

Financial Statements of

**THE CORPORATION OF
THE TOWNSHIP OF
SOUTH GLENGARRY**

And Independent Auditor's Report thereon

Year ended December 31, 2022

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Corporation of the Township of South Glengarry's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

KPMG LLP is appointed by the Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.



Chief Administrative Officer

(date) Oct 25, 2024



Treasurer



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Corporation of the Township of South Glengarry (the Entity), which comprise:

- the statement of financial position as at December 31, 2022;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of 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 auditor's report.

We are independent of the Entity 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.

Emphasis of Matter – Comparative information

We draw attention to Note 15 to the financial statements (“Note 15”), which explains that certain comparative information presented for the year ended December 31, 2021 has been restated.

Note 15 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.



Other Matter – Comparative Information

The financial statements for the year ended December 31, 2021, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on November 4, 2022.

As part of our audit of the financial statements for the year ended December 31, 2022, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2021. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2021. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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

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



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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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

October 23, 2024

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021 (Restated - note 15)
Financial assets:		
Cash	\$ 8,760,671	\$ 13,766,353
Taxes receivable (note 2)	3,274,572	3,252,856
Accounts receivable	2,499,505	778,260
Long-term receivables	27,827	37,862
	14,562,575	17,835,331
Financial liabilities:		
Accounts payable and accrued liabilities	4,015,300	2,936,676
Security deposits	412,025	456,250
Deferred revenue - obligatory reserve funds (note 3)	618,470	1,162,637
Municipal debt (note 4)	27,827	37,862
Accrued landfill closure and post-closure costs (note 5)	4,008,964	3,950,095
	9,082,586	8,543,520
Net financial assets	5,479,989	9,291,811
Non-financial assets:		
Tangible capital assets (note 13)	57,990,418	52,321,283
Inventory	511,725	89,239
Prepaid expenses	146,370	107,607
	58,648,513	52,518,129
Contingencies (note 11)		
Commitments (note 12)		
Accumulated surplus (note 7)	\$ 64,128,502	\$ 61,809,940

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 9)	2022 Actual	2021 Actual (Restated - note 15)
Revenue:			
Taxation	\$ 9,840,543	\$ 9,958,957	\$ 9,533,016
Fees and service charges	1,928,475	2,487,786	2,836,472
Grants (note 6)	4,352,619	4,260,024	2,505,220
Licenses and permits	234,500	379,817	409,863
Penalties and interest on taxes	428,000	432,003	426,500
Investment income	96,000	250,440	98,665
Contributions from developers	-	439,599	-
Other	51,800	198,415	50,195
	<u>16,931,937</u>	<u>18,407,041</u>	<u>15,859,931</u>
Expenses (note 14):			
General government	1,706,600	2,504,280	1,735,789
Protection to persons and property	1,543,300	1,915,540	1,749,098
Transportation services	6,032,587	5,855,844	6,012,762
Environmental services	2,718,550	3,702,199	3,171,855
Health services	46,400	36,964	47,233
Recreation and cultural services	1,764,500	1,679,684	1,422,095
Planning and development	552,850	393,968	426,916
	<u>14,364,787</u>	<u>16,088,479</u>	<u>14,565,748</u>
Annual surplus	2,567,150	2,318,562	1,294,183
Accumulated surplus, beginning of year	61,809,940	61,809,940	60,515,757
Accumulated surplus, end of year	<u>\$ 64,377,090</u>	<u>\$ 64,128,502</u>	<u>\$ 61,809,940</u>

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 9)	2022 Actual	2021 Actual (Restated - note 15)
Annual surplus	\$ 2,567,150	\$ 2,318,562	\$ 1,294,183
Amortization of tangible capital assets	–	2,687,345	2,678,886
Acquisition of tangible capital assets	(3,875,000)	(8,006,948)	(3,768,791)
Contributed tangible capital assets	–	(349,532)	–
Change in inventory	–	(422,486)	113,514
Change in prepaid expenses	–	(38,763)	(8,554)
	(3,875,000)	(6,130,384)	(984,945)
Increase (decrease) in net financial assets	(1,307,850)	(3,811,822)	309,238
Net financial assets, beginning of year	9,291,811	9,291,811	8,982,573
Net financial assets, end of year	\$ 7,983,961	\$ 5,479,989	\$ 9,291,811

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
		(Restated - note 15)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,318,562	\$ 1,294,183
Items not involving cash:		
Amortization of tangible capital assets	2,687,345	2,678,886
Contributed tangible capital assets	(349,532)	-
Change in non-cash operating working capital:		
Taxes receivable	(21,716)	1,100,332
Accounts receivable	(1,721,245)	102,887
Long-term receivables	10,035	9,447
Inventory	(422,486)	113,514
Prepaid expenses	(38,763)	(8,554)
Accounts payable and accrued liabilities	1,078,624	345,801
Security deposits	(44,225)	46,000
Deferred revenue - obligatory reserve funds	(544,167)	195,250
Accrued landfill closure and post-closure costs	58,869	59,285
	3,011,301	5,937,031
Capital activities:		
Acquisition of tangible capital assets	(8,006,948)	(2,478,136)
Financing activities:		
Repayment of municipal debt	(10,035)	(9,447)
Increase (decrease) in cash	(5,005,682)	3,449,448
Cash, beginning of year	13,766,353	10,316,905
Cash, end of year	\$ 8,760,671	\$ 13,766,353

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements

Year ended December 31, 2022

The Corporation of the Township of South Glengarry (the "Municipality") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

The financial statements of the Township are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Reporting entity:

- (i) The financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Township.
- (ii) The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the United Counties of Stormont, Dundas and Glengarry (the "United Counties") are not reflected in the municipal fund balances of these financial statements.

(b) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(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"). The Municipality 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 legalization.

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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Government grants and transfers:

Government grants and transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Municipality recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Municipality recognizes revenue as the liability is settled.

(e) 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.

(f) 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.

(g) Cash:

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

(h) 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.

(i) Deferred revenue - obligatory reserve funds:

The Municipality receives contributions pursuant to legislation, regulations or agreements that may only be used for certain programs or on the completion of specific work. In addition, certain user charges are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, or services performed.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Deferred revenue - obligatory reserve funds (continued):

The Municipality also receives restricted contributions under the authority of Federal and Provincial legislation and Municipal by-laws. Government transfers of the Ontario Community Infrastructure fund and Canada Community Building Fund (formerly Federal Gas Tax), development charges collected under the Development Charges Act, parkland collected under the Planning Act and building surpluses under the Building Code Act are restricted in their use, and until applied to applicable costs, are recorded as deferred revenue, obligatory reserve funds on the Statement of Financial Position. These amounts are recognized as revenue in the fiscal year the services are performed, or related expenses incurred.

(j) Landfill closure and post-closure costs:

The Municipality accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(k) Employee future benefit obligations:

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), a multi sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

(l) 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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(l) Non-financial assets (continued):

(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:

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

Assets under construction are not amortized until the assets are available for productive use, at which time they are capitalized. 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.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Statement of Operations and Accumulated Surplus in the year of disposal. 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 transfer.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(l) Non-financial assets (continued):

(i) Tangible capital assets (continued):

When conditions indicate that a tangible capital asset no longer contributes to the Municipality's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations and Accumulated Surplus.

(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.

(m) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

(i) an environmental standard exists;

(ii) contamination exceeds the environmental standard;

(iii) the Municipality:

a) is directly responsible; or

b) accepts responsibility

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(m) Liability for contaminated sites (continued):

(iv) it is expected that future economic benefit will be given up; and

(v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

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

(n) Use of estimates:

The preparation of financial statements requires management 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 revenue and expenses during the period. Significant items subject to such management's estimates and assumptions include estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

(o) Segments:

The Township conducts its operations through seven reportable segments: General government, Protection to persons and property, Transportation services, Environmental services, Water and Sewer services, Recreation and cultural services, and Planning and development. These segments are established by senior management to facilitate the achievement of the Township's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

2. Taxes receivable:

The balance of taxes receivable reported on the Statement of Financial Position is comprised of the following:

	2022	2021
Taxes	\$ 2,742,160	\$ 2,816,003
Interest and penalties	562,412	466,853
Allowance for doubtful accounts	(30,000)	(30,000)
	<u>\$ 3,274,572</u>	<u>\$ 3,252,856</u>

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Deferred revenue - obligatory reserve funds:

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as a liability on the Statement of Financial Position. 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 of the Municipality are summarized below:

	COVID-19	Canada Community Building Fund	Parkland	Development charges	2022 Total	2021 Total
Balance, beginning of year	\$ 47,615	\$ 680,365	\$ 106,599	\$ 328,058	\$ 1,162,637	\$ 967,387
Contributions from developers	–	–	22,000	–	22,000	–
Grants received	–	417,055	–	–	417,055	1,062,417
Interest and other	–	22,831	2,697	8,250	33,778	9,707
Transfer to capital fund	–	(1,017,000)	–	–	(1,017,000)	–
Deferred revenue earned	–	–	–	–	–	(876,874)
Balance, end of year	\$ 47,615	\$ 103,251	\$ 131,296	\$ 336,308	\$ 618,470	\$ 1,162,637

4. Municipal debt:

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

	2022	2021
Tile drain loans, interest rates 6%, repayable over a ten year period in blended payments ranging between \$1,209 and \$4,171, maturity dates ranging from 2023 to 2029	\$ 27,827	\$ 37,862

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Municipal debt (continued):

Principal payments are due as follows:

2023	\$	10,625
2024		4,647
2025		4,926
2026		1,743
2027 and thereafter		5,886
	\$	27,827

5. Accrued landfill closure and post-closure costs:

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover. The reported liability is based on estimates and assumptions with respect to events extending over a 43 year period using the best information available to management. Future events will result in changes to the estimated total expenses, capacity used or total capacity and the estimated liability and will be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure monitoring activities using an assumed rate of 4% (2021 - 3%) for inflation and a discount factor of 4% (2021 - 3%). The estimated total landfill closure and post-closure expenses are estimated to be \$5,125,505 (2021 - \$5,151,383). The Municipality currently has two active landfill sites. The estimated liability for these expenses is recognized as the landfill capacity is used. Included in liabilities at December 31, 2022 is an amount of \$4,008,964 (2021 - \$3,950,095) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites are 35% and 10% (2021 - 36% and 12%) of the total estimated capacity and the estimated average remaining life of the landfill sites is 18 and 9 years (2021 - 19 and 10 years), after which the period for post-closure care is estimated to be 25 years.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Grants by funding source:

	2022	2021
Federal government	\$ 1,643,200	\$ 442,503
Provincial government	2,616,824	2,062,717
	\$ 4,260,024	\$ 2,505,220

7. Accumulated surplus:

	2022	2021
		(Restated - note 15)
Investment in tangible capital assets:		
Tangible capital assets	\$ 57,990,418	\$ 52,321,283
Streetlight surplus	198,395	158,407
Unfunded landfill closure and post-closure costs	(4,008,964)	(3,950,095)
Reserves (Schedule 1)	9,948,653	13,280,345
Accumulated surplus	\$ 64,128,502	\$ 61,809,940

8. Pension agreements:

The Municipality is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multiemployer 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 deficit of \$6.7 billion (2021 - \$3.1 billion) in these financial statements.

The employer amount contributed to OMERS for 2022 was \$256,553 (2021 - \$241,970) for current service and is included as an expense on the Statement of Operations and Accumulated Surplus.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Budget figures:

The 2022 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Statement of Operations and Accumulated Surplus. The revenues attributable to these items continue to be included in the Statement of Operations and Accumulated Surplus, resulting in a significant variance.

The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	2022 Budget	2022 Actual
Total revenue	\$ 16,931,937	\$ 18,407,041
Total expenses	14,364,787	16,088,479
	2,567,150	2,318,562
Amortization	–	2,687,345
Funds available	2,567,150	5,005,907
Capital expense	(3,875,000)	(8,356,480)
	\$ (1,307,850)	\$ (3,350,573)

Allocated as follows:

Transfers from reserves	\$ (3,079,000)	\$ (5,401,664)
Transfers to reserves	1,502,300	2,031,656
Water and sewer surplus	227,850	493,601
Operating deficit for the year	–	(455,285)
Net transfers from reserves	(1,348,850)	(3,331,692)
Streetlight surplus	\$ 41,000	\$ 39,988
Unfunded landfill closure and post-closure costs	–	(58,869)
	\$ (1,307,850)	\$ (3,350,573)

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

10. Transfers to the school boards and United Counties:

The Municipality collected and remitted county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry in the amount of \$11,699,896 (2021 - \$11,213,580). During the year, the Municipality also collected and remitted \$4,156,836 (2021 - \$3,944,793) for provincial education taxes on behalf of the school boards.

11. Contingencies:

(a) Legal action:

The Municipality is involved in various legal actions in the normal course of business. The Municipality and its insurers are defending all actions against the Municipality. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Municipality's financial position. Losses, if any, will be accounted for in the period they become determinable.

(b) WSIB disability:

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 \$Nil. As at December 31, 2022 no claims have been filed.

12. Commitments:

The Municipality has entered into an agreement for the renovation of the fire station in the amount of \$784,000. Costs incurred to year end were \$436,905. The project was completed in 2023.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

13. Tangible capital assets:

Cost	Balance at December 31, 2021 (Restated - note 15)	Additions	Disposals/ Adjustments	Balance at December 31, 2022
Land	\$ 1,774,559	\$ -	\$ -	\$ 1,774,559
Buildings	12,804,951	2,160,471	-	14,965,422
Vehicles	5,195,801	1,933,232	-	7,129,033
Machinery and equipment	3,020,186	363,235	-	3,383,421
Plants and facilities	23,101,917	-	-	23,101,917
Roads	46,108,475	1,671,600	-	47,780,075
Water and sewer	12,871,048	177,350	-	13,048,398
Bridges	11,177,531	1,613,687	-	12,791,218
Assets under construction	-	436,905	-	436,905
Total	\$ 116,054,468	\$ 8,356,480	\$ -	\$ 124,410,948

Accumulated amortization	Balance at December 31, 2021 (Restated - note 15)	Amortization expense	Disposals/ Adjustments	Balance at December 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Buildings	5,030,972	321,382	-	5,352,354
Vehicles	2,754,758	249,707	-	3,004,465
Machinery and equipment	1,613,265	81,537	-	1,694,802
Plants and facilities	13,840,241	481,134	-	14,321,375
Roads	30,363,297	1,172,625	-	31,535,922
Water and sewer	3,681,686	169,230	-	3,850,916
Bridges	6,448,966	211,730	-	6,660,696
Assets under construction	-	-	-	-
Total	\$ 63,733,185	\$ 2,687,345	\$ -	\$ 66,420,530

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

13. Tangible capital assets (continued):

	Net book value December 31, 2022	Net book value December 31, 2021 (Restated - note 15)
Land	\$ 1,774,559	\$ 1,774,559
Buildings	9,613,068	7,773,979
Vehicles	4,124,568	2,441,043
Machinery and equipment	1,688,619	1,406,921
Plants and facilities	8,780,542	9,261,676
Roads	16,244,153	15,745,178
Water and sewer	9,197,482	9,189,362
Bridges	6,130,522	4,728,565
Assets under construction	436,905	-
Total	\$ 57,990,418	\$ 52,321,283

14. 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 segmented financial information.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

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.

(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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

(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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2022
Revenue:									
Fees and service charges	\$ 97,346	\$ 20,263	\$ 38,268	\$ 406,169	\$ 1,636,362	\$ -	\$ 233,887	\$ 55,491	\$ 2,487,786
Grants	1,151,731	84,897	1,758,927	-	175,456	-	1,050,252	38,761	4,260,024
Licenses and permits	-	379,817	-	-	-	-	-	-	379,817
Contributions from developers	-	-	262,249	-	177,350	-	-	-	439,599
Other	122,569	26,500	-	-	-	49,346	-	-	198,415
	1,371,646	511,477	2,059,444	406,169	1,989,168	49,346	1,284,139	94,252	7,765,641
Expenses:									
Wages and benefits	1,295,577	944,074	1,254,252	27,563	392,299	-	535,142	219,413	4,668,320
Interest on municipal debt	-	-	-	-	-	-	-	2,260	2,260
Materials and services	455,511	542,541	2,759,013	209,722	792,253	36,756	803,366	144,850	5,744,012
Contracted services	630,209	74,695	237,119	1,590,788	16,003	-	78,009	26,872	2,653,695
Insurance and financial costs	24,170	4,665	-	-	155	-	2,073	573	31,636
Third party transfers	60,651	136,126	19,434	-	-	-	85,000	-	301,211
Amortization	38,162	213,439	1,586,026	23,052	650,364	208	176,094	-	2,687,345
	2,504,280	1,915,540	5,855,844	1,851,125	1,851,074	36,964	1,679,684	393,968	16,088,479
Surplus (deficit) before other items	(1,132,634)	(1,404,063)	(3,796,400)	(1,444,956)	138,094	12,382	(395,545)	(299,716)	(8,322,838)
Funding through:									
Taxation									9,958,957
Penalties and interest on taxes									432,003
Investment income									250,440
									10,641,400
Annual surplus (deficit)	\$ (1,132,634)	\$ (1,404,063)	\$ (3,796,400)	\$ (1,444,956)	\$ 138,094	\$ 12,382	\$ (395,545)	\$ (299,716)	\$ 2,318,562

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

14. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2021 Total
									(Restated - note 15)
Revenue:									
Fees and service charges	\$ 350,199	\$ 3,550	\$ 35,046	\$ 173,323	\$ 1,648,290	\$ -	\$ 146,614	\$ 479,450	\$ 2,836,472
Grants	1,446,127	29,450	756,478	114,354	-	-	136,248	22,563	2,505,220
Licenses and permits	-	409,863	-	-	-	-	-	-	409,863
Other	-	-	-	-	-	47,195	3,000	-	50,195
	1,796,326	442,863	791,524	287,677	1,648,290	47,195	285,862	502,013	5,801,750
Expenses:									
Wages and benefits	1,133,684	870,174	1,081,081	25,724	321,976	-	484,370	259,697	4,176,706
Interest on municipal debt	-	-	-	-	-	-	-	2,849	2,849
Materials and services	503,535	471,737	2,574,454	451,949	617,411	46,458	710,031	158,738	5,534,313
Contracted services	-	15,976	653,747	1,048,219	11,418	-	305	-	1,729,665
Insurance and financial costs	20,187	47,392	73,345	12,953	19,546	567	19,785	5,632	199,407
Third party transfers	45,909	128,013	20,000	-	-	-	50,000	-	243,922
Amortization	32,474	215,806	1,610,135	23,052	639,607	208	157,604	-	2,678,886
	1,735,789	1,749,098	6,012,762	1,561,897	1,609,958	47,233	1,422,095	426,916	14,565,748
Surplus (deficit) before other items	60,537	(1,306,235)	(5,221,238)	(1,274,220)	38,332	(38)	(1,136,233)	75,097	(8,763,998)
Funding through:									
Taxation									9,533,016
Penalties and interest on taxes									426,500
Investment income									98,665
									10,058,181
Annual surplus (deficit)	\$ 60,537	\$ (1,306,235)	\$ (5,221,238)	\$ (1,274,220)	\$ 38,332	\$ (38)	\$ (1,136,233)	\$ 75,097	\$ 1,294,183

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

15. Restatement of prior year:

During the year, management became aware that the post-closure costs for the landfill sites and developer contributions had been incorrectly reported in the financial statements of the Municipality in prior years.

The impact of the above noted corrections have been recorded retroactively in the December 31, 2021 comparative information and the cumulative effect to January 1, 2021 is a \$1,871,495 decrease in accumulated surplus. As a result of the correction, the annual surplus for 2021 as reported on the Statement of Operations and Accumulated surplus has decreased by \$48,759 to \$1,294,183.

	2021
Accumulated surplus, beginning of year, as previously stated	\$ 62,387,252
To correct an error in relation to:	
Understatement of post-closure landfill costs	(2,462,500)
Understatement of developer contributions revenue	711,400
Understatement of materials and services expense related to contributed assets	(42,500)
Understatement of amortization related to contributed assets	(77,895)
Accumulated surplus, beginning of year, as restated	\$ 60,515,757
Annual surplus, as previously stated	\$ 1,342,942
To correct an error in relation to:	
Understatement of post-closure landfill costs	(29,285)
Understatement of amortization related to contributed assets	(19,474)
Annual surplus, as restated	\$ 1,294,183
Accrued landfill post-closure costs, as previously stated	\$ 1,458,310
To correct an error in relation to:	
Understatement of post-closure landfill costs	2,491,785
Accrued landfill post-closure costs, as restated, December 31, 2021	\$ 3,950,095

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Notes to Financial Statements (continued)

Year ended December 31, 2022

15. Restatement of prior year (continued):

	2021
Tangible capital assets, as previously stated	\$ 51,749,752
To correct an error in relation to:	
Understatement of contributed assets	668,900
Understatement of accumulated amortization of contributed assets	(97,369)
<hr/> Tangible capital assets, as restated, December 31, 2021	<hr/> \$ 52,321,283

16. Comparative information:

Certain comparative information has been reclassified from that previously presented to conform to the presentation of the 2022 financial statements.

THE CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

Schedule 1 – Continuity of Reserves and Reserve Fund Balances

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 9)	2022 Actual	2021 Actual
Net transfers from (to) other funds:			
Transfers to reserves	\$ 1,730,150	\$ 2,525,257	\$ 2,955,976
Transfers from reserves	(3,079,000)	(5,856,949)	(2,722,233)
	(1,348,850)	(3,331,692)	233,743
Reserves and reserve fund balances, change in year	(1,348,850)	(3,331,692)	233,743
Reserves and reserve fund balances, beginning of year	13,280,345	13,280,345	13,046,602
Reserves and reserve fund balances, end of year	\$ 11,931,495	\$ 9,948,653	\$ 13,280,345

Continuity of reserves and reserve funds:

	2022	2021
Reserves set aside for specific purposes by Council:		
Working capital	\$ 2,653,951	\$ 4,005,155
Waste management	1,096,877	931,878
Capital	55,068	55,068
Fire	345,427	1,743,627
Planning	114,185	192,164
Recreation and health	1,136,045	1,518,545
Roads	1,318,932	1,914,342
Sewer and water	2,950,975	2,612,375
Other	277,193	307,191
Total reserves and reserve funds	\$ 9,948,653	\$ 13,280,345