

**THE CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD**

**FINANCIAL STATEMENTS**

**December 31, 2018**

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

December 31, 2018

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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 financial statements of the Corporation of the Village of Merrickville-Wolford (the "Municipality"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities, changes in net financial liabilities, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 10, 2019



**Chartered Professional Accountants**  
Licensed Public Accountants

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

As at December 31, 2018

	2018	2017
<b>NET FINANCIAL LIABILITIES</b>		
<b>ASSETS</b>		
Cash	\$ 2,507,989	\$ 1,265,394
Taxes receivable	1,088,815	984,635
Accounts receivable	694,208	559,666
	<b>4,291,012</b>	<b>2,809,695</b>
<b>LIABILITIES</b>		
Accounts payable	843,919	869,695
Deferred revenue	1,030,439	-
Deferred revenue - obligatory reserve funds (Note 2)	258,548	163,125
Municipal debt (Note 3)	4,570,786	4,766,965
Capital leases (Note 4)	116,725	197,945
Accrued landfill closure and post-closure costs (Note 5)	945,439	904,905
	<b>7,765,856</b>	<b>6,902,635</b>
<b>NET FINANCIAL LIABILITIES</b>	<b>(3,474,844)</b>	<b>(4,092,940)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	15,176,646	15,665,441
Inventory	41,362	46,549
Prepaid expenses	10,896	7,880
	<b>15,228,904</b>	<b>15,719,870</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 11,754,060</b>	<b>\$ 11,626,930</b>

See Accompanying Notes

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2018

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
<b>REVENUES</b>			
Taxation (Note 1(a)(iii))	\$ 3,014,478	\$ 3,032,043	\$ 3,054,611
Fees and service charges	1,613,157	1,521,768	1,434,208
Grants	2,413,392	578,580	352,507
Investment income	157,350	200,191	182,786
Other	6,100	15,999	12,076
	7,204,477	5,348,581	5,036,188
<b>EXPENSES</b>			
General government	957,832	1,093,364	888,710
Protection to persons and property	905,255	880,091	853,448
Transportation services	1,238,086	1,248,297	1,257,080
Environmental services	1,452,376	1,441,008	1,437,267
Recreation and cultural services	350,932	345,231	308,266
Planning and development	234,224	213,460	216,531
	5,138,705	5,221,451	4,961,302
<b>OTHER REVENUE RELATED TO CAPITAL</b>			
Deferred revenue earned (Note 2)	120,000	-	139,000
Gain on disposal of tangible capital assets	-	-	16,203
	120,000	-	155,203
<b>SURPLUS FOR THE YEAR</b>	2,185,772	127,130	230,089
<b>ACCUMULATED SURPLUS, beginning of year</b>	11,626,930	11,626,930	11,396,841
<b>ACCUMULATED SURPLUS, end of year</b>	\$ 13,812,702	\$ 11,754,060	\$ 11,626,930

See Accompanying Notes

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

For the year ended December 31, 2018

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 2,185,772	\$ 127,130	\$ 230,089
Amortization of tangible assets	800,000	814,185	803,325
Acquisition of tangible capital assets	(2,707,520)	(325,391)	(720,949)
Proceeds on sale of tangible capital assets	-	-	19,000
Gain on sale of tangible capital assets	-	-	(16,203)
Change in inventory	-	5,187	1,121
Change in prepaid expenses	-	(3,015)	(1,272)
Decrease in net financial liabilities	278,252	618,096	315,111
Net financial liabilities, beginning of year	(4,092,940)	(4,092,940)	(4,408,051)
Net financial liabilities, end of year	\$ (3,814,688)	\$ (3,474,844)	\$ (4,092,940)

See Accompanying Notes

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
<b>CASH FROM OPERATING ACTIVITIES</b>		
Surplus for the year	\$ 127,130	\$ 230,089
Items not affecting cash		
Amortization expense	814,185	803,325
Gain on disposal of tangible capital assets	-	(16,203)
Changes in non-cash working capital balances		
Taxes receivable	(104,180)	35,619
Accounts receivable	(134,542)	1,437
Inventory	5,187	1,121
Prepaid expenses	(3,016)	(1,272)
Accounts payable	(25,775)	(241,942)
Deferred revenue	1,030,439	-
Deferred revenue - obligatory reserve funds	95,423	(49,380)
Accrued landfill closure and post-closure costs	40,534	41,396
	<b>1,845,385</b>	<b>804,190</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of municipal debt	(245,179)	(237,848)
Proceeds from the issue of municipal debt	49,000	-
	<b>(196,179)</b>	<b>(237,848)</b>
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Proceeds on disposal of capital assets	-	19,000
Acquisition of tangible capital assets	(325,391)	(720,949)
Decrease in capital leases	(81,220)	(78,236)
	<b>(406,611)</b>	<b>(780,185)</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>1,242,595</b>	<b>(213,843)</b>
<b>CASH, beginning of year</b>	<b>1,265,394</b>	<b>1,479,237</b>
<b>CASH, end of year</b>	<b>\$ 2,507,989</b>	<b>\$ 1,265,394</b>
<b>REPRESENTED BY :</b>		
Cash	<b>\$ 2,507,989</b>	<b>\$ 1,265,394</b>

See Accompanying Notes



**CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2018

	<b>Land and Improvements</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Plants and Facilities</b>	<b>Roads</b>	<b>Bridges</b>	<b>2018</b>	<b>2017</b>
<b>Cost</b>									
Balance, beginning of year	\$ 459,759	\$ 2,664,582	\$ 2,119,123	\$ 1,771,495	\$ 12,058,061	\$ 2,866,050	\$ 1,017,907	\$ 22,956,977	\$ 22,390,877
Additions during the year	-	4,809	-	65,930	-	254,652	-	325,391	720,949
Disposals during the year	-	-	-	-	-	-	-	-	154,848
<b>Balance, end of year</b>	<b>459,759</b>	<b>2,669,391</b>	<b>2,119,123</b>	<b>1,837,425</b>	<b>12,058,061</b>	<b>3,120,702</b>	<b>1,017,907</b>	<b>23,282,368</b>	<b>22,956,978</b>
<b>Accumulated Amortization</b>									
Balance, beginning of year	21,939	644,259	1,191,932	1,281,405	2,782,294	652,640	717,068	7,291,537	6,640,263
Amortization during the year	4,388	72,895	149,126	162,102	301,452	101,442	22,780	814,185	803,325
Amortization on disposals	-	-	-	-	-	-	-	-	152,051
<b>Balance, end of year</b>	<b>26,327</b>	<b>717,154</b>	<b>1,341,058</b>	<b>1,443,507</b>	<b>3,083,746</b>	<b>754,082</b>	<b>739,848</b>	<b>8,105,722</b>	<b>7,291,537</b>
<b>Net book value</b>	<b>\$ 433,432</b>	<b>\$ 1,952,237</b>	<b>\$ 778,065</b>	<b>\$ 393,918</b>	<b>\$ 8,974,315</b>	<b>\$ 2,366,620</b>	<b>\$ 278,059</b>	<b>\$ 15,176,646</b>	<b>\$ 15,665,441</b>

See Accompanying Notes

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2018

	2018	2017
<b>Surpluses (deficits)</b>		
Operating surplus (Note 9)	\$ -	\$ -
Water and sewer deficit	-	(45,078)
Library surplus	23,703	17,327
Unfinanced capital outlay	-	(103,646)
Capital surplus - water and sewer	63,455	63,455
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post-closure	(945,439)	(904,905)
<b>Total (deficits) surpluses</b>	<b>(858,281)</b>	<b>(972,847)</b>
<b>Reserves</b>		
<b>Reserves set aside for specific purposes by Council:</b>		
Working capital	804,432	908,078
Self insurance	105,000	110,000
Capital	97,331	119,492
Capital contingency	151,244	85,179
Museum	2,884	2,884
Landfill	200,000	185,000
Vehicle replacement	425,123	274,944
Water and sewer	73,878	8,690
Hospital	45,000	45,000
Election	9,780	18,000
Recreation	26,198	26,875
Library	79,051	79,051
Building department	22,401	-
<b>Total reserves</b>	<b>2,042,322</b>	<b>1,863,193</b>
<b>Equity in tangible capital assets</b>		
Invested in tangible capital assets	15,176,646	15,665,441
Less: related debt	4,606,627	4,928,857
<b>Total equity in tangible capital assets</b>	<b>10,570,019</b>	<b>10,736,584</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 11,754,060</b>	<b>\$ 11,626,930</b>

See Accompanying Notes

**CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD**

**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

For the year ended December 31, 2018

	Surpluses (Deficits)	Reserves	Equity in Tangible Capital Assets	2018	2017
<b>Balance, beginning of year</b>	\$ (972,847)	\$ 1,863,193	\$ 10,736,584	\$ 11,626,930	\$ 11,396,841
Surplus (deficit) for the year	941,315	-	(814,185)	127,130	230,089
Reserve funds used for operations	170,090	(170,090)	-	-	-
Funds transferred to reserves	(349,219)	349,219	-	-	-
Current year funds used for tangible capital assets	(325,391)	-	325,391	-	-
Municipal debt repaid	(322,229)	-	322,229	-	-
<b>Change in accumulated surplus</b>	<b>114,566</b>	<b>179,129</b>	<b>(166,565)</b>	<b>127,130</b>	<b>230,089</b>
<b>Balance, end of year</b>	<b>\$ (858,281)</b>	<b>\$ 2,042,322</b>	<b>\$ 10,570,019</b>	<b>\$ 11,754,060</b>	<b>\$ 11,626,930</b>

See Accompanying Notes

**CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD**

**SCHEDULE OF SEGMENTED DISCLOSURE**

For the year ended December 31, 2018

	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Water and Sewer Services</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>									
Taxation	\$ 202,964	\$ 857,516	\$ 1,304,711	\$ 194,183	\$ -	\$ 322,848	\$ 149,821	\$ 3,032,043	\$ 3,054,611
Fees and service charges	11,560	10,377	11,300	137,362	1,127,776	75,348	148,045	1,521,768	1,434,208
Grants	383,803	6,023	66,283	28,429	78,072	15,970	-	578,580	352,507
Investment income	199,011	199	-	-	-	981	-	200,191	182,786
Other	-	-	-	-	-	15,999	-	15,999	12,076
	<b>797,338</b>	<b>874,115</b>	<b>1,382,294</b>	<b>359,974</b>	<b>1,205,848</b>	<b>431,146</b>	<b>297,866</b>	<b>5,348,581</b>	<b>5,036,188</b>
<b>EXPENSES</b>									
Wages and benefits	644,571	140,639	427,279	33,060	-	148,848	96,693	1,491,090	1,298,763
Interest on municipal debt	-	13,426	18,293	-	144,525	-	4,168	180,412	188,721
Materials and services	158,060	117,941	469,611	82,211	388,290	103,812	112,599	1,432,524	1,611,315
Contracted services	-	457,429	-	96,852	363,568	-	-	917,849	854,157
Insurance and financial costs	222,166	13,796	61,246	-	16,812	33,959	-	347,979	169,233
Third party transfers	16,842	20,569	-	-	-	-	-	37,411	35,788
Amortization	51,725	116,291	271,868	-	315,690	58,612	-	814,186	803,325
	<b>1,093,364</b>	<b>880,091</b>	<b>1,248,297</b>	<b>212,123</b>	<b>1,228,885</b>	<b>345,231</b>	<b>213,460</b>	<b>5,221,451</b>	<b>4,961,302</b>
<b>OTHER REVENUE RELATED TO CAPITAL</b>									
Deferred revenue earned	-	-	-	-	-	-	-	-	139,000
Gain on disposal of tangible capital assets	(16,203)	-	16,203	-	-	-	-	-	16,203
	<b>(16,203)</b>	<b>-</b>	<b>16,203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155,203</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>\$ (312,229)</b>	<b>\$ (5,976)</b>	<b>\$ 150,200</b>	<b>\$ 147,851</b>	<b>\$ (23,037)</b>	<b>\$ 85,915</b>	<b>\$ 84,406</b>	<b>\$ 127,130</b>	<b>\$ 230,089</b>

See Accompanying Notes

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## 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 reserves and include the activities of all committees of Council and the following local board:

The Corporation of the Village of Merrickville - Wolford Library Board

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

These financial statements reflect the investments 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 Village and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

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

There are no non-consolidated entities.

##### (iii) Accounting for United Counties and school board transactions

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

#### (b) Fund accounting

Funds within the financial statements consists of the operating fund, capital fund and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

#### (c) Taxation and related revenue

Property tax billings are issued by the Village 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 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. The Village 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 FINANCIAL STATEMENTS**

For the year ended December 31, 2018

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

**(d) 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.

**(e) Government transfers**

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

**(f) 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.

**(g) 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.

**(h) Cash**

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

**(i) 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.

**(j) 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.

**(k) 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.

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

#### (l) Employee benefits

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

#### (m) 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 Village and is reported on the Statement of Financial Position.

#### (n) 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	50 to 100 years
sewage treatment plants	50 to 75 years
water pumping stations and reservoirs	50 to 75 years
flood stations and other infrastructure	50 to 75 years
Transportation	
roads	7 to 50 years
bridges and structures	25 to 75 years

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

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

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

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 Village 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.

#### (iv) Inventory

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

#### (o) 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 Village is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Village expects that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.



# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

#### (o) Liability for contaminated sites (Continued)

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.

#### (p) 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 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.

### 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	2018	2017
Balance, beginning of year	\$ 104,322	\$ 58,803	\$ 163,125	\$ 212,505
Grants received	90,775	-	90,775	88,183
Interest and other	2,033	2,615	4,648	1,437
Deferred revenue earned	-	-	-	(139,000)
Balance, end of year	\$ 197,130	\$ 61,418	\$ 258,548	\$ 163,125

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 3. MUNICIPAL DEBT

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

	<b>2018</b>	2017
Bank term loan, 3.85%, repayable in blended monthly payments of \$2,458, due August 2021	<b>\$ 377,797</b>	\$ 392,485
Bank term loan, 3.98%, repayable in blended semi-annual payments of \$100,627, due June 2044	<b>3,205,565</b>	3,277,096
Bank term loan, 2.25%, repayable in blended monthly payments of \$10,115, due November 2021	<b>342,341</b>	454,681
Term loan, 2.88%, repayable in blended semi-annual payments of \$6,542, due October 2024	<b>71,629</b>	82,418
Term loan, 3.33%, repayable in blended semi-annual payments of \$12,055, due December 2036	<b>324,462</b>	337,442
Term loan, 2.59%, repayable in blended semi-annual payments of \$11,700, due December 2026	<b>168,108</b>	186,791
Tile drain loans, 6%, repayable over a ten year period in blended payments ranging between \$1,127 and \$6,793, maturity dates ranging from 2024 to 2028	<b>80,884</b>	36,052
	<b>\$ 4,570,786</b>	\$ 4,766,965

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

2019	\$	244,018
2020		254,237
2021		264,896
2022		253,093
2023		148,442
2024 - 2028		781,099
Thereafter		2,625,001
		<b>\$ 4,570,786</b>

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 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:

	2019 - 2023	2024 - 2028
General municipal revenues	\$ 589,385	\$ 694,952
Benefiting landowners - tile drains	63,067	17,817
Benefiting landowners	316,055	2,889,510
	\$ 968,507	\$ 3,602,279

### 4. CAPITAL LEASES

	2018	2017
Capital lease obligation, equipment, 3.75%, secured by asset, monthly payments of \$3,657, matures September 2020	\$ 74,222	\$ 114,501
Capital lease obligation, equipment, 3.75%, secured by asset, monthly payments of \$3,614, matures December 2019	42,503	83,444
	\$ 116,725	\$ 197,945
	\$ 116,725	\$ 197,945

Lease payments due in the next two years are as follows:

2019	\$	84,319
2020		32,406
	\$	116,725
	\$	116,725

### 5. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Village operates a solid waste landfill site. The site has an estimated remaining life of 47 years as a result of an amended provisional certificate of approval from the Ministry of the Environment dated March 2016. 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 10 years. Total closure and post-closure costs are estimated to be \$2,810,000 with \$945,439 (2017 - \$904,905) being accrued at the end of the current fiscal year. These costs are to be recovered from future taxation revenue and reserves.

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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

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

	2018	2017
Municipal debt	\$ 4,570,786	\$ 4,766,965
Accrued landfill closure and post-closure	945,439	904,905
	<b>\$ 5,516,225</b>	<b>\$ 5,671,870</b>

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 2,229,776	\$ 2,358,722
Benefiting landowners	3,286,449	3,313,148
	<b>\$ 5,516,225</b>	<b>\$ 5,671,870</b>

### 7. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2018	ACTUAL 2018	ACTUAL 2017
Wages and benefits	\$ 1,431,832	\$ 1,491,090	\$ 1,298,763
Interest on municipal debt	182,457	180,412	188,721
Materials and services	1,529,588	1,432,524	1,611,315
Contracted services	919,989	917,849	854,157
Insurance and other financial costs	237,220	347,979	169,233
Third party transfers	37,619	37,411	35,788
Amortization	800,000	814,186	803,325
	<b>\$ 5,138,705</b>	<b>\$ 5,221,451</b>	<b>\$ 4,961,302</b>

### 8. PENSION AGREEMENTS

The Village 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 pay. Employers and employees contribute to the plan. The Village has adopted defined contribution plan accounting principles for this plan as there is insufficient information available to apply defined benefit plan accounting principles. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Village 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 \$73,209 (2017 - \$71,226) for current service and is included as an expenditure on the Statement of Financial Activities.

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 9. OPERATING SURPLUS

The operating surplus for the year ending December 31, 2018 was \$17,129 which was transferred to the working capital reserve. The water and sewer surplus was \$68,377 of which \$45,078 was allocated to the water and sewer deficit and \$23,299 was transferred to the water and sewer reserve. The library board surplus of \$6,375 was allocated to the library surplus.

	BUDGET 2018	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 2,185,772	\$ 127,130	\$ 230,089
Funds transferred to reserves	(183,100)	<b>(308,791)</b>	(163,003)
Reserve funds used for operations	183,918	<b>170,090</b>	143,814
Principal payment on long-term debt and capital leases	(321,070)	<b>(322,230)</b>	(312,153)
Change in accrued landfill costs	42,000	<b>40,534</b>	41,396
Acquisition of tangible capital assets	(2,707,520)	<b>(325,391)</b>	(720,949)
Annual amortization expense	800,000	<b>814,185</b>	803,325
Gain on disposal of tangible capital assets	-	-	(16,203)
Proceeds on disposal of tangible capital assets	-	-	19,000
Change in unfunded capital projects	-	<b>(103,646)</b>	244,334
Operating surplus for the year	-	<b>91,881</b>	269,650
Transfer to water and sewer reserve	-	<b>(23,299)</b>	-
Transfer to library surplus	-	<b>(6,375)</b>	(9,181)
Transfer (to) from water and sewer deficit	-	<b>(45,078)</b>	45,078
Transfer to working capital reserves	-	<b>(17,129)</b>	(305,547)
	\$ -	\$ -	\$ -

### 10. SEGMENTED INFORMATION

The Village is responsible for providing a range of services to its citizens. For management reporting purposes the Village'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 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 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 Village. 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.

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

### 10. SEGMENTED INFORMATION (Continued)

#### (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 Village. 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 Village.

#### (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 Village.

#### (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.

#### (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.

### 11. BUDGET FIGURES

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

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

### FINANCIAL ACTIVITIES (000's)

	2018	2017	2016	2015	2014
<b>Revenues</b>					
Taxation	\$ 3,032	\$ 3,055	\$ 2,907	\$ 2,800	\$ 2,733
Fees and service charges	1,522	1,434	1,269	1,169	1,032
Grants	579	353	33	363	500
Investment income	200	183	173	162	150
Other	16	12	21	81	-
	5,349	5,037	4,403	4,575	4,415
<b>Expenses</b>					
General government	1,093	889	915	724	723
Protection to persons and property	880	853	1,038	798	794
Transportation services	1,248	1,257	1,237	1,134	1,205
Environmental	1,441	1,437	1,845	1,372	1,239
Recreation and cultural services	345	308	355	402	376
Planning and development	213	217	161	116	74
	5,220	4,961	5,551	4,546	4,411
<b>Other revenue related to capital</b>					
Deferred revenue earned	-	139	292	-	-
Grants	-	-	399	-	-
Gain on disposal of tangible capital assets	-	16	-	-	-
	-	155	691	-	-
Surplus (deficit) for the year	\$ 129	\$ 231	\$ (457)	\$ 29	\$ 4

### TAXABLE ASSESSMENT (000's)

	2018	2017	2016	2015	2014
Residential and farm	\$ 344,111	\$ 327,594	\$ 323,099	\$ 311,949	\$ 298,980
Commercial and industrial	23,658	23,425	24,837	24,255	24,179
	\$ 367,769	\$ 351,019	\$ 347,936	\$ 336,204	\$ 323,159
Commercial and industrial	6.43%	6.67%	7.14%	7.21%	7.48%

# CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

### FINANCIAL INDICATORS

	2018	2017	2016	2015	2014
<b>Tax arrears</b>					
Percentage of own levy	36 %	32 %	37 %	37 %	33 %
Percentage of total levy	21 %	19 %	20 %	20 %	18 %
<b>Municipal debt</b>					
	\$ 4,489,902	\$ 4,730,912	\$ 4,964,829	\$ 4,550,631	\$ 4,801,220
<b>Municipal debt charges</b>					
	\$ 502,643	\$ 500,874	\$ 515,085	\$ 406,991	\$ 406,991
<b>Sustainability</b>					
Financial assets to liabilities	0.55	0.41	0.41	0.47	0.43
Financial assets to liabilities excluding municipal debt	2.07	1.45	1.39	1.55	1.64
Municipal debt to tangible capital assets	29.58 %	30.20 %	31.52 %	29.16 %	30.30 %
<b>Flexibility</b>					
Debt charges to total operating revenue	9.40 %	9.95 %	11.70 %	9.06 %	9.24 %
Total operating revenue to taxable assessment	13.95 %	13.78 %	12.13 %	12.82 %	13.62 %
<b>Vulnerability</b>					
Operating grants to operating revenue	10.82 %	7.00 %	0.75 %	7.93 %	11.33 %
Total grants to total revenues	10.82 %	6.80 %	8.48 %	7.93 %	11.33 %
<b>Reserve coverage</b>					
Reserves	\$ 2,042,322	\$ 1,863,193	\$ 1,538,457	\$ 1,074,489	\$ 987,427
Reserves to operating expenses	39 %	38 %	28 %	24 %	22 %
Reserves to working capital	0.64	1.06	0.87	0.55	0.51