

TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL STATEMENTS

December 31, 2018

TOWNSHIP OF SOUTH GLENGARRY

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Township of South Glengarry

Opinion

We have audited the financial statements of the Township of South Glengarry (the "Municipality"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities, changes in net financial assets, cash flows and related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Cornwall, Ontario
June 12, 2019



Chartered Professional Accountants
Licensed Public Accountants

TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
NET FINANCIAL ASSETS		
ASSETS		
Cash	\$ 5,473,398	\$ 4,041,030
Taxes receivable	3,272,143	3,857,256
Accounts receivable	1,349,938	1,354,976
	10,095,479	9,253,262
 LIABILITIES		
Accounts payable	1,798,596	1,652,696
Deferred revenue - obligatory reserve funds (Note 2)	395,836	369,592
Municipal debt (Note 3)	85,653	107,824
Accrued landfill closure and post-closure costs (Note 4)	1,368,310	1,338,310
	3,648,395	3,468,422
NET FINANCIAL ASSETS	6,447,084	5,784,840
NON-FINANCIAL ASSETS		
Tangible capital assets	50,780,263	49,898,073
Inventory	150,739	166,791
	50,931,002	50,064,864
ACCUMULATED SURPLUS	\$ 57,378,086	\$ 55,849,704

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2018

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
REVENUES			
Taxation (Note 1(a)(iii))	\$ 9,107,642	\$ 9,167,278	\$ 9,024,993
Fees and service charges	1,852,255	2,188,990	1,980,198
Grants	1,171,900	1,240,675	1,170,579
Investment income	503,500	602,697	563,563
Other	-	4,363	-
	12,635,297	13,204,003	12,739,333
EXPENSES			
General government	1,216,000	1,390,108	1,644,607
Protection to persons and property	1,729,000	1,532,888	1,616,235
Transportation services	5,022,800	5,124,336	4,833,274
Environmental services	2,944,590	2,767,404	2,623,098
Health services	46,000	39,510	51,256
Recreation and cultural services	962,100	1,291,899	1,155,264
Planning and development	493,679	347,780	248,248
	12,414,169	12,493,925	12,171,982
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	420,000	420,000	407,000
Grants	729,662	381,894	253,710
Gain (loss) on disposal of tangible capital assets	(25,000)	16,410	-
	1,124,662	818,304	660,710
SURPLUS FOR THE YEAR	1,345,790	1,528,382	1,228,061
ACCUMULATED SURPLUS, beginning of year	55,849,704	55,849,704	54,621,643
ACCUMULATED SURPLUS, end of year	\$ 57,195,494	\$ 57,378,086	\$ 55,849,704

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2018

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 1,345,790	\$ 1,528,382	\$ 1,228,061
Amortization of tangible capital assets	2,321,500	2,394,577	2,355,526
Acquisition of tangible capital assets	(3,624,000)	(3,276,767)	(4,054,345)
Proceeds on disposal of tangible capital assets	-	16,410	-
(Gain) loss on disposal of tangible capital assets	25,000	(16,410)	-
Transfers of capital assets from WIP to tangible capital assets	-	-	1,062,865
Change in inventory	-	16,052	(125,072)
Increase in net financial assets	68,290	662,244	467,035
Net financial assets, beginning of year	5,784,840	5,784,840	5,317,805
Net financial assets, end of year	\$ 5,853,130	\$ 6,447,084	\$ 5,784,840

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 1,528,382	\$ 1,228,061
Items not affecting cash		
Amortization of tangible capital assets	2,394,577	2,355,526
Gain on disposal of tangible capital assets	(16,410)	-
Changes in non-cash working capital balances		
Taxes receivable	585,113	(214,853)
Accounts receivable	5,038	(84,911)
Inventory	16,052	(125,072)
Accounts payable	145,900	323,028
Deferred revenue - obligatory reserve funds	26,244	10,641
Accrued landfill closure and post-closure costs	30,000	30,000
	4,714,896	3,522,420
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(22,171)	(30,889)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	16,410	-
Acquisition of tangible capital assets	(3,276,767)	(4,054,345)
Transfer of capital assets from WIP to tangible capital assets	-	1,062,865
	(3,260,357)	(2,991,480)
INCREASE IN CASH	1,432,368	500,051
CASH, beginning of year	4,041,030	3,540,979
CASH, end of year	\$ 5,473,398	\$ 4,041,030
REPRESENTED BY :		
Cash	\$ 5,473,398	\$ 4,041,030

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	Land	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	Assets under Construction	2018	2017
Cost											
Balance, beginning of year	\$ 1,724,559	\$ 10,410,845	\$ 4,125,599	\$ 2,537,632	\$ 21,520,543	\$ 41,033,026	\$ 12,564,748	\$ 10,869,115	\$ -	\$ 104,786,067	\$ 101,794,587
Additions during the year	-	24,942	880,610	458,972	-	1,912,243	-	-	-	3,276,767	4,054,345
Disposals during the year	-	-	(116,444)	-	-	-	-	-	-	(116,444)	(1,062,865)
Balance, end of year	1,724,559	10,435,787	4,889,765	2,996,604	21,520,543	42,945,269	12,564,748	10,869,115	-	107,946,390	104,786,067
Accumulated Amortization											
Balance, beginning of year	-	4,111,390	3,008,118	1,362,029	12,069,288	25,740,440	2,988,580	5,608,149	-	54,887,994	52,532,468
Amortization during the year	-	226,283	144,727	132,707	432,061	1,102,987	154,644	201,168	-	2,394,577	2,355,526
Amortization on disposals	-	-	(116,444)	-	-	-	-	-	-	(116,444)	-
Balance, end of year	-	4,337,673	3,036,401	1,494,736	12,501,349	26,843,427	3,143,224	5,809,317	-	57,166,127	54,887,994
Net book value	\$ 1,724,559	\$ 6,098,114	\$ 1,853,364	\$ 1,501,868	\$ 9,019,194	\$ 16,101,842	\$ 9,421,524	\$ 5,059,798	\$ -	\$ 50,780,263	\$ 49,898,073

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	2018	2017
Cost							
Balance, beginning of year	\$ 2,070,752	\$ 6,415,120	\$ 56,562,938	\$ 34,598,258	\$ 5,138,999	\$104,786,067	\$100,731,722
Additions during the year	24,942	880,610	2,183,798	-	187,417	3,276,767	4,054,345
Disposals during the year	-	(116,444)	-	-	-	(116,444)	-
Balance, end of year	2,095,694	7,179,286	58,746,736	34,598,258	5,326,416	107,946,390	104,786,067
Accumulated Amortization							
Balance, beginning of year	543,384	2,670,878	33,820,908	15,245,714	2,607,110	54,887,994	52,532,468
Amortization during the year	31,090	146,243	1,504,272	587,497	125,475	2,394,577	2,355,526
Amortization on disposals	-	(116,444)	-	-	-	(116,444)	-
Balance, end of year	574,474	2,700,677	35,325,180	15,833,211	2,732,585	57,166,127	54,887,994
Net book value	\$ 1,521,220	\$ 4,478,609	\$ 23,421,556	\$ 18,765,047	\$ 2,593,831	\$ 50,780,263	\$ 49,898,073

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2018

	2018	2017
Surpluses (deficits)		
Operating surplus (Note 8)	\$ -	\$ -
Water and sewer (deficit) surplus	(53,392)	137,084
Street lights deficit	(49,429)	(126,438)
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post-closure	(1,368,310)	(1,338,310)
Total deficits	(1,471,131)	(1,327,664)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	2,551,706	1,955,281
Waste management	660,750	495,750
Capital	25,068	142,981
Fire	538,027	1,141,058
Planning	196,000	147,000
Recreation and health	943,624	822,040
Roads	1,304,748	1,201,647
Sewer and water	1,565,064	1,043,571
Other	283,967	329,967
Total reserves	8,068,954	7,279,295
Equity in tangible capital assets		
Invested in tangible capital assets	50,780,263	49,898,073
ACCUMULATED SURPLUS	\$ 57,378,086	\$ 55,849,704

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2018

	Surpluses (Deficits)	Reserves	Equity in Tangible Capital Assets	2018	2017
Balance, beginning of year	\$ (1,327,664)	\$ 7,279,295	\$ 49,898,073	\$ 55,849,704	\$ 54,621,643
Surplus (deficit) for the year	3,922,959	-	(2,394,577)	1,528,382	1,228,061
Reserve funds used for operations	2,011,228	(2,011,228)	-	-	-
Funds transferred to reserves	(2,800,887)	2,800,887	-	-	-
Current year funds used for tangible capital assets	(3,276,767)	-	3,276,767	-	-
Change in accumulated surplus	(143,467)	789,659	882,190	1,528,382	1,228,061
Balance, end of year	\$ (1,471,131)	\$ 8,068,954	\$ 50,780,263	\$ 57,378,086	\$ 55,849,704

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2018	2017
REVENUE										
Taxation	\$ 72,804	\$ 1,664,689	\$ 5,461,960	\$ 868,385	\$ -	\$ 7,115	\$ 1,060,635	\$ 31,690	\$ 9,167,278	\$ 9,024,993
Fees and service charges	67,343	19,959	28,507	107,282	1,344,859	50,640	270,200	300,200	2,188,990	1,980,198
Grants	1,447,456	17,772	(369,865)	145,312	-	-	-	-	1,240,675	1,170,579
Investment income	596,120	-	-	-	6,577	-	-	-	602,697	563,563
Other	1,700	-	-	-	-	-	2,663	-	4,363	-
	2,185,423	1,702,420	5,120,602	1,120,979	1,351,436	57,755	1,333,498	331,890	13,204,003	12,739,333
EXPENSES										
Wages and benefits	801,861	717,794	996,650	20,364	405,611	-	584,372	238,928	3,765,580	3,653,551
Interest on municipal debt	-	-	-	-	-	-	-	6,466	6,466	8,323
Materials and services	500,606	491,518	1,908,246	362,320	592,448	34,432	569,921	97,024	4,556,515	4,573,685
Contracted services	-	21,592	637,081	763,537	8,556	-	-	-	1,430,766	1,226,849
Insurance and financial costs	17,280	39,856	68,086	14,992	12,081	559	16,650	5,362	174,866	177,796
Third party transfers	39,271	115,884	10,000	-	-	-	-	-	165,155	176,252
Amortization	31,090	146,244	1,504,273	790	586,705	4,519	120,956	-	2,394,577	2,355,526
	1,390,108	1,532,888	5,124,336	1,162,003	1,605,401	39,510	1,291,899	347,780	12,493,925	12,171,982
OTHER REVENUE RELATED TO CAPITAL										
Deferred revenue earned	-	-	420,000	-	-	-	-	-	420,000	407,000
Grants	-	-	381,894	-	-	-	-	-	381,894	253,710
Gain on disposal of tangible capital assets	-	16,410	-	-	-	-	-	-	16,410	-
	-	16,410	801,894	-	-	-	-	-	818,304	660,710
SURPLUS (DEFICIT)	\$ 795,315	\$ 185,942	\$ 798,160	\$ (41,024)	\$ (253,965)	\$ 18,245	\$ 41,599	\$ (15,890)	\$ 1,528,382	\$ 1,228,061

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of consolidation

(i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and reserves and include the activities of all committees of Council.

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

These financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform with those of the Municipality and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and school board transactions

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

(b) Fund accounting

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

(c) Taxation and related revenue

Property tax billings are issued by the Municipality based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry, provincial education taxes on behalf of the Province of Ontario, payments in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legislation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and when a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Government grants

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(e) Government transfers

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

(f) Fees and service charges

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

(g) Investment income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

(h) Cash

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

(i) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective fund when approved.

(j) Deferred revenue

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

(k) Landfill closure costs

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits

Employee benefits include vacation entitlements. Vacation benefits are accrued in accordance with the Municipality's policy. The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS) as a defined benefit plan.

(m) Amounts to be recovered from future revenues

Amounts to be recovered from future revenues represent the outstanding principal portion of unmatured long-term liabilities for expenditures, accrued interest on long-term liabilities and future employment benefits payable that will be financed through future revenues of the Municipality and is reported on the Statement of Financial Position.

(n) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the surplus or deficit, provides the change in net financial assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual values, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	3 to 30 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Sewage treatment plants	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	7 to 50 years
Bridges and structures	25 to 75 years

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

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Non-financial assets (Continued)

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

The Municipality has a capitalization threshold of \$25,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are desktop computer systems, vehicles, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventory

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

(o) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful lives of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, deferred revenue and the estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Municipality is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Municipality expects that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability include:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

2. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	Federal Gas Tax	Parkland	Development Charges	2018	2017
Balance, beginning of year	\$ 14,050	\$ 47,087	\$ 308,455	\$ 369,592	\$ 358,951
Grants received	419,222	-	-	419,222	407,251
Interest and other	2,501	18,441	6,080	27,022	10,390
Deferred revenue earned	(420,000)	-	-	(420,000)	(407,000)
Balance, end of year	\$ 15,773	\$ 65,528	\$ 314,535	\$ 395,836	\$ 369,592

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

3. MUNICIPAL DEBT

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

	2018	2017
Tile drain loans, interest rates ranging from 6% to 8%, repayable over a ten year period in blended payments ranging between \$665 and \$4,171, maturity dates ranging from 2019 to 2026	\$ 85,653	\$ 107,824
Principal payments assuming the loans are renewed under the same terms and conditions are as follows:		
2019	\$ 19,643	
2020	18,104	
2021	10,386	
2022	11,010	
2023	11,670	
2024 - 2026	14,840	
	\$ 85,653	

4. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Municipality operates two solid waste landfill sites. The North Lancaster landfill site has an estimated remaining life of 22 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated March 2010. The Beaverbrook landfill site has an estimated remaining life of 22 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated December 2008. The estimate associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post-closure monitoring estimated for 5 years. Total closure and post-closure costs are estimated to be \$2,000,000 with \$1,368,310 (2017 - \$1,338,310) being accrued at the end of the current fiscal year. These costs are to be recovered from future taxation revenue and reserves.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

5. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2018	2017
Municipal debt	\$ 85,653	\$ 107,824
Accrued landfill closure and post-closure costs	1,368,310	1,338,310
	\$ 1,453,963	\$ 1,446,134

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 1,368,310	\$ 1,338,310
Benefiting landowners	85,653	107,824
	\$ 1,453,963	\$ 1,446,134

6. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
Wages and benefits	\$ 3,937,000	\$ 3,765,580	\$ 3,653,551
Interest on municipal debt	17,829	6,466	8,323
Materials and services	4,286,290	4,556,515	4,573,685
Contracted services	1,499,500	1,430,766	1,226,849
Insurance and other financial costs	184,300	174,866	177,796
Third party transfers	167,750	165,155	176,252
Amortization	2,321,500	2,394,577	2,355,526
	\$ 12,414,169	\$ 12,493,925	\$ 12,171,982

7. PENSION AGREEMENTS

The Municipality is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan. The plan is a contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are the joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The employer amount contributed to OMERS for 2018 was \$203,474 (2017 - \$202,524) for current service and is included as an expenditure on the Statement of Financial Activities.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

8. OPERATING SURPLUS

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 1,345,790	\$ 1,528,382	\$ 1,228,061
Funds transferred to reserves	(1,628,490)	(2,238,969)	(1,891,506)
Reserves used for operations	1,335,000	2,011,228	1,418,844
Change in accrued landfill closure and post-closure costs	-	30,000	30,000
Acquisition of tangible capital assets	(3,624,000)	(3,276,767)	(4,054,345)
Annual amortization expense	2,321,500	2,394,577	2,355,526
Disposal of tangible capital assets	25,000	-	-
Transfer of WIP to tangible capital assets	-	-	1,062,865
Operating surplus (deficit) for the year	(225,200)	448,451	149,445
Transfer (to) from street lights surplus	-	(77,009)	133,486
Transfer from water and sewer surplus	225,200	190,476	26,456
Transfer to working capital reserves	-	(561,918)	(309,387)
	\$ -	\$ -	\$ -

9. SEGMENTED INFORMATION

The Municipality is responsible for providing a range of services to its citizens. For management reporting purposes the Municipality's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Municipality of South Glengarry and expended disclosure by object has been reflected in the Schedule of Segmented Disclosure.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the Municipality. Administration as a segment includes operating and maintaining municipally-owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services

Protection services includes fire protection, conservation authority, protective inspection and control and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

9. SEGMENTED INFORMATION (Continued)

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Municipality. In addition, services are provided for winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Municipality.

(d) Environmental services

Environmental services includes waste collection, disposal and recycling services.

(e) Water and sewer services

Water and sewer services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Municipality.

(f) Health services

Health services provides funding for local public health organizations.

(g) Recreation and cultural services

Recreation and cultural services provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and arenas.

(h) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

10. BUDGET FIGURES

Budgets established for capital, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

11. CONTINGENCY

As a result of recent changes to the Workplace Safety and Insurance Act, the Municipality would be responsible to reimburse WSIB for disability payments under the revised regulations for work-related disabilities for firefighters. The potential future benefit and administrative costs if claims are made are estimated at \$669,271. As at December 31, 2018 no claims have been filed.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation.

TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

FINANCIAL ACTIVITIES (000's)

	2018	2017	2016	2015	2014
Revenues					
Taxation	\$ 9,167	\$ 9,025	\$ 8,439	\$ 7,861	\$ 7,266
Fees and service charges	2,189	1,980	2,066	1,955	1,534
Grants	1,241	1,171	1,344	1,716	1,198
Investment income	603	564	525	574	611
Other	4	-	13	254	-
	13,204	12,740	12,387	12,360	10,609
Expenses					
General government	1,390	1,645	1,370	1,195	1,537
Protection to persons and property	1,533	1,616	2,076	1,612	1,554
Transportation services	5,124	4,833	4,989	4,509	4,613
Environmental	2,767	2,623	2,735	2,596	2,725
Health services	40	51	108	46	99
Recreation and cultural services	1,292	1,155	1,284	1,404	1,230
Planning and development	348	248	313	265	253
	12,494	12,171	12,875	11,627	12,011
Other revenue related to capital					
Deferred revenue earned	420	407	391	391	395
Grants	382	254	-	-	-
Gain on disposal of tangible capital assets	16	-	236	-	39
Contribution from developers	-	-	-	-	412
	818	661	627	391	846
Surplus (deficit) for the year	\$ 1,528	\$ 1,230	\$ 139	\$ 1,124	\$ (556)

PROPERTY TAXES BILLED (000's)

	2018	2017	2016	2015	2014
Own Purposes	\$ 9,167	\$ 9,025	\$ 8,439	\$ 7,861	\$ 7,266
Upper-Tier Municipality	10,346	9,891	9,344	9,152	8,782
School Boards	4,243	4,236	4,221	4,163	4,064
	\$ 23,756	\$ 23,152	\$ 22,004	\$ 21,176	\$ 20,112

TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

TAXABLE ASSESSMENT (000's)

	2018	2017	2016	2015	2014
Residential and farm	\$ 1,995,382	\$ 1,825,457	\$ 1,685,298	\$ 1,575,873	\$ 1,467,642
Commercial and industrial	144,540	138,886	133,494	131,071	122,584
	2,139,922	1,964,343	1,818,792	1,706,944	1,590,226
Exempt	44,059	42,691	42,925	42,092	43,388
	\$ 2,183,981	\$ 2,007,034	\$ 1,861,717	\$ 1,749,036	\$ 1,633,614
Commercial and industrial	6.75%	7.07%	7.34%	7.68%	7.71%

FINANCIAL INDICATORS

	2018	2017	2016	2015	2014
Tax arrears					
Percentage of own levy	36 %	43 %	43 %	51 %	54 %
Percentage of total levy	14 %	17 %	17 %	18 %	19 %
Municipal debt	\$ 85,653	\$ 107,824	\$ 138,713	\$ 185,117	\$ 198,952
Municipal debt charges	\$ 6,466	\$ 8,323	\$ 11,227	\$ 11,937	\$ 14,462
Sustainability					
Financial assets to liabilities	2.77	2.67	2.70	2.67	2.87
Financial assets to liabilities excluding municipal debt	2.73	2.65	2.58	2.84	3.07
Municipal debt to tangible capital assets	0.17 %	0.22 %	0.28 %	0.38 %	0.42 %
Flexibility					
Debt charges to total operating revenue	0.05 %	0.07 %	0.09 %	0.10 %	0.13 %
Total operating revenue to taxable assessment	6.05 %	6.35 %	6.65 %	6.92 %	7.01 %
Vulnerability					
Operating grants to operating revenue	9.40 %	9.19 %	10.85 %	13.88 %	11.29 %
Total grants to total revenues	11.57 %	10.63 %	10.33 %	13.46 %	10.46 %
Reserve coverage					
Reserves	\$ 8,068,954	\$ 7,279,295	\$ 6,497,256	\$ 6,834,524	\$ 7,197,366
Reserves to operating expenses	65 %	60 %	50 %	59 %	60 %
Reserves to working capital	1.02	1.01	0.96	0.97	0.97