

THE CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Village of Merrickville-Wolford

Opinion

We have audited the consolidated financial statements of the Corporation of the Village of Merrickville-Wolford (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of financial activities, changes in net financial liabilities, 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 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 Consolidated 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 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 Management and Those Charged with Governance for the Consolidated Financial Statements

Management 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 management 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, 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 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 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 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 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 Municipality 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.

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

Cornwall, Ontario
July 28, 2020

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP
LLP

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	2019	2018
NET FINANCIAL LIABILITIES		
ASSETS		
Cash	\$ 2,616,101	\$ 2,507,989
Taxes receivable	967,694	1,088,815
Accounts receivable	948,605	495,578
	4,532,400	4,092,382
LIABILITIES		
Accounts payable	1,024,466	645,292
Deferred revenue	41,420	1,030,439
Deferred revenue - obligatory reserve funds (Note 2)	255,670	258,548
Municipal debt (Note 3)	4,314,423	4,570,786
Capital leases (Note 4)	32,405	116,725
Accrued landfill closure and post-closure costs (Note 5)	985,973	945,439
	6,654,357	7,567,229
NET FINANCIAL LIABILITIES	(2,121,957)	(3,474,847)
NON-FINANCIAL ASSETS		
Tangible capital assets	16,804,869	15,176,647
Inventory	49,045	41,362
Prepaid expenses	24,161	10,897
	16,878,075	15,228,906
ACCUMULATED SURPLUS	\$ 14,756,118	\$ 11,754,059

Subsequent event (Note 11)

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2019

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
REVENUES			
Taxation	\$ 3,144,917	\$ 3,152,101	\$ 3,032,043
Fees and service charges	1,549,191	1,720,444	1,521,768
Grants	524,053	805,975	528,579
Investment income	192,149	194,206	200,190
Other	7,500	28,310	15,999
	5,417,810	5,901,036	5,298,579
EXPENSES			
General government	933,611	923,639	1,096,127
Protection services	911,629	845,629	877,328
Transportation services	1,286,424	1,160,978	1,248,296
Environmental services	1,621,857	1,541,598	1,441,008
Recreation and cultural services	343,546	293,555	345,232
Planning and development	320,384	249,603	213,461
	5,417,451	5,015,002	5,221,452
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	290,171	197,130	-
Grants	1,887,596	1,918,895	50,000
	2,177,767	2,116,025	50,000
SURPLUS FOR THE YEAR	2,178,126	3,002,059	127,127
ACCUMULATED SURPLUS, beginning of year	11,754,059	11,754,059	11,626,932
ACCUMULATED SURPLUS, end of year	\$ 13,932,185	\$ 14,756,118	\$ 11,754,059

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL
LIABILITIES

For the year ended December 31, 2019

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Surplus for the year	\$ 2,178,126	\$ 3,002,059	\$ 127,127
Amortization of tangible assets	800,000	740,420	814,188
Acquisition of tangible capital assets	(2,757,744)	(2,368,642)	(325,391)
Change in inventory	-	(7,683)	5,187
Change in prepaid expenses	-	(13,264)	(3,016)
Decrease in net financial liabilities	220,382	1,352,890	618,095
Net financial liabilities, beginning of year	(3,474,847)	(3,474,847)	(4,092,942)
Net financial liabilities, end of year	\$ (3,254,465)	\$ (2,121,957)	\$ (3,474,847)

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 3,002,059	\$ 127,127
Item not affecting cash		
Amortization expense	740,420	814,188
Changes in non-cash working capital balances		
Taxes receivable	121,121	(104,180)
Accounts receivable	(453,027)	(89,822)
Inventory	(7,683)	5,187
Prepaid expenses	(13,264)	(3,016)
Accounts payable	(37,881)	(70,495)
Deferred revenue	(989,019)	1,030,439
Deferred revenue - obligatory reserve funds	(2,878)	95,423
Accrued landfill closure and post-closure costs	40,534	40,534
	2,400,382	1,845,385
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(256,363)	(245,179)
Proceeds from the issue of municipal debt	-	49,000
	(256,363)	(196,179)
CASH USED IN CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,951,587)	(325,391)
Decrease in capital leases	(84,320)	(81,220)
	(2,035,907)	(406,611)
INCREASE IN CASH	108,112	1,242,595
CASH, beginning of year	2,507,989	1,265,394
CASH, end of year	\$ 2,616,101	\$ 2,507,989

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019

	Land and Improvements	Buildings	Vehicles	Machinery and equipment	Water and waste water plants and networks	Roads	Bridges	2019	2018
Cost									
Balance, beginning of year	\$ 459,759	\$ 2,669,391	\$ 2,119,123	\$ 1,837,425	\$ 12,058,061	\$ 3,120,702	\$ 1,017,907	\$ 23,282,368	\$ 22,956,977
Additions during the year	-	24,829	-	50,800	1,017,518	1,275,495	-	2,368,642	325,391
Balance, end of year	459,759	2,694,220	2,119,123	1,888,225	13,075,579	4,396,197	1,017,907	25,651,010	23,282,368
Accumulated Amortization									
Balance, beginning of year	26,327	717,154	1,341,058	1,443,507	3,083,745	754,082	739,848	8,105,721	7,291,533
Amortization during the year	4,388	72,895	130,154	34,435	326,889	148,879	22,780	740,420	814,188
Balance, end of year	30,715	790,049	1,471,212	1,477,942	3,410,634	902,961	762,628	8,846,141	8,105,721
Net book value	\$ 429,044	\$ 1,904,171	\$ 647,911	\$ 410,283	\$ 9,664,945	\$ 3,493,236	\$ 255,279	\$ 16,804,869	\$ 15,176,647

Included in additions is an amount of \$417,055 that was not paid as at December 31, 2019 (Nil for 2018); this amount was treated as a non-cash transaction for the purposes of the consolidated statement of cash flows.

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2019

	2019	2018
Deficits		
Operating surplus (Note 8)	\$ -	\$ -
Library surplus	37,249	23,701
Capital surplus - water and sewer	63,455	63,455
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post-closure	(985,973)	(945,439)
Total deficits	(885,269)	(858,283)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	1,151,459	804,432
Vehicle replacement	490,123	425,123
Modernization	312,843	-
Capital	182,267	97,331
Capital contingency	220,637	151,244
Landfill	215,000	200,000
Self insurance	130,000	105,000
Library	84,051	79,051
Water and sewer	164,794	73,878
Building department	71,741	22,401
Hospital	45,000	45,000
Recreation	26,019	26,198
Election	13,780	9,780
Museum	2,884	2,884
Total reserves	3,110,598	2,042,322
Equity in tangible capital assets		
Invested in tangible capital assets	16,804,869	15,176,647
Less: related debt	4,274,080	4,606,627
Total equity in tangible capital assets	12,530,789	10,570,020
ACCUMULATED SURPLUS	\$ 14,756,118	\$ 11,754,059

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2019

	Deficits	Reserves	Equity in Tangible Capital Assets	2019	2018
Balance, beginning of year	\$ (858,283)	\$ 2,042,322	\$ 10,570,020	\$ 11,754,059	\$ 11,626,932
Surplus for the year	3,002,059	-	-	3,002,059	127,127
Reserve funds used for operations	41,802	(41,802)	-	-	-
Funds transferred to reserves	(1,110,078)	1,110,078	-	-	-
Current year funds used for tangible capital assets	(2,368,642)	-	2,368,642	-	-
Annual amortization expense	740,420	-	(740,420)	-	-
Municipal debt repaid	(332,547)	-	332,547	-	-
Change in accumulated surplus (deficit)	(26,986)	1,068,276	1,960,769	3,002,059	127,127
Balance, end of year	\$ (885,269)	\$ 3,110,598	\$ 12,530,789	\$ 14,756,118	\$ 11,754,059

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Recreation and Cultural Services	Planning and Development	2019	2018
REVENUE									
Taxation	\$ 1,656	\$ 843,177	\$ 1,745,835	\$ 124,218	\$ -	\$ 238,728	\$ 198,487	\$ 3,152,101	\$ 3,032,043
Fees and service charges	89,254	14,241	17,080	133,005	1,219,746	76,679	170,439	1,720,444	1,521,768
Grants	694,616	20,372	9,683	44,183	24,183	12,938	-	805,975	528,579
Investment income	191,784	790	-	-	-	1,632	-	194,206	200,190
Other	-	-	-	-	-	28,310	-	28,310	15,999
	977,310	878,580	1,772,598	301,406	1,243,929	358,287	368,926	5,901,036	5,298,579
EXPENSES									
Wages and benefits	591,296	132,326	422,604	40,306	-	136,544	145,723	1,468,799	1,491,088
Interest on municipal debt	-	12,677	13,507	-	141,087	-	4,853	172,124	180,413
Materials and services	222,544	124,252	389,433	114,384	435,577	104,313	99,027	1,489,530	1,432,523
Contracted services	-	459,757	-	64,817	386,448	-	-	911,022	917,849
Insurance and financial costs	92,365	14,449	50,323	-	17,851	19,650	-	194,638	347,980
Third party transfers	17,179	21,290	-	-	-	-	-	38,469	37,411
Amortization	255	80,878	285,111	-	341,128	33,048	-	740,420	814,188
	923,639	845,629	1,160,978	219,507	1,322,091	293,555	249,603	5,015,002	5,221,452
OTHER REVENUE RELATED TO CAPITAL									
Deferred revenue earned	-	-	197,130	-	-	-	-	197,130	-
Grants	1,918,895	-	-	-	-	-	-	1,918,895	50,000
	1,918,895	-	197,130	-	-	-	-	2,116,025	50,000
SURPLUS (DEFICIT) FOR THE YEAR	\$ 1,972,566	\$ 32,951	\$ 808,750	\$ 81,899	\$ (78,162)	\$ 64,732	\$ 119,323	\$ 3,002,059	\$ 127,127

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by management 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 financing and expenditures and include the activities of all committees of Council and the following local board:

The Corporation of the Village of Merrickville - Wolford Library Board

(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, and the United Counties of Leeds and Grenville are not reflected in the municipal fund 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 Municipality based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Leeds and Grenville, 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.

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. 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.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Government grants and transfers

Government grants 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 grant or transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government grant or 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

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

(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.

(k) Employee benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave 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 contribution plan.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) 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.

(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 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	20 to 40 years
Buildings	20 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	3 to 10 years
Water and waste plants and networks	
underground networks	40 to 100 years
sewage treatment plants	40 to 75 years
water pumping stations and reservoirs	40 to 75 years
flood stations and other infrastructure	40 to 75 years
Transportation	
roads	7 to 50 years
bridges and structures	25 to 75 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Active landfills are amortized annually based on the remaining estimated useful life. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

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.

(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.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Non-financial assets (Continued)

(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 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.

(n) Use of estimates

The preparation of consolidated 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, the valuation of inventories, and the estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Future accounting pronouncements

Standards effective beginning on or after April 1, 2021

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, 2021. 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, 2021. Early adoption is permitted.

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 balances in the obligatory reserve funds are summarized as follows:

	Federal Gas			
	Tax	Parkland	2019	2018
Balance, beginning of year	\$ 197,130	\$ 61,418	\$ 258,548	\$ 163,125
Grants received	185,507	-	185,507	90,775
Interest and other	5,342	3,403	8,745	4,648
Deferred revenue earned	(197,130)	-	(197,130)	-
Balance, end of year	\$ 190,849	\$ 64,821	\$ 255,670	\$ 258,548

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the consolidated statement of financial position is comprised of the following:

	2019	2018
Bank term loan, interest of 3.85%, repayable in blended monthly payments of \$2,458, due August 2021	\$ 362,540	\$ 377,797
Bank term loan, interest of 3.98%, repayable in blended semi-annual payments of \$100,627, due June 2044	3,131,159	3,205,565
Bank term loan, interest of 2.25%, repayable in blended monthly payments of \$10,115, due November 2021	227,464	342,341
Term loan, interest of 2.88%, repayable in blended semi-annual payments of \$6,542, due October 2024	60,528	71,629
Term loan, interest of 3.33%, repayable in blended semi-annual payments of \$12,055, due December 2036	311,046	324,462
Term loan, interest of 2.59%, repayable in blended semi-annual payments of \$11,700, due December 2026	148,938	168,108
Tile drain loans, interest of 6%, repayable over a ten year period in blended payments ranging between \$1,127 and \$6,793, maturity dates ranging from 2024 to 2028	72,748	80,884
	\$ 4,314,423	\$ 4,570,786

Principal payments assuming the loans are renewed under the same terms and conditions are as follows:

2020	\$	268,836
2021		257,779
2022		158,132
2023		164,137
2024		170,179
2025 - 2029		771,277
Thereafter		2,524,083
		\$ 4,314,423

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

3. MUNICIPAL DEBT (Continued)

(b) Of the municipal debt reported in (a) of this note, all principal payments are payable from the following sources as follows:

	2020 - 2024	2025 - thereafter
General municipal revenues	\$ 551,279	\$ 559,237
Benefiting landowners - tile drains	48,615	24,133
Benefiting landowners	419,169	2,711,990
	\$ 1,019,063	\$ 3,295,360

4. CAPITAL LEASES

	2019	2018
Capital lease of equipment, interest of 3.75%, secured by specified asset, repayable in monthly payments of \$3,657, due September 2020	\$ 32,405	\$ 74,222
Capital lease of equipment, interest of 3.75%, was fully repaid in the year	-	42,503
	\$ 32,405	\$ 116,725

Lease payments due are as follows:

	2020	\$ 32,405
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5. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Municipality operates a solid waste landfill site. The site has an estimated remaining life of 46 years, as a result of an amended provisional certificate of approval from the Ministry of the Environment dated March 2016, which represents 48% of total estimated remaining capacity. The estimate 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 25 years.

The liability for closure of the open site and post-closure care has been recognized based on the usage of the site's capacity during the year. Total closure and post-closure costs are estimated to be \$3,020,000 with \$985,973 (2018 - \$945,439) being accrued at the end of the current fiscal year based upon an average inflation rate of 2.9% and a discount rate of 3.98% being the Municipalities' borrowing rate.

These costs are to be recovered from future taxation revenue and reserves.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

6. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Wages and benefits	\$ 1,539,585	\$ 1,468,799	\$ 1,491,088
Interest on municipal debt	175,041	172,124	180,413
Materials and services	1,767,993	1,489,530	1,432,523
Contracted services	906,611	911,022	917,849
Insurance and other financial costs	193,931	194,638	347,980
Third party transfers	34,290	38,469	37,411
Amortization	800,000	740,420	814,188
	\$ 5,417,451	\$ 5,015,002	\$ 5,221,452

7. 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 employee contribute to the plan. Since any surpluses or deficits are a 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 consolidated financial statements.

The employer amount contributed to OMERS for 2019 was \$70,782 (2018 - \$73,209) for current service and is included as an expenditure on the consolidated statement of financial activities.

8. OPERATING SURPLUS

The operating surplus for the year ending December 31, 2019 was \$329,898 which was transferred to the working capital reserve. The water and sewer surplus was \$90,915 which was transferred to the water and sewer reserve. The library board surplus of \$13,547 was allocated to the library surplus.

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Surplus for the year	\$ 2,178,126	\$ 3,002,059	\$ 127,127
Funds transferred to reserves	(178,393)	(689,265)	(308,790)
Reserve funds used for operations	243,451	41,802	170,090
Principal payment on long-term debt and capital leases	(329,440)	(332,547)	(322,230)
Change in accrued landfill costs	44,000	40,534	40,534
Acquisition of tangible capital assets	(2,757,744)	(2,368,642)	(325,391)
Annual amortization expense	800,000	740,420	814,188
Change in unfunded capital projects	-	-	(103,646)
Operating surplus for the year	-	434,361	91,882
Transfer from (to) water and sewer reserve	-	(90,915)	(23,299)
Transfer to library surplus	-	(13,548)	(6,375)
Transfer to water and sewer deficit	-	-	(45,079)
Transfer to working capital reserves	-	(329,898)	(17,129)
	\$ -	\$ -	\$ -

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

9. 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 consolidated financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Village of Merrickville - Wolford 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.

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 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, 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) 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.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

9. SEGMENTED INFORMATION (Continued)

(g) 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.

10. BUDGET FIGURES

The 2019 budget amounts that were approved on March 25, 2019 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.

11. 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.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

FINANCIAL ACTIVITIES (000's)

	2019	2018	2017	2016	2015
Revenues					
Taxation	\$ 3,152	\$ 3,032	\$ 3,055	\$ 2,907	\$ 2,800
Fees and service charges	1,720	1,522	1,434	1,269	1,169
Grants	806	529	353	33	363
Investment income	194	200	183	173	162
Other	28	16	12	21	81
	5,900	5,299	5,037	4,403	4,575
Expenses					
General government	924	1,096	927	915	724
Protection to persons and property	846	877	815	1,038	798
Transportation services	1,161	1,248	1,257	1,237	1,134
Environmental	1,542	1,441	1,437	1,845	1,372
Recreation and cultural services	294	345	308	355	402
Planning and development	250	213	217	161	116
	5,017	5,220	4,961	5,551	4,546
Other revenue related to capital					
Deferred revenue earned	197	-	139	292	-
Grants	1,919	50	-	399	-
Gain on disposal of tangible capital assets	-	-	16	-	-
	2,116	50	155	691	-
Surplus (deficit) for the year	\$ 2,999	\$ 129	\$ 231	\$ (457)	\$ 29

TAXABLE ASSESSMENT (000's)

	2019	2018	2017	2016	2015
Residential and farm	\$ 360,032	\$ 344,111	\$ 327,594	\$ 323,099	\$ 311,949
Commercial and industrial	24,123	23,658	23,425	24,837	24,255
	\$ 384,155	\$ 367,769	\$ 351,019	\$ 347,936	\$ 336,204
Exempt	16,282	15,702	14,516	14,869	14,328
	\$ 400,437	\$ 383,471	\$ 365,535	\$ 362,805	\$ 350,532
Commercial and industrial	6.28%	6.43%	6.67%	7.14%	7.21%

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

FINANCIAL INDICATORS

	2019	2018	2017	2016	2015
Tax arrears					
Percentage of own levy	31 %	36 %	34 %	37 %	37 %
Percentage of total levy	18 %	21 %	19 %	20 %	20 %
Municipal debt					
	\$ 4,241,674	\$ 4,489,902	\$ 4,730,912	\$ 4,964,829	\$ 4,550,631
Municipal debt charges					
	\$ 504,671	\$ 502,643	\$ 500,874	\$ 515,085	\$ 406,991
Sustainability					
Financial assets to liabilities	0.68	0.54	0.41	0.41	0.45
Financial assets to liabilities excluding municipal debt	1.89	1.39	1.45	1.40	1.58
Municipal debt to tangible capital assets	25.24 %	29.58 %	30.20 %	31.52 %	29.16 %
Flexibility					
Debt charges to total operating revenue	8.55 %	9.49 %	9.95 %	11.70 %	9.06 %
Total operating revenue to taxable assessment	14.74 %	13.82 %	14.20 %	14.04 %	13.05 %
Vulnerability					
Operating grants to operating revenue	13.66 %	9.98 %	7.01 %	0.75 %	7.93 %
Total grants to total revenues	33.99 %	10.82 %	6.80 %	8.48 %	7.93 %
Reserve coverage					
Reserves	\$ 3,110,598	\$ 2,042,322	\$ 1,863,194	\$ 1,538,458	\$ 1,074,489
Reserves to operating expenses	62 %	39 %	38 %	28 %	24 %
Reserves to working capital	0.97	0.95	1.05	0.89	0.55