

SCHEDULE 74: Long Term Liabilities and Commitments

General Information

The Schedule 74 series consists of the following 13 sections. The corresponding worksheet in the FIR file is indicated next to the section.

- 74A-1. Debt burden of the municipality
- 74A-2. Debt burden of the municipality - Analysed by debt instrument
- 74A-3. Debt burden of the municipality - Analysed by function

- 74B-4. Debt payable in foreign currencies (net of sinking fund holdings)
- 74B-5. Interest earned on sinking funds and on debt retirement funds during the year.
- 74B-6. Details of sinking fund balance
- 74B-7. Long term commitments at year end

- 74C-8. Contingent liabilities
- 74C-10. Debt Charges for the current year
- 74C-11. Long term debt refinanced

- 74D-12. Future principal and interest payments on EXISTING debt
- 74D-13. Other Notes

Definition: Long Term Liabilities

Please note that liabilities for solid waste management facilities, post-employment benefits, and contaminated sites are not reflected on Schedule 74. These liabilities are only reflected in Schedule 70.

The term "long term liabilities" as used in the FIR reflects the debt position of a municipality and its consolidated municipal entities, including local boards. It takes into account the debt assumed by other bodies and debt assumed by the municipality from other bodies. It also takes into account the value of the municipality's own sinking funds and the Ontario Clean Water Agency debt retirement funds.

Long term liabilities are defined to include all types of debentures, mortgages, and capital lease agreements.

In addition, bank loans are considered long term liabilities if all the following conditions are met:

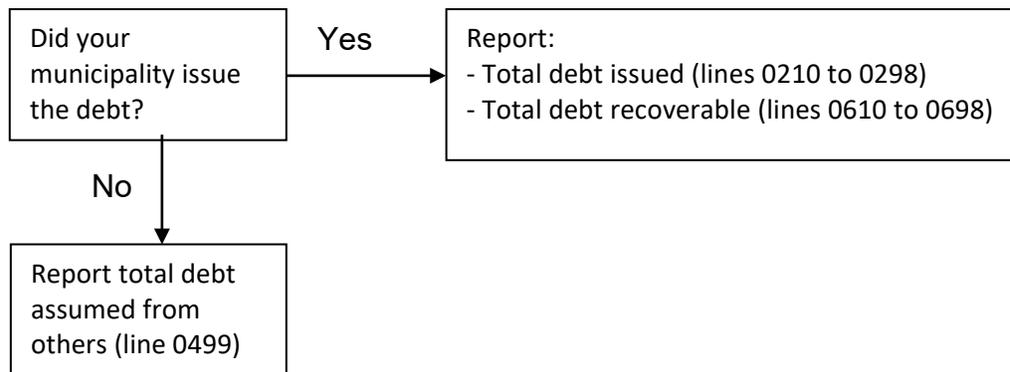
- (a) The loan is made for capital purposes;
- (b) The bank cannot, under normal circumstances, demand payment before maturity of the promissory note; and

(c) The municipality does not intend to issue debentures but has instead set up a plan to repay the loan out of general revenues over a period exceeding one year, with the approval of Council or the Local Planning Appeal Tribunal (LPAT), as the case may be.

Generally, all three conditions will be met.

Assumption of Debt

Municipalities may assume debt from other municipalities because of a municipal reorganization (annexation or amalgamation). Municipalities may also assume debt issued on behalf of a joint project or local board, or debt issuances on behalf of other bodies such as a public utilities commission. The debt assumed by another municipality under these circumstances is to be reported by that municipality and by the issuing municipality with a corresponding amount reported as debt recoverable from others, as outlined in the following diagram:



In addition, the issuing municipality should net payments received, if any, from the municipality assuming the debt against debt charges incurred for the debt. The issuing municipality should not report the payments received from the assuming municipality as revenues on Schedule 12 or recovered debt charges as expenses on Schedule 40.

1. DEBT BURDEN OF THE MUNICIPALITY

The total debt burden of the municipality reported in section 1 on line 9910 equals the amount reported in section 2 on line 9920 and the amount in section 3 on line 9930. In each section, the debt is analysed in a different manner.

Please note that if a municipality has refinanced debt, the new debt is included in the liabilities reported in sections 1, 2 and 3.

The total debt burden of the municipality on line 9910 is equal to all outstanding debt issued by the municipality, predecessor municipalities and consolidated entities, plus all debt assumed by the municipality from others, less all debt assumed by others, less

Ontario Clean Water Agency (OCWA) debt retirement funds, less the actual balances of own sinking funds.

All outstanding debt issued by the municipality, predecessor municipalities and consolidated entities

Include:

- 1. All debt issued in the name of the municipality**
- 2. Debt of predecessor municipalities**
- 3. Debt issued in the name of consolidated entities**
- 4. Debt issued in the name of the municipality on behalf of school boards and local boards, whether consolidated or unconsolidated**

Line 0210 To: Ontario and agencies

Enter debt issued by the municipality, predecessor municipalities and consolidated entities to the province and its agencies.

Line 0220 To: Canada and agencies

Enter debt issued by the municipality, predecessor municipalities and consolidated entities to the federal government and its agencies.

Line 0230 To: Others

Enter debt issued by the municipality, predecessor municipalities and consolidated entities to others. This category includes debt issued to the public (**including tile drain loans**) and debt issued to financial institutions.

Exclude liabilities pertaining to the former Ontario Hydro.

Debt issued in U.S. dollars must be included at the Canadian dollar equivalent using the rate of exchange prevailing at the balance sheet date.

Line 0297 Other

Refer to the instructions for line 0230 above.

Line 0298 Other

Refer to the instructions for line 0230 above.

Line 0299 Subtotal

The subtotal of all outstanding debt issued by the municipality, predecessor municipalities and consolidated entities is equal to the sum of lines 0210 through 0298.

Line 0499 PLUS: All debt assumed by the municipality from others

Debt of predecessor municipalities is not considered debt assumed by the municipality from others. Debt of predecessor municipalities is considered debt issued by the municipality and should be reported on lines 0210 to 0230.

LESS: All debt assumed by others

Identify debt issued by the municipality and assumed by the following:

- Line 0610 Ontario**
- Line 0620 School boards**
- Line 0630 Other municipalities**
- Line 0640 Government Business Enterprises**

Report long term debt specifically issued on behalf of Government Business Enterprises.

- Line 0697 Other: Please describe**
- Line 0698 Other: Please describe**

Line 0699 Subtotal

The subtotal of all debt assumed by others is equal to the sum of lines 0610 through 0698.

LESS: Debt retirement funds

- Line 0810 Sewer**
- Line 0820 Water**
- Line 0896 Other: Please describe**
- Line 0897 Other: Please describe**
- Line 0898 Other: Please describe**

Line 0899 Subtotal

The subtotal of debt retirement funds is equal to the sum of lines 0810 through 0898.

LESS: Own sinking funds (actual balances)

The amount reported is the actual balance in sinking funds, including interest earned.

Line 1010 General municipal

Enter actual sinking fund balances for general municipal purposes.

Line 1020 Enterprises and others

Enter actual sinking fund balances for government business enterprises and other entities.

Line 1097 Other: Please describe

Line 1098 Other: Please describe

Line 1099 Subtotal

The subtotal of own sinking funds is equal to the sum of lines 1010 through 1098.

**Line 9910 Total Net Long Term Liabilities of the municipality/
TOTAL Debt burden of the municipality**

Total debt burden of the municipality equals:

Subtotal, all outstanding debt issued by the municipality, predecessor municipalities and consolidated entities - Line 0299

PLUS: All debt assumed by the municipality from others - Line 0499

LESS: Subtotal, all debt assumed by others - Line 0699

LESS: Subtotal, Debt retirement funds-Line 0899

LESS: Subtotal, Own sinking funds (actual balances) - Line 1099

In section 2 of this schedule, Debt burden of the municipality - Analysed by debt instrument, the debt burden of the municipality on line 9910 is analysed by type of debt instrument. In the section 3 of this schedule, Debt burden of the municipality - Analysed by function, the debt burden of the municipality is analyzed by function.

2. DEBT BURDEN OF THE MUNICIPALITY - ANALYZED BY DEBT INSTRUMENT

In this section, the total debt burden of the municipality from line 9910 is categorized by type of instrument: sinking fund debentures, installment (serial) debentures, long term bank loans, lease purchase agreements, mortgages, construction financing debentures, and other.

When lines 1210 through 1298 are added, the subtotal on line 9920 must equal the amount reported in line 9910 (TOTAL Debt burden of the municipality).

Line 1210 Sinking fund debentures

Include all debentures which are to be retired by a sinking fund.

Line 1220 Installment (serial) debentures

Include all debentures which have a fixed repayment schedule.

Line 1230 Long term bank loans

Bank loans are considered long term liabilities if:

1. The loan is made for capital purposes; and
2. The bank cannot under normal circumstances demand payment before maturity of the promissory note; and
3. The municipality does not intend to issue debentures but has instead set up a plan to repay the loan out of general revenues over a period exceeding one year, with the approval of Council or the LPAT, as the case may be.

Generally, all three conditions will be met.

Line 1240 Lease purchase agreements

Please see the section on "Capital Leases" in the Introduction.

Line 1250 Mortgages

Include all debt issued with a mortgage deed executed as security.

Line 1280 Construction financing debentures

Municipalities issue debentures which carry debt service holiday periods that match construction. Ontario regulation 278/02 enables construction financing debentures to be issued.

Line 1297 Other

Indicate any other types of long-term liabilities.

Line 1298 Other

Indicate any other types of long-term liabilities.

Line 9920 TOTAL Debt burden of the municipality

Line 9920 is equal to the sum of lines 1210 through 1298. This line is also equal to line 9910.

3. DEBT BURDEN OF THE MUNICIPALITY - ANALYSED BY FUNCTION

The debt burden of the municipality from line 9910 is analysed by functional categories in lines 1405 to 1490. There is at least one line for every functional category. There are additional lines for transportation, environmental and recreation and cultural services.

Line 9930 TOTAL Debt burden of the municipality

Line 9930 is equal to the sum of lines 1405 through 1490. Line 9930 is also equal to 9910.

4. DEBT PAYABLE IN FOREIGN CURRENCIES (Net of Sinking Fund Holdings)

In section 1, Debt burden of the municipality, line 9910 may include debt payable in foreign currencies. Foreign debt is reported at its Canadian dollar equivalent.

In this section, debt is recorded in both the original currency and its Canadian equivalent. This information can be used to gauge the impact of exchange rate fluctuations.

Record the amount of foreign held debt, net of sinking funds.

US dollars

Line 1610 Canadian dollar equivalent included in SLC 74 9910 01

Enter the Canadian dollar equivalent of debt payable in U.S. dollars which was included in the total debt burden of the municipality in line 9910. Use the exchange rate prevailing as of the balance sheet date. Report the par value in U.S. dollars on line 1620.

Line 1620 Par value in U.S. dollars

State the amount of debt outstanding at year end in U.S. currency.

Other currency

Lines 1630 to 1660 are provided to record debt in foreign currencies other than U.S. dollars.

Line 1630 Canadian dollar equivalent included in SLC 74 9910 01

Enter the Canadian dollar equivalent of debt payable in foreign currency which was included in the total debt burden of the municipality on line 9910. Use the exchange rate prevailing as of the balance sheet date. On line 1640 specify the currency and the par value.

Line 1640 Par value in:

Specify the foreign currency in the space provided. In column 1, state the amount of debt outstanding at year end in the foreign currency.

Line 1650 Canadian dollar equivalent included in SLC 74 9910 01

Enter the Canadian dollar equivalent of debt payable in foreign currency which was included in the total debt burden of the municipality on line 9910. Use the exchange rate prevailing as of the balance sheet date. On line 1660 specify the currency and the par value.

Line 1660 Par value in:

Specify the foreign currency in the space provided. In column 1, state the amount of debt outstanding at year end in the foreign currency.

5. INTEREST EARNED ON SINKING FUNDS AND ON DEBT RETIREMENT FUNDS DURING THE YEAR

Line 1810 Own funds

Report interest earned on own sinking funds.

6. DETAILS OF SINKING FUND BALANCE

The information in this section concerns the value of outstanding sinking fund debentures (line 2010), the sinking fund balance (line 2199). The section also reports the amount of future contributions to the sinking fund (line 2210) and income from investments (line 2220) required to retire sinking fund debentures.

Line 2010 **Value of own sinking fund debentures issued and outstanding at year end**

Enter the outstanding balance on gross sinking fund debentures.

Balance of own sinking funds at year end

Line 2110 reports amounts contributed to sinking funds and line 2120 reports income earned on sinking funds.

Line 2110 **Total contributions to own sinking funds**

Report all contributions to own sinking funds on this line.

Line 2120 **Total income earned from investments of sinking fund monies**

Report income, including interest, earned from investing sinking funds.

Line 2199 **Subtotal**

The subtotal of lines 2110 and 2120 is the actual balance of own sinking funds at the year end. The balance of own sinking funds is the amount available to meet sinking fund obligations reported on line 2010.

Future contributions and income:

Future contributions to sinking funds and future income earned on investment of sinking funds

The difference between the value of outstanding sinking fund debentures (line 2010) and the actual balance of own sinking funds (line 2199) are the amount that will be needed to be raised in the future.

The amount to be raised will come from future contributions of the municipality to the sinking fund (line 2210) and future income from the investment of sinking fund monies (line 2220).

The amount to be raised in the future (line 2010 less line 2199) will be approximately equal to estimated future contributions and income (line 2210 plus line 2220).

Line 2210 **Estimated total future contributions from this municipality required to meet obligations in line 2010 above**

Estimate total future contributions to the sinking fund by this municipality, excluding interest.

Line 2220 **Estimated total future income earned from investments in lines 2199 and 2210 above**

On this line, report estimated interest to be earned from the balance of own sinking funds at year end (line 2199) plus estimated interest to be earned on future contributions to the sinking fund (line 2210).

7. LONG TERM COMMITMENTS AT YEAR END

In this section, report the remaining portion of all long-term commitments at year end which are financed from the statement of operations and approved by Council or the Local Planning Appeal Tribunal (LPAT), as the case may be, for the following purposes: hospital support; university support; leases and other agreements; capital equipment, land acquisition; and other.

These liabilities should be capitalized at the interest rate used by Council or the LPAT, as of the date of Council or LPAT approval.

Please note that the LPAT does not capitalize certain commitments such as service agreements for garbage disposal, snow removal, office cleaning, etc. Do not include such commitments here.

Where commitments are not readily convertible into dollar amounts, a narrative description should be sent by email to the Ministry at FIR.mah@ontario.ca

List the supporting material sent to the Ministry in Section 13 (Other Notes).

Line 2410 **Hospital support**

Commitments for hospitals may be for municipal, public or private hospitals. The municipality reports this as a long-term commitment, irrespective of whether the hospital uses the funds for capital or operating purposes.

Line 2420 **University support**

Line 2430 **Leases and other agreements**

Report leases that extend beyond the term of council but are not deemed to be tangible capital leases.

Line 2440 Capital equipment, land acquisition

Line 2496 Other

On this line report other contractual obligations and commitments that are abnormally large in relation to the usual operations of the municipality.

Line 2497 Other

On this line report other contractual obligations and commitments that are abnormally large in relation to the usual operations of the municipality.

Line 2498 Other

On this line report other contractual obligations and commitments that are abnormally large in relation to the usual operations of the municipality.

Line 2499 TOTAL

Total long-term commitments at year end are equal to the sum of lines 2410 through 2498.

8. CONTINGENT LIABILITIES

This section provides information on contingent liabilities to the extent that they are not already accrued in Schedule 70, Consolidated Financial Position. If your municipality has one or more contingent liabilities, please enter the actual or estimated value for each type of contingent liability.

Description of Columns

Column 4 Contingent Liabilities

Enter Y for "Yes" if you have a contingent liability.

Enter N for "No" if you do not have a contingent liability.

Column 1 Is Value in Column 2 Estimated? (Y or N)

Enter Y for "Yes" if the value of the contingent liability reported in column 2 is estimated.
Enter N for "No" if the value is not an estimate.

Column 2 Value (\$)

Enter the value of each type of contingent liability listed.

Column 3 Number of Years payable over

This column applies only to line 2640 (Outstanding loans guaranteed). Report the number of years as the time from the next reporting year to the year the last loan payment is due.

Description of Lines

Line 2610 Pending or threatened litigation

Report only the portion of the contingency which is uninsured.

Line 2620 Retroactive wage settlements

Enter the amount owing in respect of a wage settlement which involves a payment resulting from a retroactive charge to the reporting year and prior years which has not otherwise been accrued in Schedule 70, Consolidated Financial Position.

Line 2630 Guarantees of long-term indebtedness in the name of the municipality but assumed by others

Report long term debt guaranteed by the municipality where the debt has been assumed by others.

Line 2640 Outstanding loans guaranteed

Enter the amount of loans guaranteed by the municipality on behalf of another entity.

In column 3 specify the term of the loan in years. Report the number of years as the time from the next reporting year to the year the last loan payment is due.

Line 2698 Other

Report other contingent liabilities. PS 1201.071 of the PSAB Handbook states that "contingencies are the result of existing conditions or situations involving uncertainty that will ultimately be resolved when one or more future events occur or fail to occur." Potential contingent liabilities could include significant balances related to property tax under appeal.

Line 2699 TOTAL

Total contingent liabilities in this section are equal to the sum of lines 2610 through 2698.

10. DEBT CHARGES FOR THE CURRENT YEAR

Section 10 identifies sources that will be used to recover debt charges for the current year: consolidated statement of operations (lines 3012 and 3014), discretionary reserve funds (line 3020), unconsolidated entities (lines 3030 through 3050) and other sources (lines 3097 and 3098).

The amount recovered is divided into principal payments (column 1) and interest payments (column 2).

The debt charges reported on lines 3010 through 3098 should include balloon payments.

Recovered from the consolidated statement of operations:

Line 3012 General tax rates

Report principal and interest payments recovered from general tax rates. Include debt charges for unconsolidated entities which are paid by the municipality.

Line 3014 Other

Report principal and interest payments recovered from special area rates and special charges benefiting landlords.

Line 3015 Tile Drainage/Shoreline Assistance

Report principal and interest payments recovered from landowners (tile drain loans).

Line 3020 Recovered from the reserve funds

Report principal and interest payments recovered from discretionary reserve funds.

Recovered from unconsolidated entities

Report debt charges recovered from unconsolidated entities (electricity, gas, telephone) on lines 3030 to 3098 if they are recovered from user rates or general revenues of the unconsolidated entities.

Where debt charges for unconsolidated entities are paid by the municipality, they are recovered from the consolidated statement of operations and are entered on line 3012 or 3014.

Line 3030 **Recovered from unconsolidated entities - Electricity**

Line 3040 **Recovered from unconsolidated entities - Gas**

Line 3050 **Recovered from unconsolidated entities - Telephone**

Line 3097 **Recovered from unconsolidated entities - Other**

Please specify debt recoverable from all other sources, including obligatory reserve funds/deferred revenue.

Line 3098 **Recovered from unconsolidated entities - Other**

Please specify debt recoverable from all other sources, including obligatory reserve funds/deferred revenue.

Line 3099 **TOTAL**

For each column, the total is equal to the sum of lines 3012 through 3098.

The principal debt repayment shown on column 1 should match the amounts shown on schedule 54 under the financing section.

The interest expense shown on column 1 should match the amount shown on schedule 40-line 9910 column 2.

Line 3099 includes:

Line 3110 **Lump sum (balloon) repayments of long-term debt**

On line 3110 report large, one-time payments of principal and interest (balloon payments) which are included in total debt charges on line 3099.

Line 3120 **Provincial Grant funding for repayment of long-term debt**

On line 3120 report the provincial grant used for the repayment of long-term debt charges.

Analysis of Lease Purchase Agreements (Tangible Capital Leases)

Line 3140 Debt charges for Lease purchase agreements (Tangible capital leases)

Report principal and interest payments for lease purchase agreements which are deemed to be tangible capital assets on line 3140 in columns 1 and 2.

The total in column 3 is automatically calculated.

For additional information on capital leases see the section "Capital Leases" in the Introduction to the FIR.

11. LONG TERM DEBT REFINANCED

Debt which has been refinanced is analysed in two categories, repayment of provincial Special Assistance and other long-term debt refinanced. Please note that debt which has been refinanced is reported as part of the debt burden of the municipality in sections 1, 2 and 3 of this schedule.

Line 3410 Repayment of Provincial Special Assistance

If your municipality incurred a new long-term debt in order to repay a current long-term liability to the province for Special Assistance, please record the amount of the repayment on this line.

Line 3420 Other long-term debt refinanced

Report all other repayments arising from refinancing debt on this line.

Please note that repayments associated with refinancing debt should not be included in section 10, Debt charges for the current year.

12. FUTURE PRINCIPAL AND INTEREST PAYMENTS ON EXISTING DEBT

Section 12 identifies sources that will be used to recover debt charges for future years: from consolidated statement of operations (columns 1 and 2), reserve funds (columns 3 and 4), unconsolidated entities (columns 5 and 6) and all others (columns 7 and 8).

Description of Columns

For each source, there is a principal and interest column.

Columns 1 & 2: Recoverable from the consolidated statement of operations

Report the amount of principal and interest payments recoverable from the consolidated statement of operations in these columns. Column 1 represents principal repayments and column 2 represents interest payments.

Amounts recoverable from the consolidated statement of operations represent amounts to be recovered from taxes.

Columns 3 & 4: Recoverable from reserve funds

Report the amount of principal and interest payments recoverable from discretionary reserve funds in these columns.

Columns 5 & 6: Recoverable from unconsolidated entities

Report the amount of principal and interest payments recoverable from unconsolidated entities in these columns.

Columns 7 & 8: Recoverable from all others

Report the amount of principal and interest recoverable from all other sources. This category includes debt recoverable from obligatory reserve funds/deferred revenue. This category also includes debt recoverable from interest on sinking funds.

Description of Lines

On lines 3210 through 3270 identify recoverable principal and interest repayments by year. The first five years are reported individually.

Line 3210 **Year 2021**
Line 3220 **Year 2022**
Line 3230 **Year 2023**
Line 3240 **Year 2024**
Line 3250 **Year 2025**

Line 3260 **Years 2026 to 2030** **Year's six to ten are aggregated.**

Line 3270 **Years 2031 onwards** **Amounts beyond ten years are aggregated.**

Line 3280 **Interest to be earned on sinking funds**

The estimated interest on sinking funds and the interest on debt retirement funds should be reported on the line for the appropriate year. However, when the estimated interest cannot be readily assigned to a year, it should be reported on line 3280 in column 8 (Recoverable from all others - Interest).

Line 3299 TOTAL

For each column, the total is equal to the sum of lines 3210 through 3280.

13. OTHER NOTES

In the space provided on line 3601 or on Schedule 83, list all supporting schedules sent to the Ministry by email, fax or mail.

Line 3601 Other Notes

Examples of supporting materials include:

Explanatory notes which the municipal council or treasurer feels are required for adequate disclosure of the municipality's financial affairs.

A report of long-term commitments at year end which are not readily convertible into dollar amounts which were not reported in section 7, Long term commitments at year end.

Please include the amount incurred for cross border leases that are enabled by specific Ontario regulation.

Please forward supporting documents by email to: FIR.mah@ontario.ca