

Township of McNab/Braeside

Financial Statements

For the year ended 31 December 2019

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS



THE CORPORATION OF

THE TOWNSHIP OF McNAB/BRAESIDE

2473 RUSSETT DRIVE, ARNPRIOR, ONTARIO K7S 3G8

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Corporation of the Township of McNab/Braeside (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is contained in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MacKillican & Associates, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's financial statements.


Lindsey Lee
Chief Administrative Officer/Clerk


Kelly Coughlin
Treasurer

Township of McNab/Braeside
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For the year ended 31 December 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of McNab/Braeside.

Opinion

We have audited the financial statements of the Corporation of the Township of McNab/Braeside (the Township), which comprise the statement of financial position as at 31 December 2019, and the statement of operations and accumulated surplus, statement of changes in net financial assets (liabilities) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAB).

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 Township 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 PSAB, 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 Township'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 Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township'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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at MacKillican's website at: http://mackillicans.com/PDF/Auditors_Responsibilities.pdf. This description forms part of our auditor's report.

RENFREW, Ontario.
2 June 2020.

MacKillican & Associates

Chartered Professional Accountants,
Licensed Public Accountants.

Township of McNab/Braeside
Statement of Financial Position
As at 31 December 2019
(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 6,495,725	\$ 5,895,233
Investments (Note 3)		202,024
Taxes receivable	847,653	782,628
Accounts receivable	<u>487,786</u>	<u>907,271</u>
	<u>\$ 7,831,164</u>	<u>\$ 7,787,156</u>
Liabilities:		
Temporary loans (Note 16)	\$ 3,290,000	\$ 3,290,000
Accounts payable and accrued liabilities	2,172,197	1,932,921
Deferred revenue - obligatory reserve funds (Note 8)	703,008	465,173
- other	639,757	227
Net long term liabilities (Note 5)	1,040,193	1,091,911
Landfill closure and post closure costs (Note 4)	<u>474,950</u>	<u>408,100</u>
	<u>\$ 8,320,105</u>	<u>\$ 7,188,332</u>
Net financial assets (liabilities)	<u>\$ (488,941)</u>	<u>\$ 598,824</u>
Non-financial assets:		
Tangible capital assets (net)	\$ 28,238,898	\$ 25,498,846
Inventories of supplies	45,189	40,609
Prepaid expenses	<u>18,258</u>	<u>3,064</u>
	<u>\$ 28,302,345</u>	<u>\$ 25,542,519</u>
Accumulated surplus	<u>\$ 27,813,404</u>	<u>\$ 26,141,343</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 11)	\$ 19,963,653	\$ 19,332,175
Reserves and reserve funds	<u>7,849,751</u>	<u>6,809,168</u>
Total accumulated surplus	<u>\$ 27,813,404</u>	<u>\$ 26,141,343</u>

(See accompanying notes)

Township of McNab/Braeside

Statement of Operations and Accumulated Surplus

For the year ended 31 December 2019

(with 2019 budget and 2018 actual figures for comparison)

	<u>2019</u> <u>Budget</u>	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 6,310,320	\$ 6,354,745	\$ 5,940,737
Ontario	577,358	878,407	1,829,754
Canada	1,700	2,489	19,163
Other municipalities		250	15,000
User charges, interest, penalties and other	532,619	700,471	639,306
Transfers from obligatory reserve funds	217,753	351,994	191,583
Investment income	<u>76,700</u>	<u>160,910</u>	<u>92,747</u>
	<u>\$ 7,716,450</u>	<u>\$ 8,449,266</u>	<u>\$ 8,728,290</u>
Expenses:			
General government	\$ 1,131,532	\$ 1,015,274	\$ 956,509
Protection to persons and property	1,725,226	1,607,305	1,597,933
Transportation services	2,050,321	2,261,182	1,938,417
Environmental services	1,036,233	751,363	551,070
Health services	57,500	21,709	22,832
Recreation and cultural services	1,079,423	966,318	850,704
Planning and development	<u>174,685</u>	<u>154,054</u>	<u>146,991</u>
	<u>\$ 7,254,920</u>	<u>\$ 6,777,205</u>	<u>\$ 6,064,456</u>
Excess of revenue over expenses	\$ 461,530	\$ 1,672,061	\$ 2,663,834
Accumulated surplus at the beginning of the year	<u>26,141,343</u>	<u>26,141,343</u>	<u>23,477,509</u>
Accumulated surplus at the end of the year	<u>\$ 26,602,873</u>	<u>\$ 27,813,404</u>	<u>\$ 26,141,343</u>

(See accompanying notes)

Township of McNab/Braeside
Statement of Changes in Net Financial Assets (Liabilities)
For the year ended 31 December 2019
(with 2018 figures for comparison)

	<u>2019</u> <u>Budget</u>	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Excess of revenue over expenses	\$ 461,530	\$ 1,672,061	\$ 2,663,834
Amortization of tangible capital assets	1,073,561	1,073,561	1,034,252
Acquisition of tangible capital assets	(1,021,115)	(3,818,055)	(7,456,263)
Loss (gain) on disposal of tangible capital assets		3,642	(25,560)
Proceeds on sale of tangible capital assets		800	31,617
Consumption (acquisition) of inventory		(4,580)	2,962
Consumption (acquisition) of prepaid expenses		<u>(15,194)</u>	
Increase (decrease) in net financial assets	\$ 513,976	\$ (1,087,765)	\$ (3,749,158)
Net financial assets at the beginning of the year	<u>598,824</u>	<u>598,824</u>	<u>4,347,982</u>
Net financial assets (liabilities) at the end of the year	<u>\$ 1,112,800</u>	<u>\$ (488,941)</u>	<u>\$ 598,824</u>

(See accompanying notes)

Township of McNab/Braeside

Statement of Cash Flows

For the year ended 31 December 2019

(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 1,672,061	\$ 2,663,834
Add amortization which does not involve cash	1,073,561	1,034,252
Change in landfill closure and post-closure costs	66,850	(143,461)
Loss (gain) on disposal of tangible capital assets	<u>3,642</u>	<u>(25,560)</u>
	<u>\$ 2,816,114</u>	<u>\$ 3,529,065</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in taxes receivable	\$ (65,025)	\$ 37,925
Decrease (increase) in accounts receivable	419,485	(430,187)
Increase (decrease) in accounts payable and accrued liabilities	239,276	922,532
Increase (decrease) in deferred revenue - obligatory reserve funds	237,835	213,415
Increase (decrease) in deferred revenue - other	639,530	
Decrease (increase) in inventories of supplies	(4,580)	2,962
Decrease (increase) in prepaid expenses	<u>(15,194)</u>	<u></u>
	<u>\$ 1,451,327</u>	<u>\$ 746,647</u>
Cash flows from operating activities	<u>\$ 4,267,441</u>	<u>\$ 4,275,712</u>
Cash flows from financing activities:		
Net sales of investments	\$ 202,024	\$ 2,280,286
Repayment of long term debt	(51,718)	(50,533)
Net proceeds from temporary loans	<u></u>	<u>3,290,000</u>
Cash flows from financing activities	<u>\$ 150,306</u>	<u>\$ 5,519,753</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government	\$ (1,914,116)	\$ (2,549,789)
Protection to persons and property	(55,506)	(191,122)
Transportation services	(794,588)	(1,775,949)
Environmental services		
Recreation services	(1,053,845)	(2,939,403)
Proceeds on sale of tangible capital assets	<u>800</u>	<u>31,617</u>
Cash flows used for capital activities	<u>\$ (3,817,255)</u>	<u>\$ (7,424,646)</u>
Increase in cash and cash equivalents during the year	\$ 600,492	\$ 2,370,819
Cash and cash equivalents at the beginning of the year	<u>5,895,233</u>	<u>3,524,414</u>
Cash and cash equivalents at the end of the year	<u>\$ 6,495,725</u>	<u>\$ 5,895,233</u>

(See accompanying notes)

Township of McNab/Braeside
Notes to the Financial Statements
For the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation of the Township of McNab/Braeside are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Reporting Entity

(i) The financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and organizational transactions and balances between these organizations are eliminated.

(ii) Accounting for County and School Board Transactions

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

(iii) Trust funds:

Trust funds and their related operations administered by the Township are not consolidated in these financial statements.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

(c) 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 revenue over expenses, provides the change in net financial assets for the year.

Township of McNab/Braeside

Notes to the Financial Statements

For the year ended 31 December 2019

(d) Tangible Capital Assets

- (i) Tangible capital assets (TCAs) are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Consumer Price Index (CPI). Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. 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	15 - 40 years
Buildings	10 - 50 years
Machinery and equipment	4 - 30 years
Vehicles	5 - 20 years
Linear assets	10 - 30 years

Amortization is charged at 50% in the year of acquisition and in the year of disposal. Capital work in progress is not amortized until it is put into service.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution 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 expenditure equal to the net book value of the assets as of the date of transfer.

(iii) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(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.

(e) Investment Income

Investment income earned on current funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

(f) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

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

Township of McNab/Braeside

Notes to the Financial Statements

For the year ended 31 December 2019

(g) Deferred Revenue

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(h) Deferred Revenue - Obligatory Reserve Funds

The Township receives restricted contributions under the authority of provincial and federal legislation and Township by-laws. These funds by their nature are restricted in their use and, until applied to applicable costs, are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs and amortization.

(j) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(k) Revenue Recognition

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Other revenue relates to licensing fees, fees for use of various programming, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(l) Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and net long term liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

The fair value of net long term liabilities, including the current portion, is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

Township of McNab/Braeside
Notes to the Financial Statements
For the year ended 31 December 2019

2. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

Requisitions were made by the School Boards and County of Renfrew requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 1,901,438	\$ 3,450,811
Payments in lieu	<u>37</u>	<u>11,008</u>
	<u>\$ 1,901,475</u>	<u>\$ 3,461,819</u>

3. INVESTMENTS

Investments are invested in guaranteed investment certificates and bond funds, with interest rates of 1.46% and 2.36% which matured in April and August 2019 respectively.

	2019 <u>Cost</u>	2019 <u>Fair Value</u>	2018 <u>Cost</u>	2018 <u>Fair Value</u>
Guaranteed investment certificates	\$ <u>-</u>	\$ <u>-</u>	\$ <u>200,000</u>	\$ <u>202,024</u>

4. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation.

The reported liability is based on estimates and assumptions with respect to events extending over the useful life and estimated post closure care period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Landfill sites' estimated remaining capacity in cubic metres	117,798
Landfill sites' remaining useful life in years	75
Expected years of post closure care	25

The estimated total undiscounted expenses over the 25 year post closure period amount to approximately \$ 7,454,658.

Township of McNab/Braeside
Notes to the Financial Statements
For the year ended 31 December 2019

5. NET LONG TERM LIABILITIES	<u>2019</u>	<u>2018</u>
(a) Infrastructure Ontario Debenture loan payable, 1.65% interest, \$ 15,355 principal and interest payment, payable semi-annually, maturing March 2021	\$ 45,317	\$ 74,914
Infrastructure Ontario Debenture loan payable, 3.25% interest, \$ 27,498 principal and interest payment, payable semi-annually, maturing June 2047	<u>994,876</u>	<u>1,016,997</u>
Net long term liabilities at the end of the year	<u>\$ 1,040,193</u>	<u>\$ 1,091,911</u>

(b) Principal and interest payments required on the net long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 52,933	\$ 32,773	\$ 85,706
2021	38,824	31,526	70,350
2022	24,368	30,628	54,996
2023	25,166	29,829	54,995
2024	25,990	29,005	54,995
2025 to 2029	143,297	131,679	274,976
2030 onward	<u>729,615</u>	<u>232,803</u>	<u>962,418</u>
	<u>\$ 1,040,193</u>	<u>\$ 518,243</u>	<u>\$ 1,558,436</u>

(c) The Municipality is contingently liable for debt with respect to tile drainage loans made by landowners with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). The Municipality collects the loan repayments from the owners and remits them to OMAFRA. The Municipality does not have any history of default payments on the loans. The total amount outstanding as at 31 December 2019 is \$ 89,681 (2018 - \$ 119,162) and is not recorded on the statement of financial position.

6. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2019</u>	<u>2018</u>
Principal	\$ 51,718	\$ 50,533
Interest	<u>33,989</u>	<u>35,174</u>
	<u>\$ 85,707</u>	<u>\$ 85,707</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Statement of Operations under the appropriate functional expenditure heading.

Township of McNab/Braeside

Notes to the Financial Statements

For the year ended 31 December 2019

7. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at 31 December 2019, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position.

8. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

(a) The balance of deferred revenue - obligatory reserve funds on the "Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2019</u>	<u>2018</u>
Gas tax revenue	\$ 485,377	\$ 236,277
Lot development charges	214,095	225,444
Ontario Municipal Commuter Cycling (OMCC) Fund	<u>3,536</u>	<u>3,452</u>
	<u>\$ 703,008</u>	<u>\$ 465,173</u>

(b) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	\$ 465,173	\$ 251,758
Gas tax revenue received	456,899	234,773
Development charges and lot fees	67,687	79,594
Payment in lieu of parkland	50,316	14,250
Ontario main street revitalization fund		43,996
Ontario Municipal Commuter Cycling (OMCC) Fund		25,000
Investment income	14,926	7,385
Less funds utilized:		
Deferred obligatory reserve funds	(38,531)	(110,742)
Ontario main street	(52,268)	(44,470)
OMCC		(21,935)
Payment in lieu of parkland	(43,441)	(14,436)
Gas tax	<u>(217,753)</u>	
Balance at the end of the year	<u>\$ 703,008</u>	<u>\$ 465,173</u>

9. BUDGET FIGURES

The operating budget approved by the Township of McNab/Braeside for 2019 is reflected on the Statement of Operations. The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements. Budget figures have not been audited.

Township of McNab/Braeside
Notes to the Financial Statements
For the year ended 31 December 2019

10. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. There were no transfers during the year.

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances. The 2019 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets - net	\$ 28,238,898	\$ 25,498,846
Net long term liabilities (Note 5)	(1,040,193)	(1,091,911)
Temporary loans (Note 16)	(3,290,000)	(3,290,000)
Amounts to be funded in future years	<u>(3,945,052)</u>	<u>(1,784,760)</u>
Equity in tangible capital assets	<u>\$ 19,963,653</u>	<u>\$ 19,332,175</u>

12. TRUST FUND

Trust fund administered by the Township, totaling \$ 20,402 (2018 - \$ 20,875). The balances held in trust by the Township for the benefit of others have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

13. SEGMENTED INFORMATION

(a) The Township is responsible for providing a wide range of services to its citizens. The Township reports on functional areas and programs in its financial statements. A brief description of each segment follows:

- i) General government is comprised of Council and administration and is responsible for the overall governance and management of the Municipality.
- ii) Protection is comprised of police, fire, and other protective services.
- iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
- iv) Environmental services include solid waste and recycling services.
- v) Health services include expenditures related to the doctor recruitment.
- vi) Recreation and cultural services include parks and recreation.

Township of McNab/Braeside

Notes to the Financial Statements

For the year ended 31 December 2019

13. SEGMENTED INFORMATION (Continued)

vii) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.

(b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2019 are as follows:

	Salaries and <u>benefits</u>	Interest on long term <u>debt</u>	Materials and contracted <u>services</u>	Rent and external <u>transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 667,043		\$ 267,527	\$ 61,310	\$ 19,394	\$ 1,015,274
Protection services	324,052		1,163,033		120,220	1,607,305
Transportation services	636,365	\$ 33,988	784,723	12,332	793,774	2,261,182
Environmental services	135,183		580,545	331	35,304	751,363
Health services	861		848	20,000		21,709
Recreation and cultural services	263,945		230,465	367,039	104,869	966,318
Planning and development	<u>64,307</u>		<u>89,747</u>			<u>154,054</u>
	<u>\$ 2,091,756</u>	<u>\$ 33,988</u>	<u>\$ 3,116,888</u>	<u>\$ 461,012</u>	<u>\$ 1,073,561</u>	<u>\$ 6,777,205</u>

(c) The expenditures for 31 December 2018 are as follows:

	Salaries and <u>benefits</u>	Interest on long term <u>debt</u>	Materials and contracted <u>services</u>	Rent and external <u>transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 608,992		\$ 293,741	\$ 33,021	\$ 20,755	\$ 956,509
Protection services	280,776		1,200,794		116,363	1,597,933
Transportation services	539,107	\$ 35,173	597,549		766,588	1,938,417
Environmental services	146,892		367,159	1,715	35,304	551,070
Health services	1,659		1,173	20,000		22,832
Recreation and cultural services	244,724		154,970	355,767	95,243	850,704
Planning and development	<u>104,086</u>		<u>42,905</u>			<u>146,991</u>
	<u>\$ 1,926,236</u>	<u>\$ 35,173</u>	<u>\$ 2,658,291</u>	<u>\$ 410,503</u>	<u>\$ 1,034,253</u>	<u>\$ 6,064,456</u>

14. CONTRACTUAL OBLIGATIONS

The Township entered into a recreation agreement with the Town of Arnprior. The annual cost of this contract was \$ 218,183 (2018 - \$ 207,252).

The Township has not negotiated a contract with the Ontario Provincial Police for the provision of policing services, however the Ontario Provincial Police provide policing services on an annual basis. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2019 was \$ 959,015 (2018 - \$ 944,078).

The Township had negotiated an annual contract for the collection and disposal of recycled materials. During the year, the costs of this contract for 2019 were \$ 166,429 (2018 - \$ 133,836).

The Township has negotiated an annual contract for the collection and disposal of waste. Annual costs of this contract for 2019 were \$ 166,177 (2018 - \$ 159,900).

Township of McNab/Braeside
Notes to the Financial Statements
For the year ended 31 December 2019

15. PENSION CONTRIBUTIONS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2019, the Municipality contributed \$ 91,541 (2018 - \$ 87,224) to the plan and is included as an expense in the statement of operations. The Township does not recognize in its financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan surplus for 2019 is \$ 1,531,000,000 (deficit for 2018 - \$ 2,790,000,000) based on the fair market value of the Plan's assets.

16. TEMPORARY LOANS

The Township has financial agreements with the Ontario Infrastructure and Lands Corporation ("OILC") for temporary capital loans up to a maximum of \$ 8,390,000 for the interim financing of various capital projects. As at 31 December 2019, the temporary capital loan balance is \$ 3,290,000 (2018 - \$ 3,290,000) with interest based on the monthly construction rate.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

18. SUBSEQUENT EVENTS

Subsequent to year-end, the government of Ontario enacted a declaration of emergency to help contain the spread of the COVID-19 virus and to protect the public. As a result, all non-essential businesses are required to close. The impact of this action and the virus on the Township's future operations are currently unknown but could be material.

Township of McNab/Braeside
Schedule of Reserves and Reserve Funds
For the year ended 31 December 2019
(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Contributions:		
From operations	\$ <u>2,947,392</u>	\$ <u>1,671,784</u>
Transfers:		
To operations	\$ (1,232,472)	\$ (42,773)
To tangible capital acquisitions	<u>(674,337)</u>	<u>(696,602)</u>
	\$ <u>(1,906,809)</u>	\$ <u>(739,375)</u>
Change in reserves and reserve funds balance	\$ 1,040,583	\$ 932,409
Reserves and reserve funds at the beginning of the year	<u>6,809,168</u>	<u>5,876,759</u>
Reserves and reserve funds at the end of the year	<u>\$ 7,849,751</u>	<u>\$ 6,809,168</u>
Reserves:		
Capital asset replacement	\$ 3,516,485	\$ 3,513,892
General government	118,549	135,245
Municipal development	106,920	96,920
Roads	109,643	86,242
Fire	30,636	42,636
Waste management	303,681	411,765
Future assessment appeals	42,000	25,000
Future loss of grants	75,532	75,532
Recreation and cultural services	81,419	215,959
Working capital	1,942,211	1,846,113
Cemetery	9,140	33,349
Administration building		34,443
Employee benefits	40,360	40,360
Work in progress	1,216,462	
Other	<u>256,713</u>	<u>251,712</u>
Total reserves	<u>\$ 7,849,751</u>	<u>\$ 6,809,168</u>

(See accompanying notes)

Township of McNab/Braeside
Schedule of Tangible Capital Assets
For the year ended 31 December 2019
(with 2018 figures for comparison)

Segmented by asset class:	Balance at 31 December <u>2018</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2019</u>
<u>Cost</u>				
Land	\$ 1,698,033			\$ 1,698,033
Buildings and building improvements	4,392,481	\$ 2,400,242	\$ 3,862,284	10,655,007
Machinery and equipment	2,378,974	337,956	(9,871)	2,707,059
Vehicles	2,610,158	51,944	154,333	2,816,435
Linear assets	18,582,056	588,689		19,170,745
Capital work in progress	<u>5,908,023</u>	<u>439,224</u>	<u>(3,862,284)</u>	<u>2,484,963</u>
Total	<u>\$ 35,569,725</u>	<u>\$ 3,818,055</u>	<u>\$ 144,462</u>	<u>\$ 39,532,242</u>

Accumulated <u>amortization</u>	Balance at 31 December <u>2018</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2019</u>
Buildings and building improvements	\$ 1,358,701	\$ 152,853		\$ 1,511,554
Machinery and equipment	891,927	133,387	\$ (5,429)	1,019,885
Vehicles	902,032	168,854	154,333	1,225,219
Linear assets	<u>6,918,219</u>	<u>618,467</u>		<u>7,536,686</u>
Total	<u>\$ 10,070,879</u>	<u>\$ 1,073,561</u>	<u>\$ 148,904</u>	<u>\$ 11,293,344</u>

<u>Net book value</u>	Balance at 31 December <u>2018</u>	Balance at 31 December <u>2019</u>
Land	\$ 1,698,033	\$ 1,698,033
Buildings and building improvements	3,033,780	9,143,453
Machinery and equipment	1,487,047	1,687,174
Vehicles	1,708,126	1,591,216
Linear assets	11,663,837	11,634,059
Capital work in progress	<u>5,908,023</u>	<u>2,484,963</u>
Total	<u>\$ 25,498,846</u>	<u>\$ 28,238,898</u>

(See accompanying notes)

Township of McNab/Braeside
Schedule of Tangible Capital Assets
For the year ended 31 December 2019
(with 2018 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2018</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2019</u>
General government	\$ 2,142,528	\$ 1,914,116	\$ 2,736,302	\$ 6,792,946
Protection services	2,217,654	55,506	(36,803)	2,236,357
Transportation services	28,004,822	794,588	(5,721,889)	23,077,521
Environmental services	995,351			995,351
Recreation and cultural services	<u>2,209,370</u>	<u>1,053,845</u>	<u>3,166,852</u>	<u>6,430,067</u>
Total	<u>\$ 35,569,725</u>	<u>\$ 3,818,055</u>	<u>\$ 144,462</u>	<u>\$ 39,532,242</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2018</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2019</u>
General government	\$ 373,537	\$ 19,394		\$ 392,931
Protection services	902,729	120,220		1,022,949
Transportation services	7,847,861	793,774	\$ 148,904	8,790,539
Environmental services	212,551	35,304		247,855
Recreation and cultural services	<u>734,201</u>	<u>104,869</u>		<u>839,070</u>
Total	<u>\$ 10,070,879</u>	<u>\$ 1,073,561</u>	<u>\$ 148,904</u>	<u>\$ 11,293,344</u>

<u>Net book value</u>	Balance at 31 December <u>2018</u>	Balance at 31 December <u>2019</u>
General government	\$ 1,768,991	\$ 6,400,015
Protection services	1,314,925	1,213,408
Transportation services	20,156,961	14,286,982
Environmental services	782,800	747,496
Recreation and cultural services	<u>1,475,169</u>	<u>5,590,997</u>
Total	<u>\$ 25,498,846</u>	<u>\$ 28,238,898</u>

(See accompanying notes)