

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

December 31, 2020

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UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

ADMINISTRATION'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

Administration 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, Administration 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 United Counties of Stormont, Dundas and Glengarry's Council is responsible for overseeing Administration 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 Administration and discussing relevant matters with Administration 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 Administration to discuss their audit findings.

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Rebecca Russell Digitally signed by Rebecca
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Director of Finance/Treasurer

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

Opinion

We have audited the consolidated financial statements of the United Counties of Stormont, Dundas and Glengarry (the "Counties"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of financial activities, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Counties as at December 31, 2020, and the results of its consolidated operations, changes in its net financial assets and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Counties in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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's 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 Counties'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 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Counties to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

June 30, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

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

As at December 31, 2020

	2020	2019
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 28,681,964	\$ 19,959,519
Accounts receivable	1,345,079	2,739,590
	30,027,043	22,699,109
 Liabilities		
Accounts payable	2,521,027	2,546,717
Deferred revenue - obligatory reserve funds (Note 2)	1,258,768	-
Future employment benefits payable (Note 3)	23,387	71,490
Municipal debt (Note 4)	12,467	17,292
	3,815,649	2,635,499
Net Financial Assets	26,211,394	20,063,610
 Non-Financial Assets		
Tangible capital assets	118,185,209	113,498,270
Inventory	2,391,857	2,509,897
Prepaid expenses	113,026	122,307
	120,690,092	116,130,474
Accumulated Surplus	\$ 146,901,486	\$ 136,194,084

See Accompanying Notes

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

For the year ended December 31, 2020

	BUDGET 2020	ACTUAL 2020	ACTUAL 2019
REVENUE			
Taxation	\$ 51,037,845	\$ 50,867,254	\$ 48,449,933
Fees and service charges	3,131,078	3,767,470	4,163,411
Grants	4,826,891	2,979,850	3,235,216
Investment income	471,570	296,338	469,703
Rents and other	60,875	21,927	34,559
	59,528,259	57,932,839	56,352,822
EXPENSES			
General government	6,820,316	3,394,743	3,876,743
Protection to persons and property	12,361,174	11,803,441	12,055,396
Transportation services	22,176,222	20,929,460	20,516,903
Health services	5,956,374	5,871,842	5,608,632
Social and family services	1,859,485	1,569,491	1,839,608
Social housing	1,653,333	1,619,426	1,628,884
Recreation and cultural services	2,980,317	2,679,785	2,765,208
Planning and development	1,654,264	1,081,644	1,020,143
	55,461,485	48,949,832	49,311,517
OTHER REVENUE FOR CAPITAL PURPOSES			
Deferred revenue earned (Note 2)	1,982,563	1,982,564	4,085,724
Gain (loss) on disposal of tangible capital assets	60,000	(258,169)	(712,483)
	2,042,563	1,724,395	3,373,241
SURPLUS FOR THE YEAR	6,109,337	10,707,402	10,414,546
ACCUMULATED SURPLUS, beginning of year	136,194,084	136,194,084	125,779,538
ACCUMULATED SURPLUS, end of year	\$ 142,303,421	\$ 146,901,486	\$ 136,194,084

See Accompanying Notes

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

For the year ended December 31, 2020

	BUDGET 2020	ACTUAL 2020	ACTUAL 2019
Surplus for the year	\$ 6,109,337	\$ 10,707,402	\$ 10,414,546
Amortization of tangible assets	10,177,148	10,345,854	9,748,172
Acquisition of tangible capital assets	(21,900,450)	(15,455,978)	(17,294,743)
Proceeds on disposal of tangible capital assets	-	68,418	4,855
Loss (gain) on disposals of tangible capital assets	(60,000)	258,169	712,483
Transfer of WIP to tangible capital assets	-	96,598	919,624
Change in inventory	-	118,040	(1,528,406)
Change in prepaid expenses	-	9,281	(7,340)
Increase (decrease) in net financial assets	(5,673,965)	6,147,784	2,969,191
Net financial assets, beginning of year	20,063,610	20,063,610	17,094,419
Net financial assets, end of year	\$ 14,389,645	\$ 26,211,394	\$ 20,063,610

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	2020	2019
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 10,707,402	\$ 10,414,546
Items not affecting cash		
Amortization expense	10,345,854	9,748,172
Loss on disposal of tangible capital assets	258,169	712,483
Changes in non-cash working capital balances		
Accounts receivable	1,394,511	(1,193,321)
Accounts payable	(25,690)	(647,969)
Deferred revenue - obligatory reserve funds	1,258,768	-
Future employment benefits payable	(48,103)	(11,303)
Inventory	118,040	(1,528,406)
Prepaid expenses	9,281	(7,340)
	24,018,232	17,486,862
CASH USED IN FINANCING ACTIVITIES		
Repayment of capital lease	(4,825)	(4,826)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	68,418	4,855
Acquisition of tangible capital assets	(15,455,978)	(17,294,743)
Transfer of WIP to tangible capital assets	96,598	919,624
	(15,290,962)	(16,370,264)
INCREASE IN CASH AND EQUIVALENT	8,722,445	1,111,772
CASH AND EQUIVALENT, beginning of year	19,959,519	18,847,747
CASH AND EQUIVALENT, end of year	\$ 28,681,964	\$ 19,959,519

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020

	Land and Land Improvements	Buildings	Vehicles	Equipment	Street Lights	Roads	Storm Drains	Bridges	Construction in Process	2020	2019
Cost											
Balance, beginning of year	\$ 1,555,030	\$ 10,343,272	\$ 8,280,854	\$ 4,479,161	\$ 1,252,243	\$ 215,253,390	\$ 5,216,533	\$ 33,266,532	\$ 577,352	\$ 280,224,367	\$ 270,064,832
Additions during the year	74,391	-	518,302	260,916	-	10,725,043	-	3,750,023	127,303	15,455,978	17,294,743
Disposals during the year	48,188	-	632,326	446,274	-	5,163,094	-	287,336	96,598	6,673,816	7,135,208
Balance, end of year	1,581,233	10,343,272	8,166,830	4,293,803	1,252,243	220,815,339	5,216,533	36,729,219	608,057	289,006,529	280,224,367
Accumulated Amortization											
Balance, beginning of year	252,710	4,800,583	5,790,142	3,147,031	468,819	135,485,552	2,348,675	14,432,585	-	166,726,097	162,476,171
Amortization during the year	7,797	245,014	410,189	217,245	36,177	8,619,980	99,428	710,024	-	10,345,854	9,748,172
Amortization on disposals	29,716	-	632,326	446,274	-	4,876,936	-	265,379	-	6,250,631	5,498,246
Balance, end of year	230,791	5,045,597	5,568,005	2,918,002	504,996	139,228,596	2,448,103	14,877,230	-	170,821,320	166,726,097
Net book value 2020	\$ 1,350,442	\$ 5,297,675	\$ 2,598,825	\$ 1,375,801	\$ 747,247	\$ 81,586,743	\$ 2,768,430	\$ 21,851,989	\$ 608,057	\$ 118,185,209	\$ 113,498,270
Net book value 2019	\$ 1,302,320	\$ 5,542,689	\$ 2,490,712	\$ 1,332,130	\$ 783,424	\$ 79,767,838	\$ 2,867,858	\$ 18,833,947	\$ 577,352	\$ 113,498,270	

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020

	Buildings	Development	Library	Planning	POA	Roads	Treasury & IT	2020	2019
Cost									
Balance, beginning of year	\$ 3,311,582	\$ 25,369	\$ 3,056,149	\$ 1,021,980	\$ 5,100	\$ 272,315,271	\$ 488,916	\$ 280,224,367	\$ 270,064,832
Additions during the year	85,631	-	186,333	-	-	15,120,680	63,334	15,455,978	17,294,743
Disposals during the year	48,188	-	390,794	50,380	5,100	6,179,354	-	6,673,816	7,135,208
Balance, end of year	3,349,025	25,369	2,851,688	971,600	-	281,256,597	552,250	289,006,529	280,224,367
Accumulated Amortization									
Balance, beginning of year	1,978,237	22,832	2,346,420	52,720	5,100	161,950,312	370,476	166,726,097	162,476,171
Amortization during the year	76,249	1,268	155,692	780	-	10,078,580	33,285	10,345,854	9,748,172
Amortization on disposals	29,716	-	390,794	50,380	5,100	5,774,641	-	6,250,631	5,498,246
Balance, end of year	2,024,770	24,100	2,111,318	3,120	-	166,254,251	403,761	170,821,320	166,726,097
Net book value 2020	\$ 1,324,255	\$ 1,269	\$ 740,370	\$ 968,480	\$ -	\$ 115,002,346	\$ 148,489	\$ 118,185,209	\$ 113,498,270
Net book value 2019	\$ 1,333,345	\$ 2,537	\$ 709,729	\$ 969,260	\$ -	\$ 110,364,959	\$ 118,440	\$ 113,498,270	

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2020

	2020	2019
Surpluses		
Operating surplus	\$ -	\$ -
Stormont, Dundas and Glengarry County Library Board	207,363	60,688
Stormont, Dundas and Glengarry Police Services Board	178,308	238,895
Unfunded liabilities to be recovered from future revenues		
Future employment benefits payable	(23,387)	(71,490)
Total surpluses	362,284	228,093
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	6,324,884	5,502,758
Sick leave (Note 3)	11,548	58,141
Capital expenditure	6,500,000	4,206,238
Roads	11,351,380	8,900,962
Library	70,440	48,322
Tax rate stabilization	1,565,793	1,565,793
Buildings	621,634	736,634
Other	1,920,781	1,466,165
Total reserves	28,366,460	22,485,013
Invested in tangible capital assets		
Tangible capital assets	118,185,209	113,498,270
Less: related debt	(12,467)	(17,292)
Total invested in tangible capital assets	118,172,742	113,480,978
ACCUMULATED SURPLUS	\$ 146,901,486	\$ 136,194,084

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY
CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2020

	Surpluses	Reserves	Invested in Tangible Capital Assets	2020	2019
Balance, beginning of year	\$ 228,093	\$ 22,485,013	\$ 113,480,978	\$ 136,194,084	\$ 125,779,538
Surplus for the year	10,707,402	-	-	10,707,402	10,414,546
Reserves used for operations	2,113,823	(2,113,823)	-	-	-
Transfer to reserves	(7,995,270)	7,995,270	-	-	-
Current year funds used for tangible capital assets	(15,455,978)	-	15,455,978	-	-
Amortization of tangible capital assets	10,345,854	-	(10,345,854)	-	-
Disposal of tangible capital assets	423,185	-	(423,185)	-	-
Repayment of municipal debt	(4,825)	-	4,825	-	-
Change in accumulated surplus	134,191	5,881,447	4,691,764	10,707,402	10,414,546
Balance, end of year	\$ 362,284	\$ 28,366,460	\$ 118,172,742	\$ 146,901,486	\$ 136,194,084

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2020

	General Government	Protection Services	Transportation Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	2020	2019
REVENUE										
Taxation	\$ 4,101,828	\$ 9,638,575	\$ 23,757,978	\$ 5,956,374	\$ 1,859,485	\$ 1,440,897	\$ 2,738,933	\$ 1,373,184	\$ 50,867,254	\$ 48,449,933
Fees and service charges	33,070	1,753,878	1,752,916	-	-	-	42,110	185,496	3,767,470	4,163,411
Grants	1,303,360	308,283	1,142,613	-	-	-	225,594	-	2,979,850	3,235,216
Investment income	296,338	-	-	-	-	-	-	-	296,338	469,703
Rents and other	9,795	-	-	-	-	-	9,048	3,084	21,927	34,559
	5,744,391	11,700,736	26,653,507	5,956,374	1,859,485	1,440,897	3,015,685	1,561,764	57,932,839	56,352,822
EXPENSES										
Wages and benefits	1,682,909	631,799	3,384,910	-	-	-	1,595,270	492,089	7,786,977	7,936,592
Materials and services	8,462	247,467	7,398,523	-	-	-	897,111	584,244	9,135,807	9,046,894
Contracted services	1,287,530	10,581,085	-	27,233	-	-	8,409	-	11,904,257	12,548,969
Insurance and financial costs	196,040	29,589	67,447	-	-	-	7,803	4,531	305,410	377,740
Third party transfers	109,000	313,501	-	5,844,609	1,569,491	1,619,426	15,500	-	9,471,527	9,653,150
Amortization	110,802	-	10,078,580	-	-	-	155,692	780	10,345,854	9,748,172
	3,394,743	11,803,441	20,929,460	5,871,842	1,569,491	1,619,426	2,679,785	1,081,644	48,949,832	49,311,517
OTHER REVENUE										
Deferred revenue earned	-	-	1,982,564	-	-	-	-	-	1,982,564	4,085,724
Loss on disposal of tangible capital assets	-	-	(258,169)	-	-	-	-	-	(258,169)	(712,483)
	-	-	1,724,395	-	-	-	-	-	1,724,395	3,373,241
SURPLUS (DEFICIT) FOR THE YEAR										
	\$ 2,349,648	\$ (102,705)	\$ 7,448,442	\$ 84,532	\$ 289,994	\$ (178,529)	\$ 335,900	\$ 480,120	\$ 10,707,402	\$ 10,414,546

See Accompanying Notes

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 consolidated financial statements reflect the assets, liabilities, sources of funding and expenditures 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.

(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 consolidated 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 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 legislation.

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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Government transfers

Government 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 Counties recognize 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 Counties recognize 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, 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. 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 and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and short term investments, which includes guaranteed investment certificates with maturities of three months or less.

(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 their participation in the Ontario Municipal Employees Retirement System (OMERS) as a defined contribution plan.

(j) 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 month of amortization is charged in the month of acquisition and continues until fully depreciated or disposed. 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' consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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 Counties are directly responsible, or accepts responsibility to remediate the site;
- (iv) The Counties expect 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 are:

- 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.

(l) 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 consolidated 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 doubtful taxes and accounts receivable, and the valuation of inventories. Actual results could differ from these estimates.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Future accounting pronouncements

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 const/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.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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 COVID 19 funding; transactions are summarized as follows:

Gas Tax	2020	2019
Balance, beginning of year	\$ -	\$ -
Grants received	1,982,564	4,085,724
Deferred revenue earned	(1,982,564)	(4,085,724)
Balance, end of year	\$ -	\$ -

COVID-19 funding	2020	2019
Balance, beginning of year	\$ -	\$ -
Grants received	1,887,300	-
Deferred revenue earned	(628,532)	-
Balance, end of year	\$ 1,258,768	\$ -

Balance of deferred revenue - obligatory reserve fund, end of year	\$ 1,258,768	\$ -
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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 \$11,548 (2019 - \$58,141) has been established to provide for this liability.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

4. MUNICIPAL DEBT

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

	2020	2019
Capital lease obligations on vehicles, 0% interest, secured by assets, maturing July 2023	\$ 12,467	\$ 17,292
Principal payment due in the next three years are as follows:		
2021	\$ 4,826	
2022	4,926	
2023	2,715	
	\$ 12,467	

(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 do not recognize any share of the OMERS pension deficit of \$3.2 billion (2019 - \$3.4 billion) in these consolidated financial statements.

The employer amount contributed to OMERS for 2020 was \$525,907 (2019 - \$513,891) for current service and is included as an expenditure on the Consolidated Statement of Financial Activities.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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.

	2020	2019
Revenue	\$ 1,705,704	\$ 2,471,480
Expenditures	953,324	1,199,050
	\$ 752,380	\$ 1,272,430
Net revenue is shared as follows:		
United Counties of Stormont, Dundas and Glengarry	\$ 438,879	\$ 741,104
City of Cornwall	313,501	531,326
	\$ 752,380	\$ 1,272,430

7. BUDGET FIGURES

The 2020 budget amounts that were approved on February 18, 2020 were established for Capital, Reserves and Reserve Funds and 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 consolidated financial statements. Administration has recorded an estimate of the settlements not yet finalized for 2020. Any adjustments required as a result of differences between the estimates and the final settlements will be recorded in next year's consolidated financial statements.

9. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2020	ACTUAL 2020	ACTUAL 2019
Wages and benefits	\$ 6,772,709	\$ 7,786,977	\$ 7,936,592
Materials and services	12,755,136	9,135,807	9,046,894
Contracted services	12,255,478	11,904,257	12,548,969
Insurance and financial costs	333,711	305,410	377,740
Third party transfers	13,167,303	9,471,527	9,653,150
Amortization	10,177,148	10,345,854	9,748,172
	\$ 55,461,485	\$ 48,949,832	\$ 49,311,517

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

10. OPERATING SURPLUS

The total operating surplus for the fiscal year ending December 31, 2020 was \$950,077. The general surplus of \$863,988 was transferred to reserves. The Library Board surplus of \$146,677 was allocated to the Library board surplus and the Police Services Board deficit of \$60,588 was allocated from the Police services board's surplus.

	BUDGET	ACTUAL	ACTUAL
	2020	2020	2019
Surplus for the year	\$ 6,109,337	\$ 10,707,402	\$ 10,414,546
Funds transferred to reserves	-	(7,131,281)	(4,222,774)
Reserves used for operations	3,068,976	2,113,823	2,158,535
Change in future employment benefits payable	-	(48,103)	(11,303)
Acquisition of tangible capital assets	(21,900,450)	(15,455,978)	(17,294,743)
Transfer of work in progress to tangible capital assets	-	96,598	919,624
Amortization expense	10,177,148	10,345,854	9,748,172
Loss on sale of tangible capital assets	-	258,169	712,483
Proceeds on sale of tangible capital assets	-	68,418	4,855
Principal payments on municipal debt	(4,000)	(4,825)	(4,826)
Operating surplus (deficit) for the year	(2,548,989)	950,077	2,424,569
Transfer from (to) Library board surplus	-	(146,677)	(21,237)
Transfer from Police services board surplus	135,000	60,588	23,312
General surplus (deficit) for the year	(2,413,989)	863,988	2,426,644
Transfer to reserves	2,413,989	(863,988)	(2,507,943)
Operating surplus, beginning of year	-	-	(81,299)
Operating surplus, end of year	\$ -	\$ -	\$ -

11. SEGMENTED INFORMATION

The Counties are responsible for providing a range of services to their citizens. For management reporting purposes the Counties' operations and activities are organized and reported by department. These departments are reported by functional area in the body of the consolidated 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 consolidated financial statements as disclosed in Note 1.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

NOTES TO THE CONSOLIDATED 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

12. COMMITMENTS

The Counties have committed to contribute up to \$4,000,000 for capital improvements to a long-term care facility within Stormont, Dundas and Glengarry. The commitment is payable in installments according to the following schedule:

At start of construction project	\$	1,000,000
At 50% completion of project	\$	2,000,000
At 75% completion of project	\$	1,000,000

The Counties have committed to contribute up to \$2,500,000 for capital improvements to a second long-term care facility. The commitment is payable in installments according to the following schedule:

At start of construction project	\$	625,000
At 50% completion of project	\$	1,250,000
At 75% completion of project	\$	625,000

At December 31, 2020, \$6,500,000 has been set aside in the capital reserve to fund this commitment.

13. 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 Counties received a provincial grant of \$1,762,300 and \$125,000 from the City of Cornwall of which \$628,532 was used to cover additional operating costs resulting from the pandemic and the remaining \$1,258,768 has been included in deferred revenues - obligatory reserve funds (Note 2).

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Counties 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 Counties' financial condition.

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2020

FINANCIAL ACTIVITIES (000's)

	2020	2019	2018	2017	2016
Revenues					
Taxation	\$ 50,867	\$ 48,450	\$ 46,829	\$ 44,984	\$ 42,388
Fees and service charges	3,767	4,163	5,053	4,060	4,338
Grants	2,979	3,235	2,359	3,210	2,338
Investment income	296	470	385	232	184
Rents and other	22	35	30	28	89
	57,931	56,353	54,656	52,514	49,337
Expenses					
General government	3,395	3,877	2,875	2,708	2,612
Protection to persons and property	11,803	12,055	11,978	12,381	12,240
Transportation services	20,929	20,517	21,993	19,646	19,424
Health services	5,872	5,609	5,190	5,439	5,051
Social and family services	1,569	1,840	1,604	1,740	1,977
Social housing	1,619	1,629	1,619	1,676	1,614
Recreation and cultural services	2,680	2,765	2,651	2,238	2,263
Planning and development	1,082	1,020	841	1,007	932
	48,949	49,312	48,751	46,835	46,113
Other Revenue					
Deferred revenue earned	1,983	4,086	2,065	2,006	1,971
Gain (loss) on disposal of tangible capital assets	(258)	(712)	(2,441)	(153)	(28)
	1,725	3,374	(376)	1,853	1,943
Surplus for the year	\$ 10,707	\$ 10,415	\$ 5,529	\$ 7,532	\$ 5,167

TAXABLE ASSESSMENT (000's)

	2020	2019	2018	2017	2016
Residential and farm	\$ 10,058,638	\$ 9,360,979	\$ 8,678,829	\$ 7,992,928	\$ 7,406,697
Commercial and industrial	843,509	803,692	758,823	722,571	706,088
	10,902,147	10,164,671	9,437,652	8,715,499	8,112,785
Exempt	285,347	261,074	249,973	253,716	246,255
	\$ 11,187,494	\$ 10,425,745	\$ 9,687,625	\$ 8,969,215	\$ 8,359,040
Commercial and industrial	7.74%	7.91%	8.04%	8.29%	8.70%

UNITED COUNTIES OF STORMONT, DUNDAS AND GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2020

FINANCIAL INDICATORS

	2020	2019	2018	2017	2016
Net long-term debt	\$ 12,467	\$ 17,292	\$ 22,118	\$ 1,986	\$ 6,297
Sustainability					
Financial assets to liabilities	7.87	8.61	6.18	4.58	3.73
Financial assets to liabilities excluding long-term debt	7.90	8.67	6.22	4.58	3.73
Long-term debt to tangible capital assets	0.01 %	0.02 %	0.02 %	- %	0.01 %
Flexibility					
Debt charges to total operating revenue	0.01 %	0.01 %	0.01 %	0.02 %	0.02 %
Total operating revenue to taxable assessment	0.52 %	0.54 %	0.56 %	0.59 %	0.61 %
Vulnerability					
Operating grants to operating revenue	5.14 %	5.74 %	4.31 %	9.57 %	4.74 %
Total grants to total revenues	8.57 %	12.99 %	8.09 %	9.93 %	8.73 %
Reserve Coverage					
Reserves to operating revenue	48.96 %	39.90 %	32.77 %	30.94 %	27.78 %
Reserves to working capital	0.95 %	0.99 %	0.99 %	0.95 %	0.98 %
Reserves	\$ 28,366,460	\$ 22,485,013	\$ 17,912,830	\$ 16,860,271	\$ 14,229,302