-
	<b>329</b>	<b>818</b>	<b>661</b>	<b>627</b>	<b>391</b>
<b>Surplus for the year</b>	<b>\$ 2,238</b>	<b>\$ 1,528</b>	<b>\$ 1,230</b>	<b>\$ 139</b>	<b>\$ 1,124</b>

### PROPERTY TAXES BILLED (000's)

	2019	2018	2017	2016	2015
Own Purposes	\$ 9,633	\$ 9,167	\$ 9,025	\$ 8,439	\$ 7,861
Upper-Tier Municipality	10,693	10,346	9,891	9,344	9,152
School Boards	4,267	4,243	4,236	4,221	4,163
	<b>\$ 24,593</b>	<b>\$ 23,756</b>	<b>\$ 23,152</b>	<b>\$ 22,004</b>	<b>\$ 21,176</b>

# THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

### TAXABLE ASSESSMENT (000's)

	2019	2018	2017	2016	2015
Residential and farm	\$ 2,154,224	\$ 1,995,382	\$ 1,825,457	\$ 1,685,298	\$ 1,575,873
Commercial and industrial	151,055	144,540	138,886	133,494	131,071
	2,305,279	2,139,922	1,964,343	1,818,792	1,706,944
Exempt	45,946	44,059	42,691	42,925	42,092
	\$ 2,351,225	\$ 2,183,981	\$ 2,007,034	\$ 1,861,717	\$ 1,749,036
Commercial and industrial	6.55%	6.75%	7.07%	7.34%	7.68%

### FINANCIAL INDICATORS

	2019	2018	2017	2016	2015
<b>Tax arrears</b>					
Percentage of own levy	38 %	36 %	43 %	43 %	51 %
Percentage of total levy	15 %	14 %	17 %	17 %	18 %
<b>Municipal debt</b>	\$ 66,009	\$ 85,653	\$ 107,824	\$ 138,713	\$ 185,117
<b>Municipal debt charges</b>	\$ 5,139	\$ 6,466	\$ 8,323	\$ 11,227	\$ 11,937
<b>Sustainability</b>					
Financial assets to liabilities	3.22	2.77	2.67	2.70	2.67
Financial assets to liabilities excluding municipal debt	3.26	2.83	2.75	2.61	2.95
Municipal debt to tangible capital assets	0.13 %	0.17 %	0.22 %	0.28 %	0.38 %
<b>Flexibility</b>					
Debt charges to total operating revenue	0.03 %	0.05 %	0.06 %	0.09 %	0.10 %
Total operating revenue to taxable assessment	6.34 %	6.05 %	6.35 %	6.65 %	6.92 %
<b>Vulnerability</b>					
Operating grants to operating revenue	12.53 %	9.40 %	9.19 %	10.85 %	13.88 %
Total grants to total revenues	14.42 %	11.57 %	10.63 %	10.33 %	13.46 %
<b>Reserve coverage</b>					
Reserves	\$ 11,717,728	\$ 8,068,954	\$ 7,279,303	\$ 6,497,253	\$ 6,834,524
Reserves to operating expenses	90 %	65 %	60 %	50 %	59 %
Reserves to working capital	0.99	1.02	1.01	0.96	0.97