

MAR 22 2021

CONSOLIDATED FINANCIAL REPORT

**THE CORPORATION OF THE
TOWN OF LATCHFORD**

DISTRICT OF TIMISKAMING

YEAR ENDED DECEMBER 31, 2020

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THE CORPORATION OF THE TOWN OF LATCHFORD

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the Town of Latchford are the responsibility of the Corporation of the Town of Latchford's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described 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 Corporation of the Town of Latchford'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.

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 Kemp Elliott & Blair LLP, independent external auditors appointed by the Corporation of the Town of Latchford. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation of the Town of Latchford's financial statements.

DocuSigned by:



8F8290E9AFD54AE
Clerk-treasurer
Jaime Allen

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Corporation of the Town of Latchford:

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Latchford, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Latchford as at December 31, 2020, and the results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation of the Town of Latchford 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 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 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 Corporation of the Town of Latchford'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 Corporation of the Town of Latchford or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation of the Town of Latchford's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part 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 Corporation of the Town of Latchford'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 Corporation of the Town of Latchford's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Corporation of the Town of Latchford 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.

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
March 18, 2021

Chartered Professional Accountants

THE CORPORATION OF THE TOWN OF LATCHFORD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

FINANCIAL ASSETS

| | 2020 | 2019 |
|-----------------------------|----------------|----------------|
| Cash | \$ 617,448 | \$ 501,395 |
| Taxes receivable | 98,842 | 100,159 |
| Accounts receivable | 45,420 | 25,770 |
| Inventories held for resale | 45,234 | - |
| | <u>806,944</u> | <u>627,324</u> |

LIABILITIES

| | | |
|--|------------------|------------------|
| Accounts payable and accrued liabilities | 105,602 | 76,595 |
| Deferred revenue – other – note 6 | 87,463 | 109,859 |
| Deferred revenue – obligatory reserve fund – note 7 | 79,816 | 61,037 |
| Landfill closure and post-closure liability – note 8 | 176,077 | 166,813 |
| Municipal debt – note 9 | 837,905 | 966,524 |
| | <u>1,286,863</u> | <u>1,380,828</u> |

NET DEBT

| | |
|------------------|------------------|
| <u>(479,919)</u> | <u>(753,504)</u> |
|------------------|------------------|

NON-FINANCIAL ASSETS

| | | |
|-----------------------------------|------------------|------------------|
| Tangible capital assets – note 14 | 3,968,766 | 4,086,199 |
| Inventories of supplies | 6,918 | 6,640 |
| Prepaid expenses | 99,676 | 100,799 |
| | <u>4,075,360</u> | <u>4,193,638</u> |

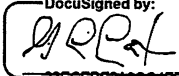
ACCUMULATED SURPLUS – note 10

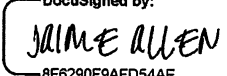
| | |
|--------------|--------------|
| \$ 3,595,441 | \$ 3,440,134 |
|--------------|--------------|

Contingent liabilities and commitments – note 12

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of Council:

DocuSigned by:

 23ECEBF2A2CC4FB...
 Mayor

DocuSigned by:

 8F6290F9AED54AE
 Clerk-treasurer

THE CORPORATION OF THE TOWN OF LATCHFORD

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

| | 2020 Budget (Note 2) | 2020 Actual | 2019 Actual |
|---|----------------------------|---------------------|---------------------|
| REVENUES | | | |
| Operating revenues | | | |
| Municipal taxation | \$ 872,366 | \$ 876,781 | \$ 861,921 |
| Water and sewer user charges | 231,126 | 228,783 | 217,012 |
| User charges | 61,713 | 53,699 | 65,933 |
| Revenue from other municipalities | 7,500 | 7,090 | 7,586 |
| Provincial grants | 233,359 | 278,697 | 441,548 |
| Federal grants | 8,800 | 7,120 | 10,248 |
| Penalties and interest on taxes | 15,000 | 11,852 | 14,760 |
| Provincial Offences Act revenues | 4,500 | 2,011 | 4,327 |
| Gain on disposal of tangible capital assets | - | 76,438 | - |
| Other | 14,312 | 28,471 | 28,698 |
| | <u>1,448,676</u> | <u>1,570,942</u> | <u>1,652,033</u> |
| Capital revenues | | | |
| Provincial grants | 50,000 | 53,995 | 62,038 |
| Federal grants | 26,829 | - | 43,199 |
| Other | - | 35,520 | 74,181 |
| | <u>76,829</u> | <u>89,515</u> | <u>179,418</u> |
| Total revenues | <u>1,525,505</u> | <u>1,660,457</u> | <u>1,831,451</u> |
| EXPENDITURES | | | |
| General government | 395,184 | 410,787 | 410,958 |
| Protection to persons and property | 134,319 | 124,690 | 120,556 |
| Transportation services | 258,604 | 221,384 | 256,669 |
| Environmental services | 470,577 | 448,378 | 471,325 |
| Health services | 169,735 | 186,213 | 152,854 |
| Social and family services | 60,229 | 60,229 | 63,474 |
| Recreation and cultural services | 68,250 | 50,363 | 63,145 |
| Planning and development | 4,225 | 3,106 | 3,062 |
| Total expenditures | <u>1,561,123</u> | <u>1,505,150</u> | <u>1,542,043</u> |
| ANNUAL SURPLUS (DEFICIT) | (35,618) | 155,307 | 289,408 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | <u>3,440,134</u> | <u>3,440,134</u> | <u>3,150,726</u> |
| ACCUMULATED SURPLUS, END OF YEAR – note 10 | <u>\$ 3,404,516</u> | <u>\$ 3,595,441</u> | <u>\$ 3,440,134</u> |

The accompanying notes form an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF LATCHFORD

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED DECEMBER 31, 2020

| | 2020 Budget (Note 2) | 2020 Actual | 2019 Actual |
|--|----------------------------|----------------|----------------|
| ANNUAL SURPLUS (DEFICIT) | \$ (35,618) | \$ 155,307 | \$ 289,408 |
| Acquisition of tangible capital assets | (74,182) | (196,878) | (118,948) |
| Amortization of tangible capital assets | 232,000 | 224,742 | 229,545 |
| Gain on sale of tangible capital assets | - | (76,438) | - |
| Proceeds from sale of tangible capital assets | 30,000 | 166,007 | - |
| Consumption (acquisition) of inventories of supplies | - | (278) | 575 |
| Change in prepaid expense | - | 1,123 | (11,393) |
| Decrease in net debt | 152,200 | 273,585 | 389,187 |
| Net debt, beginning of year | (753,504) | (753,504) | (1,142,691) |
| NET DEBT, END OF YEAR | \$ (601,304) | \$ (479,919) | \$ (753,504) |

The accompanying notes form an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF LATCHFORD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

| OPERATIONS | 2020 | 2019 |
|---|-------------------|-------------------|
| Annual surplus | \$ 155,307 | \$ 289,408 |
| Charges not affecting cash – | | |
| Amortization of tangible capital assets | 224,742 | 229,545 |
| Gain on sale of tangible capital assets | (76,438) | - |
| | <u>303,611</u> | <u>518,953</u> |
| Other sources (uses) of cash – | | |
| Change in taxes receivable | 1,317 | (2,036) |
| Change in accounts receivable | (19,650) | 31,650 |
| Change in inventories held for resale | (45,234) | - |
| Change in inventories of supplies | (278) | 575 |
| Change in prepaid expenses | 1,123 | (11,393) |
| Change in accounts payable and accrued liabilities | 29,007 | (24,382) |
| Change in deferred revenue – other | (22,396) | 28,860 |
| Change in deferred revenue – obligatory reserve fund | 18,779 | 13,281 |
| Change in landfill closure and post-closure liability | 9,264 | 8,688 |
| | <u>(28,068)</u> | <u>45,243</u> |
| Total cash provided by operations | <u>275,543</u> | <u>564,196</u> |
| CAPITAL TRANSACTIONS | | |
| Acquisition of tangible capital assets | (196,878) | (118,948) |
| Proceeds from sale of tangible capital assets | 166,007 | - |
| Total cash used for capital transactions | <u>(30,871)</u> | <u>(118,948)</u> |
| FINANCING TRANSACTIONS | | |
| Municipal debt proceeds | 89,413 | 90,241 |
| Municipal debt principal repayments | (218,032) | (177,877) |
| Total cash used for financing activities | <u>(128,619)</u> | <u>(87,636)</u> |
| INCREASE IN CASH | <u>116,053</u> | <u>357,612</u> |
| Cash, beginning of year | <u>501,395</u> | <u>143,783</u> |
| CASH, END OF YEAR | <u>\$ 617,448</u> | <u>\$ 501,395</u> |
| REPRESENTED BY | | |
| Cash | \$ 617,448 | \$ 501,395 |

The accompanying notes form an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The Corporation of the Town of Latchford is a town in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. **Accounting policies**

The consolidated financial statements of the Corporation of the Town of Latchford are the representation of management and council and are prepared in accordance with generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these consolidated financial statements. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets historical cost, estimated useful life and related amortization and landfill post-closure costs.

Basis of consolidation

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves and changes in investment in tangible capital assets of the Town and include the activities of all committees of Council and corporations fully owned and controlled by the Town which are:

The Corporation of the Town of Latchford Medical Centre

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

Non-consolidated entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

Timiskaming District Health Unit

District of Timiskaming Social Services Administration Board

Although these are joint local boards they run autonomously to provide those services mandated by the Province. The Town has no control over these programs or their financing. These joint local boards are not proportionately consolidated. The yearly requisitions of these boards are expensed by the Town in its statements.

Temiskaming Municipal Services Association

The Timiskaming Municipal Services Association provides the services of a Chief Building Officer to 21 municipalities. The operations of this organization are not proportionately consolidated into these statements because the Town does not have control. Building Permit revenues are transferred to this organization.

Accounting for school board transactions

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

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. Accounting policies – continued

Inventories held for resale

Inventories held for resale are recorded at the lower of cost or replacement cost and consists of land for sale.

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 | 15 to 30 years |
| Buildings | 50 years |
| Vehicles | 10 to 25 years |
| Machinery and equipment | 5 to 30 years |
| Roads and bridges | 7 to 75 years |
| Water and sewer mains | 50 years |

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for use.

The Town has no capitalization threshold for land and buildings, a capitalization threshold of \$10,000 for infrastructure systems and \$2,500 for all other assets. Individual assets of lesser value are expensed, unless they are pooled, because, collectively, they have significant value.

Deferred revenue – other

The Town receives certain amounts pursuant to funding agreements that may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recorded as deferred revenue and are recognized as revenue in the fiscal year the eligibility criteria has been met except when stipulations are present and to the extent that the transfer give rise to an obligation that meets the definition of a liability.

Deferred revenue – obligatory reserve funds

The Town receives Federal Gas Tax funding under the authority of the Federal legislation. These funds, by their nature, are restricted in their use and until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Revenue recognition

Government transfers (provincial and federal grants)

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. A transfer with eligibility criteria is recognized as revenue when the transfer is authorized and all eligibility criteria have been met. A transfer with or without eligibility criteria but with stipulation is recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except where and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. **Accounting policies – continued**
Revenue recognition – continued

Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known.

The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Fees, service charges and other revenue

Fees, service charges and other revenue are recognized when earned.

Inventories of supplies

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

2. **Budget**

The Budget adopted by Council was not prepared on a basis consistent with that used to report actual results according to Public Sector Accounting Standards used on the Consolidated Statement of Operations on page 5. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The actual budget is reflected in note 15. It expenses all tangible capital expenditures, does not include amortization expense, reflects proceeds of long-term debt as a revenue, principal repayments of long-term debt as an expense and the full proceeds from the sale of tangible capital assets as a revenue. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the financial plan adopted by Council with adjustments as follows:

| | <u>2020</u> |
|---|--------------------|
| Actual budget deficit for the year – note 15 | \$ (26,337) |
| Add: Budgeted debt principal repayments | 178,537 |
| Investment in tangible capital assets | 74,182 |
| Less: Estimated amortization | (232,000) |
| Proceeds from sale of tangible capital assets | <u>(30,000)</u> |
| Budget deficit per statement of operations – page 5 | <u>\$ (35,618)</u> |

3. **Operations of school boards**

Further to note 1, the taxation levied on behalf of and due to the school boards is:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| | <u>\$ 477,094</u> | <u>\$ 490,295</u> |

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

4. Contributions to Joint Boards

Further to note 1, the following contributions were made by the Town to these boards:

| | 2020 | 2019 |
|--|------------|------------|
| Timiskaming District Health Unit | \$ 15,836 | \$ 4,221 |
| District of Timiskaming Social Services Administration Board | \$ 120,228 | \$ 118,623 |

5. Revolving line of credit

The Town has a \$250,000 business operating line negotiated with the Bank of Nova Scotia with a balance outstanding of \$nil (2019 - \$nil). Interest is at bank prime plus 0.5% (currently 2.95%).

6. Deferred revenue – other

Deferred revenue – other consists of the following:

| | December 31 2019 | Funds Received | Revenue Earned | December 31 2020 |
|-----------------------|---------------------|-------------------|-------------------|---------------------|
| Provincial government | \$ 74,859 | \$ 178,382 | \$ 165,778 | \$ 87,463 |
| Other | 35,000 | 520 | 35,520 | - |
| | <u>\$ 109,859</u> | <u>\$ 178,902</u> | <u>\$ 201,298</u> | <u>\$ 87,463</u> |

7. Deferred revenue – obligatory reserve funds

Deferred revenue – obligatory reserve funds consist of the following:

| | December 31 2019 | Funds Received | Revenue Earned | December 31 2020 |
|-----------------|---------------------|-------------------|-------------------|---------------------|
| Federal Gas Tax | \$ 61,037 | \$ 18,779 | \$ - | \$ 79,816 |

8. Landfill closure and post-closure liabilities

The liability for closure and post-closure of the landfill site has been recognized using the present value of the estimated closure and post-closure costs, based upon the usage of the site's capacity. The total capacity of the site is 40,000 cubic meters. The approximate area that has been landfilled is 35,372 cubic meters, leaving an estimated remaining capacity of 4,628 cubic meters. The estimated life of the landfill site is 5 years and post-closure care is estimated to be required for 5 years from the date of site closure.

The discount factor used is 4.63% net of inflation of 2%. The liability as at December 31, 2020 is \$176,077 (2019 \$166,813). Estimated expenditures for closure and post-closure care are \$191,750 and \$37,450 respectively, for a total of \$299,200. The liability remaining to be recognized is \$53,123.

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

| 9. | Municipal debt | <u>2020</u> | <u>2019</u> |
|----|---|-------------------|-------------------|
| | Term loan with the Bank of Nova Scotia, payable in monthly installments of \$1,875 plus interest at the bank's prime lending rate plus 1% (currently 3.45%), final installment due July 2022. The debt relates to the construction of the recreation centre. | \$ 35,625 | \$ 58,125 |
| | Demand note with the Bank of Nova Scotia, payable in monthly installments of \$833 plus interest at the bank's prime lending rate plus 1% (currently 3.45%), final installment due June 2021. The debt relates to the purchase of a back-up generator at the water treatment plant. | 2,492 | 12,488 |
| | Demand note with the Bank of Nova Scotia, payable in monthly installments of \$787 plus interest at the bank's prime lending rate plus 1% (currently 3.45%), final installment due August 2021. The debt relates to the purchase of LED street lights. | 6,297 | 15,742 |
| | A 30 year serial debenture with Ontario Infrastructure, payable in semi-annual blended (principal and interest) payments of \$12,138 with interest at 5.24% per annum and the debenture matures October 2038. The debt relates to improvements to the water treatment plant. | 280,676 | 289,880 |
| | A 20 year serial debenture with Ontario Infrastructure, payable in semi-annual blended (principal and interest) payments of \$17,171 with interest at 5.03% per annum and the debenture matures October 2028. The debt relates to paving of roads and purchase of roads equipment. | 223,901 | 246,138 |
| | Demand note with the Bank of Nova Scotia, payable in monthly installments of \$841 plus interest at the bank's prime lending rate plus 1% (currently 3.45%), final installment due November 2024. The debt relates to the purchase of a fire truck. | 39,516 | 49,606 |
| | Capital lease with Nortrax Canada. The backhoe was traded in during 2020. | - | 47,688 |
| | Capital lease with John Deere Financial, payable in monthly installments of \$1,612.08 + HST, including interest at 2.5%, final payment due April 2025. The lease relates to the purchase of a backhoe loader. | 79,370 | - |
| | In 2017, the Town entered into a contract with Miller Paving to improve the Town roads. Miller Paving will improve the roads at a total contract price of \$454,818 over three years. The Town will pay Miller Paving a total of \$76,829 per year over six years starting in 2017. There is no interest on the payments. | \$ 170,028 | \$ 246,857 |
| | | <u>\$ 837,905</u> | <u>\$ 966,524</u> |
| | Total interest paid on the loans in 2020 is \$33,487 (2019 \$39,122). | | |

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

9. Municipal debt – continued

Principal installments required to be paid over the next five years are as follows:

| | |
|--------|-------------------|
| 2021 | \$ 168,830 |
| 2022 | 152,815 |
| 2023 | 81,480 |
| 2024 | 66,621 |
| 2025 | 46,844 |
| 2026 + | <u>321,315</u> |
| | <u>\$ 837,905</u> |

10. Accumulated surplus

Reserves represent an appropriation of surplus for a specific purpose, determined by council, are non-statutory and subject to change by council at that time.

| | 2020 | 2019 |
|-------------------------------------|---------------------|---------------------|
| Reserves and deficits | | |
| Roads reserve | \$ 20,770 | \$ 20,770 |
| Equipment reserve | 18,253 | 20,253 |
| Safe restart funding reserve | 26,679 | - |
| Modernization reserve | 156,012 | 156,012 |
| Fire building reserve | 75,786 | 79,181 |
| General municipal surplus (deficit) | <u>60,486</u> | <u>(63,196)</u> |
| | 357,986 | 213,020 |
| Amounts to be recovered | | |
| Unfinanced municipal debt | <u>(837,905)</u> | <u>(966,524)</u> |
| Net debt | <u>(479,919)</u> | <u>(753,504)</u> |
| Non-financial assets | | |
| Invested in tangible capital assets | 3,968,766 | 4,086,199 |
| Inventories of supplies | 6,918 | 6,640 |
| Prepaid expenses | <u>99,676</u> | <u>100,799</u> |
| | <u>4,075,360</u> | <u>4,193,638</u> |
| Accumulated surplus | <u>\$ 3,595,441</u> | <u>\$ 3,440,134</u> |

Non-financial assets

Non-financial assets are not available to discharge existing liabilities. Amounts invested in tangible capital assets 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 (Debt) for the year.

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11. **Comparative information**

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year. The changes do not affect the prior annual surplus.

12. **Contingent liabilities and commitments**

Non-Consolidated Entities

The Town is contingently liable for the deficits and long-term debt of the non-consolidated entities.

Ontario Municipal Employees Retirement Fund

All permanent, full-time employees of the Town are eligible to be members of 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.

As this is a multi-employer pension plan, the contributions by the Town are recognized as an expenditure. No pension liability for this type of plan is recognized in the Town's consolidated financial statements. Contributions made by the Town to OMERS for 2020 were \$30,921 (2019 - \$25,885). The plan had an actuarial deficit of \$3.2 billion at the end of 2020.

Legal contingencies

Three statements of claim have been issued against the Town claiming damages. Damages, if any, cannot be estimated at this time and in any event, the insurance provider has confirmed that these claims would be unfounded or covered by insurance after application of a \$5,000 deductible per claim. Should any loss result, it would be charged to operations when the amount is ascertained.

Funding agreements

Under the terms of various funding agreements, the Town could have provincial and federal grants become repayable if it is determined that funding was applied towards ineligible costs or if other terms of the agreements were not met. At year end management is of the opinion that all conditions have been met and funding was applied towards eligible costs.

13. **Segmented information**

The Corporation of the Town of Latchford is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these service areas. Departments disclosed in the Segmented Information, along with the services they provide, are as follows:

General Government Services

General government services consists of departments that are responsible for adopting bylaws, adopting administrative policy, levying taxes, acquiring, disposing and managing municipal assets, ensuring effective financial management, monitoring performance and ensuring that high quality municipal service standards are met.

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

13. **Segmented information - continued**

Protection Services

Protection services consists of departments that are responsible for the enforcement of laws, prevention of crime, and maintenance of peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring safe homes and safe communities.

Transportation Services

Transportation services consists of departments that are responsible for the delivery of municipal public works services related to planning, design, construction, cleaning, repair, snow removal and signage of roadway systems.

Environmental Services

Environmental services include water and sewer services as well as garbage and recycling services. Water and Sewer services include the operation and distribution of water and networking sewer mains and storm sewers. The Garbage and Recycling services are responsible for the delivery of municipal services including garbage collection and recycling.

Health Services

The Town funds a range of public health services through the Timiskaming Health Unit and provides ambulance services through the District Social Services Administration Board.

Social and Family Services

The Town funds a range of family and social services through the District Social Services Administration Board which includes social housing, childcare and general assistance.

Recreation and Cultural Services

Recreation and cultural services consists of departments that are responsible for providing, facilitating the development of, and maintaining high quality parks, recreational facilities, and cultural services.

Planning and Development Services

Planning and development services consists of departments that are responsible for preparing land use plans, bylaws and policies for sustainable development of the Town and for reviewing and approving new development.

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

13. Segmented information - continued

| | General Government Services | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development Services | Total 2020 | Total 2019 |
|--|-----------------------------------|------------------------|----------------------------|---------------------------|--------------------|----------------------------------|---|--|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Operating revenues | | | | | | | | | | |
| Municipal taxation | \$ 876,781 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 876,781 | \$ 861,921 |
| Water and sewer user charges | - | - | - | 228,783 | - | - | - | - | 228,783 | 217,012 |
| User charges | 474 | 3,697 | 17,850 | 18,569 | - | - | 13,109 | - | 53,699 | 65,933 |
| Revenue from other municipalities | - | - | - | 1,090 | 6,000 | - | - | - | 7,090 | 7,586 |
| Provincial grants | 155,906 | - | - | 12,413 | 110,378 | - | - | - | 278,697 | 441,548 |
| Federal grants | - | - | 3,920 | - | - | - | 3,200 | - | 7,120 | 10,248 |
| Penalties and interest on taxes | 11,852 | - | - | - | - | - | - | - | 11,852 | 14,760 |
| Provincial Offences Act revenues | - | 2,011 | - | - | - | - | - | - | 2,011 | 4,327 |
| Gain on disposal of tangible capital assets | 73,401 | - | 3,037 | - | - | - | - | - | 76,438 | - |
| Other | 24,096 | - | - | - | - | - | 4,375 | - | 28,471 | 28,698 |
| | 1,142,510 | 5,708 | 24,807 | 260,855 | 116,378 | - | 20,684 | - | 1,570,942 | 1,652,033 |
| Capital revenues | | | | | | | | | | |
| Provincial grants | 3,995 | - | 50,000 | - | - | - | - | - | 53,995 | 62,038 |
| Federal grants | - | - | - | - | - | - | - | - | - | 43,199 |
| Other | - | 35,520 | - | - | - | - | - | - | 35,520 | 74,181 |
| Total revenues | 1,146,505 | 41,228 | 74,807 | 260,855 | 116,378 | - | 20,684 | - | 1,660,457 | 1,831,451 |
| Expenditures | | | | | | | | | | |
| Wages and benefits | 237,309 | 12,087 | 90,318 | 158,915 | 67,614 | - | 2,568 | - | 568,811 | 568,838 |
| Long-term debt interest | - | 1,707 | 14,550 | 15,386 | - | - | 1,844 | - | 33,487 | 39,122 |
| Materials | 105,534 | 16,203 | 39,898 | 113,964 | 42,764 | - | 17,549 | - | 335,912 | 394,063 |
| Contracted services | 52,803 | 84,799 | 5,531 | 58,606 | - | - | - | 3,106 | 204,845 | 179,899 |
| Rents and financial expenses | 1,289 | - | - | - | - | - | - | - | 1,289 | 7,732 |
| External transfers | - | - | - | - | 75,835 | 60,229 | - | - | 136,064 | 122,844 |
| Amortization | 13,852 | 9,894 | 71,087 | 101,507 | - | - | 28,402 | - | 224,742 | 229,545 |
| Total expenditures | 410,787 | 124,690 | 221,384 | 448,378 | 186,213 | 60,229 | 50,363 | 3,106 | 1,505,150 | 1,542,043 |
| Annual surplus (deficit) | \$ 735,718 | \$ (83,462) | \$ (146,577) | \$ (187,523) | \$ (69,835) | \$ (60,229) | \$ (29,679) | \$ (3,106) | \$ 155,307 | \$ 289,408 |

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

14. Schedule of tangible capital assets

2020

| | Opening Cost Dec 31, 2019 | Additions | Disposals | Ending Cost Dec 31, 2020 | Opening Accumulated Amortization Dec 31, 2019 | Accumulated Amortization on Disposals | Current Amortization | Ending Accumulated Amortization Dec 31, 2020 | Net Assets Dec 31, 2020 |
|----------------------------|---------------------------------|-------------------|-------------------|--------------------------------|--|--|-------------------------|---|-------------------------------|
| General | | | | | | | | | |
| Land | \$ 101,786 | \$ - | \$ 2,605 | \$ 99,181 | \$ - | \$ - | \$ - | \$ - | \$ 99,181 |
| Land improvements | 163,965 | - | - | 163,965 | 103,284 | - | 4,684 | 107,968 | 55,997 |
| Buildings | 2,054,200 | 4,681 | - | 2,058,881 | 911,978 | - | 41,271 | 953,249 | 1,105,632 |
| Machinery and equipment | 2,483,357 | - | 124,236 | 2,359,121 | 1,135,646 | 37,272 | 71,524 | 1,169,898 | 1,189,223 |
| Leased machinery | - | 141,579 | - | 141,579 | - | - | 14,158 | 14,158 | 127,421 |
| Vehicles | 382,393 | 11,702 | - | 394,095 | 236,947 | - | 18,176 | 255,123 | 138,972 |
| Construction in progress | - | 38,916 | - | 38,916 | - | - | - | - | 38,916 |
| Infrastructure | | | | | | | | | |
| Roads and bridges | 1,433,988 | - | - | 1,433,988 | 451,673 | - | 43,881 | 495,554 | 938,434 |
| Streetlights | 50,575 | - | - | 50,575 | 13,351 | - | 1,432 | 14,783 | 35,792 |
| Water main | 727,430 | - | - | 727,430 | 559,839 | - | 14,548 | 574,387 | 153,043 |
| Sewer main | 491,400 | - | - | 491,400 | 390,177 | - | 15,068 | 405,245 | 86,155 |
| Total | \$ 7,889,094 | \$ 196,878 | \$ 126,841 | \$ 7,959,131 | \$ 3,802,895 | \$ 37,272 | \$ 224,742 | \$ 3,990,365 | \$ 3,968,766 |

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

14. Schedule of tangible capital assets – continued

| | 2019 | | | | | | |
|-------------------------|--------------------|-------------------|---------------------|--|-------------------------|---------------------------------------|---------------------|
| | Original Cost | | Ending Cost | Opening Accumulated Amortization | Current Amortization | Ending Accumulated Amortization | Net Assets |
| | Dec 31, 2018 | Additions | Dec 31, 2019 | Dec 31, 2018 | Dec 31, 2019 | Dec 31, 2019 | Dec 31, 2019 |
| General | | | | | | | |
| Land | \$ 101,786 | \$ - | \$ 101,786 | \$ - | \$ - | \$ - | \$ 101,786 |
| Land improvements | 163,965 | - | 163,965 | 98,600 | 4,684 | 103,284 | 60,681 |
| Buildings | 2,043,747 | 10,453 | 2,054,200 | 868,519 | 43,459 | 911,978 | 1,142,222 |
| Machinery and equipment | 2,465,103 | 18,254 | 2,483,357 | 1,046,616 | 89,030 | 1,135,646 | 1,347,711 |
| Vehicles | 382,393 | - | 382,393 | 219,504 | 17,443 | 236,947 | 145,446 |
| Infrastructure | | | | | | | |
| Roads and bridges | 1,343,747 | 90,241 | 1,433,988 | 407,792 | 43,881 | 451,673 | 982,315 |
| Street lights | 50,575 | - | 50,575 | 11,919 | 1,432 | 13,351 | 37,224 |
| Water main | 727,430 | - | 727,430 | 545,291 | 14,548 | 559,839 | 167,591 |
| Sewer main | 491,400 | - | 491,400 | 375,109 | 15,068 | 390,177 | 101,223 |
| Total | \$7,770,146 | \$ 118,948 | \$ 7,889,094 | \$ 3,573,350 | \$ 229,545 | \$ 3,802,895 | \$ 4,086,199 |

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

15. Budgeting

The Town budgets to determine an appropriate tax rate based on all budgeted revenues and expenditures. The consolidated statement of operations on page 5 has been modified here to exclude amortization and to include tangible capital asset expenditures and the principal repayments on long-term debt.

This modified statement of operations (budget based) is consistent with the budget format used and is presented here with the 2020 budget.

| | 2020 Budget | 2020 Actual | 2019 Actual |
|---|--------------------|-------------------|-------------------|
| REVENUES | | | |
| Operating revenues | | | |
| Municipal taxation | \$ 872,366 | \$ 876,781 | \$ 861,921 |
| Water and sewer user charges | 231,126 | 228,783 | 217,012 |
| User charges | 61,713 | 53,699 | 65,933 |
| Revenue from other municipalities | 7,500 | 7,090 | 7,586 |
| Provincial grants | 233,359 | 278,697 | 441,548 |
| Federal grants | 8,800 | 7,120 | 10,248 |
| Penalties and interest on taxes | 15,000 | 11,852 | 14,760 |
| Provincial Offences Act revenues | 4,500 | 2,011 | 4,327 |
| Proceeds from disposal of tangible capital assets | 30,000 | 166,007 | - |
| Other | 14,312 | 28,471 | 28,698 |
| | <u>1,478,676</u> | <u>1,660,511</u> | <u>1,652,033</u> |
| Capital revenues | | | |
| Provincial grants | 50,000 | 53,995 | 62,038 |
| Federal grants | 26,829 | - | 43,199 |
| Other | - | 35,520 | 74,181 |
| Proceeds from long-term debt | - | 89,413 | 90,241 |
| | <u>76,829</u> | <u>178,928</u> | <u>269,659</u> |
| Total revenues | <u>1,555,505</u> | <u>1,839,439</u> | <u>1,921,692</u> |
| EXPENDITURES | | | |
| Operating expenditures | | | |
| General government | 377,883 | 396,934 | 394,094 |
| Protection to persons and property | 125,619 | 114,796 | 111,832 |
| Transportation services | 191,604 | 150,574 | 186,432 |
| Environmental services | 368,778 | 346,871 | 369,531 |
| Health services | 169,735 | 186,213 | 152,854 |
| Social and family services | 60,229 | 60,229 | 63,474 |
| Recreation and cultural services | 31,050 | 21,961 | 30,644 |
| Planning and development | 4,225 | 3,106 | 3,062 |
| | <u>1,329,123</u> | <u>1,280,684</u> | <u>1,311,923</u> |
| Long-term debt principal repayment | 178,537 | 218,032 | 177,877 |
| Capital expenditures | 74,182 | 196,878 | 118,948 |
| Total expenditures | <u>1,581,842</u> | <u>1,695,594</u> | <u>1,608,748</u> |
| Surplus (deficit) – full budget base | \$ (26,337) | \$ 143,845 | \$ 312,944 |

THE CORPORATION OF THE TOWN OF LATCHFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

16. Water and Wastewater System

The Town's operations include the running of a Water and Wastewater facility for some properties in the Town. This schedule is not prepared according to PSAB accounting and is operational. It excludes amortization, includes capital revenue and expenses, and includes proceeds and repayments of long-term debt.

| | 2020 | 2019 |
|--|--------------------|---------------------|
| Revenue | | |
| Water and sewer user fees | \$ 216,033 | \$ 206,088 |
| Contract fees | 12,750 | 10,924 |
| Federal grants - operating | - | 5,088 |
| Provincial grants - capital | - | 1,585 |
| Federal grants - capital | - | 3,171 |
| | <u>228,783</u> | <u>226,856</u> |
| Expenses | | |
| Wages and benefits | 158,611 | 153,554 |
| Materials | 102,538 | 138,718 |
| Contracted services | 29,054 | 13,335 |
| Long-term debt - interest | 15,386 | 16,421 |
| - principal | 19,200 | 18,736 |
| | <u>324,789</u> | <u>340,764</u> |
| Annual deficit (recovered from Town's general revenues) | \$ (96,006) | \$ (113,908) |