

**UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY**

**FINANCIAL STATEMENTS**

**December 31, 2018**

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of  
the United Counties of Stormont, Dundas and Glengarry

### Opinion

We have audited the financial statements of the United Counties of Stormont, Dundas and Glengarry (the Counties), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Counties of Stormont, Dundas and Glengarry as at December 31, 2018, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the United Counties of Stormont, Dundas and Glengarry 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 Administration and Those Charged with Governance for the Financial Statements

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

Those charged with governance are responsible for overseeing the United Counties of Stormont, Dundas and Glengarry's financial reporting process.

In preparing the financial statements, Administration is responsible for assessing the United Counties of Stormont, Dundas and Glengarry'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 Administration either intends to liquidate the United Counties of Stormont, Dundas and Glengarry or to cease operations, or has no realistic alternative but to do so.



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## **Auditors' 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 auditors' 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 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 Counties internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Administration.
- Conclude on the appropriateness of Administration'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Counties to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Cornwall, Ontario  
June 17, 2019

*MNP LLP*

**Chartered Professional Accountants**  
Licensed Public Accountants

**UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2018

	<b>2018</b>	<b>2017</b>
<b>NET FINANCIAL ASSETS</b>		
<b>Assets</b>		
Cash	\$ 18,847,747	\$ 17,623,276
Accounts receivable	1,546,269	2,619,743
	<b>20,394,016</b>	<b>20,243,019</b>
<b>Liabilities</b>		
Accounts payable	3,194,686	4,335,105
Future employment benefits payable (Note 3)	82,793	85,586
Municipal debt (Note 4)	22,118	1,986
	<b>3,299,597</b>	<b>4,422,677</b>
<b>Net Financial Assets</b>	<b>17,094,419</b>	<b>15,820,342</b>
<b>Non-Financial Assets</b>		
Tangible capital assets	107,588,661	102,458,720
Inventory	981,491	1,873,505
Prepaid expenses	114,967	98,222
	<b>108,685,119</b>	<b>104,430,447</b>
<b>Accumulated Surplus</b>	<b>\$ 125,779,538</b>	<b>\$ 120,250,789</b>

See Accompanying Notes

**UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY**  
**STATEMENT OF FINANCIAL ACTIVITIES**

For the year ended December 31, 2018

	(Unaudited) BUDGET 2018	ACTUAL 2018	ACTUAL 2017
<b>REVENUE</b>			
Taxation (Note 1(a)(iii))	\$ 46,801,000	\$ 46,829,276	\$ 44,983,911
Fees and service charges	3,326,558	5,061,218	4,125,826
Grants	2,295,745	2,350,770	3,144,262
Investment income	200,000	384,644	231,637
Rents and other	52,760	30,386	28,088
	<b>52,676,063</b>	<b>54,656,294</b>	<b>52,513,724</b>
<b>EXPENSES</b>			
General government	3,531,970	2,874,695	2,708,013
Protection to persons and property	12,087,268	11,978,171	12,381,038
Transportation services	20,572,942	21,992,538	19,646,430
Health services	5,160,601	5,189,889	5,438,675
Social and family services	1,813,463	1,604,320	1,740,066
Social housing	1,729,884	1,619,462	1,675,647
Recreation and cultural services	2,357,578	2,325,394	2,238,494
Planning and development	1,377,267	1,166,777	1,007,056
	<b>48,630,973</b>	<b>48,751,246</b>	<b>46,835,419</b>
<b>OTHER REVENUE FOR CAPITAL PURPOSES</b>			
Deferred revenue earned (Note 2)	2,064,600	2,064,706	2,005,746
Gain (loss) on disposal of tangible capital assets	30,000	(2,441,005)	(152,653)
	<b>2,094,600</b>	<b>(376,299)</b>	<b>1,853,093</b>
<b>SURPLUS FOR THE YEAR</b>	<b>6,139,690</b>	<b>5,528,749</b>	<b>7,531,398</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>120,250,789</b>	<b>120,250,789</b>	<b>112,719,391</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 126,390,479</b>	<b>\$ 125,779,538</b>	<b>\$ 120,250,789</b>

See Accompanying Notes

**UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the year ended December 31, 2018

	(Unaudited) BUDGET 2018	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 6,139,690	\$ 5,528,749	\$ 7,531,398
Amortization of tangible assets	9,340,100	9,141,250	9,173,730
Acquisition of tangible capital assets	(18,087,596)	(19,633,216)	(14,425,090)
Proceeds on disposal of tangible capital assets	-	100,767	74,919
Loss on disposals of tangible capital assets	-	2,441,005	152,653
Transfer of WIP to tangible capital assets	-	2,820,253	459,482
Change in inventory	-	892,014	(518,778)
Change in prepaid expenses	-	(16,745)	9,932
Increase (decrease) in net financial assets	(2,607,806)	1,274,077	2,458,246
Net financial assets, beginning of year	15,820,342	15,820,342	13,362,096
Net financial assets, end of year	\$ 13,212,536	\$ 17,094,419	\$ 15,820,342

See Accompanying Notes

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
<b>CASH FROM OPERATING ACTIVITIES</b>		
Surplus for the year	\$ 5,528,749	\$ 7,531,398
Items not affecting cash		
Amortization expense	9,141,250	9,173,730
Loss on disposal of tangible capital assets	2,441,005	152,653
Changes in non-cash working capital balances		
Accounts receivable	1,073,474	(1,063,502)
Accounts payable	(1,140,419)	(481,877)
Future employment benefits payable	(2,793)	10,116
Inventory	892,014	(518,778)
Prepaid expenses	(16,745)	9,925
	<b>17,916,535</b>	<b>14,813,665</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of capital lease	(3,997)	(4,311)
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Proceeds on disposal of tangible capital assets	100,767	74,919
Acquisition of tangible capital assets	(19,609,087)	(14,425,090)
Transfer of WIP to tangible capital assets	2,820,253	459,482
	<b>(16,688,067)</b>	<b>(13,890,689)</b>
<b>INCREASE IN CASH AND EQUIVALENT</b>	<b>1,224,471</b>	<b>918,665</b>
<b>CASH AND EQUIVALENT, beginning of year</b>	<b>17,623,276</b>	<b>16,704,611</b>
<b>CASH AND EQUIVALENT, end of year</b>	<b>\$ 18,847,747</b>	<b>\$ 17,623,276</b>
<b>REPRESENTED BY :</b>		
Cash	<b>\$ 18,847,747</b>	<b>\$ 17,623,276</b>

See Accompanying Notes



# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	Land and Land Improvements	Buildings	Vehicles	Equipment	Street Lights	Roads	Storm Drains	Bridges	Construction in Process	2018	2017
<b>Cost</b>											
Balance, beginning of year	\$ 1,541,599	\$ 9,992,708	\$ 7,401,295	\$ 4,215,964	\$ 907,136	\$ 200,222,025	\$ 4,867,392	\$ 29,102,344	\$ 2,840,030	\$ 261,090,493	\$ 250,084,242
Additions during the year	22	-	747,846	280,659	346,858	14,734,271	819,632	1,772,508	931,420	19,633,216	14,425,090
Disposals during the year	15	-	435,453	61,064	1,751	6,598,018	572,189	170,134	2,820,253	10,658,877	3,418,839
<b>Balance, end of year</b>	<b>1,541,606</b>	<b>9,992,708</b>	<b>7,713,688</b>	<b>4,435,559</b>	<b>1,252,243</b>	<b>208,358,278</b>	<b>5,114,835</b>	<b>30,704,718</b>	<b>951,197</b>	<b>270,064,832</b>	<b>261,090,493</b>
<b>Accumulated Amortization</b>											
Balance, beginning of year	240,651	4,322,688	5,221,598	2,976,744	401,552	129,712,968	2,229,487	13,526,085	-	158,631,773	152,189,826
Amortization during the year	6,030	237,051	507,693	185,620	32,841	7,505,541	95,545	570,929	-	9,141,250	9,173,730
Amortization on disposals	-	-	435,453	61,064	1,751	4,553,177	75,274	170,133	-	5,296,852	2,731,783
<b>Balance, end of year</b>	<b>246,681</b>	<b>4,559,739</b>	<b>5,293,838</b>	<b>3,101,300</b>	<b>432,642</b>	<b>132,665,332</b>	<b>2,249,758</b>	<b>13,926,881</b>	<b>-</b>	<b>162,476,171</b>	<b>158,631,773</b>
<b>Net book value</b>	<b>\$ 1,294,925</b>	<b>\$ 5,432,969</b>	<b>\$ 2,419,850</b>	<b>\$ 1,334,259</b>	<b>\$ 819,601</b>	<b>\$ 75,692,946</b>	<b>\$ 2,865,077</b>	<b>\$ 16,777,837</b>	<b>\$ 951,197</b>	<b>\$ 107,588,661</b>	<b>\$ 102,458,720</b>

See Accompanying Notes

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	Buildings	Development	Library	Planning	POA	Roads	Treasury & IT	2018	2017
<b>Cost</b>									
Balance, beginning of year	\$ 3,076,006	\$ 25,369	\$ 2,929,313	\$ 1,021,980	\$ 5,101	\$ 253,689,945	\$ 342,779	\$ 261,090,493	\$ 250,084,242
Additions during the year	85,972	-	191,705	-	-	19,242,457	113,082	19,633,216	14,425,090
Disposals during the year	-	-	75,414	-	-	10,583,463	-	10,658,877	3,418,839
<b>Balance, end of year</b>	<b>3,161,978</b>	<b>25,369</b>	<b>3,045,604</b>	<b>1,021,980</b>	<b>5,101</b>	<b>262,348,939</b>	<b>455,861</b>	<b>270,064,832</b>	<b>261,090,493</b>
<b>Accumulated Amortization</b>									
Balance, beginning of year	1,819,693	20,291	2,286,929	51,160	5,101	154,105,824	342,775	158,631,773	152,189,826
Amortization during the year	79,026	1,268	146,103	780	-	8,910,138	3,935	9,141,250	9,173,730
Amortization on disposals	-	-	75,414	-	-	5,221,438	-	5,296,852	2,731,783
<b>Balance, end of year</b>	<b>1,898,719</b>	<b>21,559</b>	<b>2,357,618</b>	<b>51,940</b>	<b>5,101</b>	<b>157,794,524</b>	<b>346,710</b>	<b>162,476,171</b>	<b>158,631,773</b>
<b>Net book value</b>	<b>\$ 1,263,259</b>	<b>\$ 3,810</b>	<b>\$ 687,986</b>	<b>\$ 970,040</b>	<b>\$ -</b>	<b>\$ 104,554,415</b>	<b>\$ 109,151</b>	<b>\$ 107,588,661</b>	<b>\$ 102,458,720</b>

See Accompanying Notes

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2018

	<b>2018</b>	<b>2017</b>
<b>Surpluses</b>		
Operating surplus	\$ 81,299	\$ 81,299
Stormont, Dundas and Glengarry County Library Board	39,452	39,832
Stormont, Dundas and Glengarry Police Services Board	262,207	383,855
Unapplied capital financing	-	514,384
Unfunded liabilities to be recovered from future revenues		
Future employment benefits payable	(82,793)	(85,586)
<b>Total surpluses</b>	<b>300,165</b>	<b>933,784</b>
<b>Reserves</b>		
<b>Reserves set aside for specific purposes by Council:</b>		
Working capital	5,118,759	5,118,757
Sick leave	56,891	59,684
Capital expenditure	1,316,101	1,316,101
Roads	7,414,428	7,465,428
Library	82,630	109,787
Tax rate stabilization	2,525,058	1,699,057
Buildings	893,661	873,662
Other	505,302	217,795
<b>Total reserves</b>	<b>17,912,830</b>	<b>16,860,271</b>
<b>Invested in tangible capital assets</b>		
Tangible capital assets	107,588,661	102,458,720
Less: related debt	(22,118)	(1,986)
<b>Total invested in tangible capital assets</b>	<b>107,566,543</b>	<b>102,456,734</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 125,779,538</b>	<b>\$ 120,250,789</b>

See Accompanying Notes

**UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY**

**SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS**

For the year ended December 31, 2018

	Surpluses	Reserves	Invested in Tangible Capital Assets	2018	2017
<b>Balance, beginning of year</b>	\$ 933,784	\$ 16,860,271	\$ 102,456,734	\$ 120,250,789	\$ 112,719,391
Surplus for the year	14,669,999	-	(9,141,250)	5,528,749	7,531,398
Reserves used for operations	79,909	(79,909)	-	-	-
Transfer to reserves	(1,802,467)	1,802,467	-	-	-
Reserves used for tangible capital assets	-	(670,000)	670,000	-	-
Current year funds used for tangible capital assets	(18,963,216)	-	18,963,216	-	-
Disposal of tangible capital assets	5,362,025	-	(5,362,025)	-	-
Repayment of municipal debt	(3,997)	-	3,997	-	-
<b>Change in accumulated surplus</b>	<b>(657,747)</b>	<b>1,052,558</b>	<b>5,133,938</b>	<b>5,528,749</b>	<b>7,531,398</b>
<b>Balance, end of year</b>	<b>\$ 276,037</b>	<b>\$ 17,912,829</b>	<b>\$ 107,590,672</b>	<b>\$ 125,779,538</b>	<b>\$ 120,250,789</b>

See Accompanying Notes

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2018	2017
<b>REVENUE</b>										
Taxation	\$ 1,647,543	\$ 9,104,109	\$ 24,026,598	\$ 5,174,601	\$ 1,813,463	\$ 1,729,884	\$ 2,149,126	\$ 1,183,952	\$ 46,829,276	\$ 44,983,911
Fees and service charges	64,523	2,759,003	2,007,978	-	-	-	81,252	148,462	5,061,218	4,125,826
Grants	1,378,400	15,276	809,393	-	-	-	140,385	7,316	2,350,770	3,144,262
Investment income	384,644	-	-	-	-	-	-	-	384,644	231,637
Rents and other	11,620	-	-	-	-	-	18,766	-	30,386	28,088
	<b>3,486,730</b>	<b>11,878,388</b>	<b>26,843,969</b>	<b>5,174,601</b>	<b>1,813,463</b>	<b>1,729,884</b>	<b>2,389,529</b>	<b>1,339,730</b>	<b>54,656,294</b>	<b>52,513,724</b>
<b>EXPENSES</b>										
Wages and benefits	1,365,302	544,972	3,439,694	-	-	-	1,509,976	674,260	7,534,204	7,006,525
Materials and services	(23,825)	286,699	9,571,869	-	-	-	658,900	479,158	10,972,801	8,752,150
Contracted services	1,223,624	10,422,760	-	25,814	-	-	1,897	-	11,674,095	11,985,802
Insurance and financial costs	210,714	67,901	70,838	-	-	-	8,518	2,042	360,013	388,457
Third party transfers	14,650	655,839	-	5,164,075	1,604,320	1,619,462	-	10,537	9,068,883	9,528,754
Amortization	84,230	-	8,910,137	-	-	-	146,103	780	9,141,250	9,173,731
	<b>2,874,695</b>	<b>11,978,171</b>	<b>21,992,538</b>	<b>5,189,889</b>	<b>1,604,320</b>	<b>1,619,462</b>	<b>2,325,394</b>	<b>1,166,777</b>	<b>48,751,246</b>	<b>46,835,419</b>
<b>OTHER REVENUE</b>										
Deferred revenue earned	-	-	2,064,706	-	-	-	-	-	2,064,706	2,005,746
Loss on disposal of tangible capital assets	-	-	(2,441,005)	-	-	-	-	-	(2,441,005)	(152,653)
	<b>-</b>	<b>-</b>	<b>(376,299)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(376,299)</b>	<b>1,853,093</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>										
	<b>\$ 612,035</b>	<b>\$ (99,783)</b>	<b>\$ 4,475,132</b>	<b>\$ (15,288)</b>	<b>\$ 209,143</b>	<b>\$ 110,422</b>	<b>\$ 64,135</b>	<b>\$ 172,953</b>	<b>\$ 5,528,749</b>	<b>\$ 7,531,398</b>

See Accompanying Notes

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 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 reserve funds and reserves and include the activities of all committees of Council and the following local boards:

Stormont, Dundas and Glengarry County Library Board  
Stormont, Dundas and Glengarry Police Services Board

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of any funds of the Counties which results in consolidated interest income and expenditures during the year.

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 Counties and intergovernmental transactions and balances are not eliminated. The following government business enterprise is consolidated based on the Counties's share of ownership.

There are no government business enterprises

##### (ii) Non-consolidated entities

Eastern Ontario Health Unit

##### (iii) Accounting for school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the balances of these financial statements.

##### (iv) Trust funds

Trust funds and their related operations administered by the Counties are not consolidated, but are reported separately on the Trust Funds Balance Sheet and Statement of Continuity.

#### (b) Taxation and related revenue

Property tax billings are issued by the Counties based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue billed through the lower tier municipalities. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legalisation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments.

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

#### (c) Government grants

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

#### (d) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

#### (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, Provincial Offenses Act fines, rental revenue, permits, and other fees from various recreation programs.

#### (f) Investment income

Investment income earned on surplus funds is reported as revenue in the period earned.

#### (g) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and short term investments.

#### (h) Deferred revenue

Deferred revenue represents government transfers that have been received for specific purposes, but the respective expenditures have not been incurred to date. These amounts will be recognized as revenues in the year the expenditures are incurred.

#### (i) Future employment benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Counties' policy. The Counties account for its participation in the Ontario Municipal Employees Retirement System (OMERS) as a defined contribution plan.

#### (j) Amounts to be recovered from future revenues

Amounts to be recovered from future revenues represents the outstanding principal portion of unmatured long-term liabilities for expenditures, accrued interest on long-term liabilities and future employment benefits payable that will be financed through future revenues of the Counties and is reported on the Statement of Financial Position.

#### (k) 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 excess of revenues over expenses, provides the change in net financial assets for the year.

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

#### (k) Non-financial assets (Continued)

##### (i) Tangible capital assets

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

Land improvements	25 to 40 years
Buildings	10 to 50 years
Vehicles	4 to 20 years
Equipment	
General equipment	3 to 30 years
Library materials	7 years
Leased assets	5 to 40 years
Computer hardware and software	3 years
Storm drains	50 years
Street lights	30 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years

A full year of amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Counties have a capitalization threshold of between \$5,000 to \$25,000, based on the asset class 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.

##### (ii) Works of art and historical treasures

The Counties own various works of art and historical treasures dating back to 1850. The Counties also own a Harkness historical clock from 1893. Works of art and historical treasures are not recorded in the Counties' financial statements.

##### (iii) 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.

##### (iv) 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.

##### (v) Inventory

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



# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

#### (l) 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 life of tangible capital assets, the valuation of allowances for accounts receivable, and the valuation of inventories. Actual results could differ from these estimates.

### 2. 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 balance in the obligatory reserve funds represent funds set aside under the federal gas tax reserve and transactions are summarized as follows:

	2018	2017
Balance, beginning of year	\$ -	\$ -
Grants received	2,064,706	2,005,746
Deferred revenue earned	(2,064,706)	(2,005,746)
Balance, end of year	\$ -	\$ -

### 3. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Counties provide employee benefits that will require funding in future periods. Under the former sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Counties' employment. The Reserve for Sick Leave in the amount of \$56,891 (2017 - \$59,684) has been established to provide for this liability.

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 4. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the Statement of Financial Position is made up of the following:

	2018	2017
Capital lease obligations on vehicles, 0% interest, secured by assets, maturing July 2023	\$ 22,118	\$ 1,986
Principal payment due in the next five years are as follows:		
2019	\$ 4,826	
2020	4,826	
2021	4,826	
2022	4,926	
2023	2,714	
	\$ 22,118	

(b) The municipal debt reported in (a) of this note is payable from general municipal revenues.

### 5. PENSION AGREEMENTS

The Counties are 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 pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Counties does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The employer amount contributed to OMERS for 2018 was \$571,343 (2017 - \$462,027) for current service and is included as an expenditure on the Statement of Financial Activities.

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 6. PROVINCIAL OFFENCES

The Counties are the service provider for Provincial Offences on behalf of the Counties and the City of Cornwall. The provision of service began February 4, 2001. The net revenues are shared based on the share of population pursuant to the agreement between the City of Cornwall and the Counties.

	<b>2018</b>	<b>2017</b>
Revenue	\$ 2,640,165	\$ 2,732,907
Expenditures	1,150,150	1,194,196
	\$ 1,490,015	\$ 1,538,711

Net revenue is shared as follows:

United Counties of Stormont, Dundas and Glengarry	\$ 868,593	\$ 897,068
City of Cornwall	621,422	641,643
	\$ 1,490,015	\$ 1,538,711

### 7. BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

### 8. FINAL SETTLEMENTS

The Counties have services provided by third party service providers such as land ambulance, homes for the aged, social housing, social services and policing. As well, the Province of Ontario provides funding for the current year that requires a final settlement. Some of these final settlements may not be known at the date of these financial statements. Administration has recorded an estimate of the settlements not yet finalized for 2018. Any adjustments required as a result of differences between the estimates and the final settlements will be recorded in next year's financial statements.

### 9. OPERATING EXPENDITURES BY OBJECT

	(Unaudited) BUDGET 2018	ACTUAL 2018	ACTUAL 2017
Wages and benefits	\$ 6,177,780	\$ 7,534,204	\$ 7,006,525
Materials and services	11,916,751	10,972,801	8,752,150
Contracted services	11,673,784	11,674,095	11,985,802
Insurance and financial costs	211,310	360,013	388,457
Third party transfers	9,041,248	9,068,883	9,528,754
Amortization	9,340,100	9,141,250	9,173,731
	\$ 48,360,973	\$ 48,751,246	\$ 46,835,419

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 10. OPERATING SURPLUS

The total operating surplus for the fiscal year ending December 31, 2018 was \$703,974. The general surplus of \$826,001 was transferred to the tax rate stabilization reserve. The Library Board deficit of \$380 was allocated from the Library board surplus and the Police Services Board deficit of \$121,647 was allocated from the Police services board's surplus.

	(Unaudited) BUDGET 2018	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 6,139,690	\$ 5,528,749	\$ 7,531,398
Funds transferred to reserves	(453,894)	(976,466)	(4,461,175)
Reserves used for operations	178,700	79,909	1,830,204
Reserve funds used for capital	2,748,000	670,000	-
Change in future employment benefits payable	-	(2,793)	10,123
Acquisition of tangible capital assets	(18,087,596)	(19,633,216)	(14,425,090)
Transfer of work in progress to tangible capital assets	-	2,820,253	459,482
Amortization expense	9,340,100	9,141,250	9,173,730
Loss on sale of tangible capital assets	-	2,441,005	152,653
Proceeds on sale of tangible capital assets	-	100,767	74,919
Change in unexpended capital financing	-	514,384	(514,384)
Principal payments on municipal debt	-	(3,997)	(4,311)
Increase in capital lease	-	24,129	-
Operating surplus (deficit) for the year	(135,000)	703,974	(172,451)
Transfer from (to) Library board surplus	-	380	(15,659)
Transfer from Police services board surplus	135,000	121,647	136,225
General surplus (deficit) for the year	-	826,001	(51,885)
Transfer to reserves	-	(826,001)	-
Operating surplus, beginning of year	81,299	81,299	133,184
Operating surplus, end of year	\$ 81,299	\$ 81,299	\$ 81,299

### 11. SEGMENTED INFORMATION

The Counties is responsible for providing a range of services to its citizens. For management reporting purposes the Counties'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 United Counties of Stormont, Dundas and 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.

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 11. SEGMENTED INFORMATION (Continued)

A brief description of each segment follows:

(a) General government

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

(b) Protection services

Protection services includes police protection, and emergency measures and obligations under the Provincial Offenses Act.

(c) Transportation services

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

(d) Health services

Health services provide emergency medical services, land ambulance and funding for local public health organizations.

(e) Social and family services

Social and family services provide long-term care home at the Glen-Stor-Dun Lodge, and provincial programs such as social assistance and subsidized child care.

(f) Social housing

Social housing provide housing services for geared to income individuals in the United Counties of Stormont, Dundas and Glengarry.

(g) Recreation and cultural services

Recreation and cultural services includes libraries.

(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 official plan.

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

### FINANCIAL ACTIVITIES (000's)

	2018	2017	2016	2015	2014
<b>Revenues</b>					
Taxation	\$ 46,829	\$ 44,984	\$ 42,388	\$ 41,444	\$ 39,763
Fees and service charges	5,061	4,126	4,338	6,731	3,227
Grants	2,350	3,144	2,338	2,241	751
Investment income	385	232	184	170	182
Rents and other	30	28	89	168	154
	<b>54,655</b>	<b>52,514</b>	<b>49,337</b>	<b>50,754</b>	<b>44,077</b>
<b>Expenses</b>					
General government	2,875	2,708	2,612	2,602	2,891
Protection to persons and property	11,978	12,381	12,240	13,265	14,222
Transportation services	21,993	19,646	19,424	19,095	16,835
Health services	5,190	5,439	5,051	4,879	4,674
Social and family services	1,604	1,740	1,977	1,986	2,169
Social housing	1,619	1,676	1,614	1,528	1,474
Recreation and cultural services	2,325	2,238	2,263	2,194	2,104
Planning and development	1,167	1,007	932	1,351	1,046
	<b>48,751</b>	<b>46,835</b>	<b>46,113</b>	<b>46,900</b>	<b>45,415</b>
<b>Other Revenue</b>					
Deferred revenue earned	2,065	2,006	1,971	2,976	2,800
Grants	-	-	-	-	2,902
Gain (loss) on disposal of tangible capital assets	(2,441)	(153)	(28)	1	(104)
	<b>(376)</b>	<b>1,853</b>	<b>1,943</b>	<b>2,977</b>	<b>5,598</b>
<b>Surplus for the year</b>	<b>\$ 5,528</b>	<b>\$ 7,532</b>	<b>\$ 5,167</b>	<b>\$ 6,831</b>	<b>\$ 4,260</b>

### TAXABLE ASSESSMENT (000's)

	2018	2017	2016	2015	2014
Residential and farm	\$ 8,678,829	\$ 7,992,928	\$ 7,406,697	\$ 6,914,395	\$ 5,925,388
Commercial and industrial	758,823	722,571	706,088	677,920	615,574
	9,437,652	8,715,499	8,112,785	7,592,315	6,540,962
Exempt	261,074	249,973	253,716	246,255	235,003
	<b>\$ 9,698,726</b>	<b>\$ 8,965,472</b>	<b>\$ 8,366,501</b>	<b>\$ 7,838,570</b>	<b>\$ 6,775,965</b>
Commercial and industrial	8.04%	8.29%	8.70%	8.93%	9.41%

# UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

### FINANCIAL INDICATORS

	2018	2017	2016	2015	2014
<b>Net long-term debt</b>	\$ 22,118	\$ 1,986	\$ 6,297	\$ 11,916	\$ 21,355
<b>Sustainability</b>					
Financial assets to liabilities	6.18	4.58	3.73	4.92	4.20
Financial assets to liabilities excluding long-term debt	6.22	4.58	3.73	4.94	4.23
Long-term debt to tangible capital assets	0.02 %	- %	0.01 %	0.01 %	0.02 %
<b>Flexibility</b>					
Debt charges to total operating revenue	0.01 %	0.01 %	0.02 %	0.02 %	0.05 %
Total operating revenue to taxable assessment	0.56 %	0.59 %	0.59 %	0.68 %	0.73 %
<b>Vulnerability</b>					
Operating grants to operating revenue	4.30 %	5.99 %	4.74 %	9.74 %	12.98 %
Total grants to total revenues	8.08 %	9.81 %	8.73 %	10.28 %	14.61 %
<b>Reserve Coverage</b>					
Reserves to operating revenue	32.77 %	32.11 %	27.78 %	25.89 %	21.32 %
Reserves to working capital	0.99 %	0.95 %	0.96 %	0.92 %	1.14 %
Reserves	\$ 17,912,830	\$ 16,860,271	\$ 14,229,305	\$ 13,868,856	\$ 10,575,668