

TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL STATEMENTS

December 31, 2017

TOWNSHIP OF SOUTH GLENGARRY

December 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Township of South Glengarry, which comprise the statement of financial position as at December 31, 2017, and the statements of financial activities, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administration's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Township of South Glengarry as at December 31, 2017 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the Township of South Glengarry for the year ended December 31, 2016 were audited by CKDM LLP of Cornwall, Ontario, prior to its merger with MNP LLP. CKDM LLP expressed an unmodified opinion on those statements dated September 18, 2017.

Cornwall, Ontario
October 1, 2018

Chartered Professional Accountants
Licensed Public Accountants



ACCOUNTING > CONSULTING > TAX
709 COTTON MILL STREET, CORNWALL ON, K6H 7K7
T: 613.932.3610 F: 613.938.3215 **MNP.ca**

TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
NET FINANCIAL ASSETS		
ASSETS		
Cash	\$ 4,041,030	\$ 3,540,979
Taxes receivable	3,857,256	3,642,403
Accounts receivable	1,354,976	1,270,065
	9,253,262	8,453,447
LIABILITIES		
Accounts payable	1,648,106	1,325,078
Due to counties and school boards	4,590	4,590
Deferred revenue - obligatory reserve funds (Note 2)	369,592	358,951
Municipal debt (Note 3)	107,824	138,713
Accrued landfill closure and post closure costs (Note 4)	1,338,310	1,308,310
	3,468,422	3,135,642
NET FINANCIAL ASSETS	5,784,840	5,317,805
NON-FINANCIAL ASSETS		
Tangible capital assets	49,898,073	49,262,119
Inventory	166,791	41,719
	50,064,864	49,303,838
ACCUMULATED SURPLUS	\$ 55,849,704	\$ 54,621,643

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2017

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
REVENUES			
Taxation (Note 1(a)(iii))	\$ 8,853,321	\$ 9,024,993	\$ 8,439,269
Fees and service charges	1,738,526	1,980,198	2,065,837
Grants	1,297,310	1,170,579	1,343,973
Investment income	454,000	563,563	525,230
Other	-	-	12,953
	12,343,157	12,739,333	12,387,262
EXPENSES			
General government	1,371,861	1,644,607	1,369,744
Protection to persons and property	1,893,872	1,616,235	2,075,854
Transportation services	4,883,441	4,833,274	4,989,168
Environmental services	2,850,790	2,623,098	2,734,951
Health services	43,600	51,256	107,752
Recreation and cultural services	1,263,768	1,155,264	1,284,082
Planning and development	256,775	248,248	313,026
	12,564,107	12,171,982	12,874,577
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	407,000	407,000	391,000
Grants	160,000	253,710	-
Gain (loss) on disposal of tangible capital assets	(25,000)	-	236,135
	542,000	660,710	627,135
SURPLUS FOR THE YEAR	321,050	1,228,061	139,820
ACCUMULATED SURPLUS, beginning of year	54,621,643	54,621,643	54,481,823
ACCUMULATED SURPLUS, end of year	\$ 54,942,693	\$ 55,849,704	\$ 54,621,643

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2017

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 321,050	\$ 1,228,061	\$ 139,820
Amortization of tangible assets	2,658,000	2,355,526	2,536,334
Acquisition of tangible capital assets	(3,035,000)	(4,054,345)	(3,102,582)
Proceeds on sale of tangible capital assets	-	-	316,506
(Gain) loss on sale of tangible capital assets	25,000	-	(236,135)
Transfers of capital assets from WIP to tangible capital assets	-	1,062,865	36,341
Change in inventory	-	(125,072)	29,201
Increase (decrease) in net financial assets	(30,950)	467,035	(280,515)
Net financial assets, beginning of year	5,317,805	5,317,805	5,598,320
Net financial assets, end of year	\$ 5,286,855	\$ 5,784,840	\$ 5,317,805

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	2016
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 1,228,061	\$ 139,820
Items not affecting cash		
Amortization expense	2,355,526	2,536,334
Gain on disposal of tangible capital assets	-	(236,135)
Changes in non-cash working capital balances		
Taxes receivable	(214,853)	260,006
Accounts receivable	(84,911)	152,826
Inventory	(125,072)	29,200
Accounts payable	323,028	(20,492)
Due to counties and school boards	-	81
Deferred revenue - obligatory reserve funds	10,641	20,031
Landfill closure and post closure costs	30,000	30,000
	3,522,420	2,911,671
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(30,889)	(69,704)
Proceeds from the issue of municipal debt	-	23,300
	(30,889)	(46,404)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of capital assets	-	316,506
Acquisition of tangible capital assets	(4,054,345)	(3,102,582)
Transfer of capital assets from WIP to tangible capital assets	1,062,865	36,341
	(2,991,480)	(2,749,735)
INCREASE IN CASH	500,051	115,532
CASH, beginning of year	3,540,979	3,425,447
CASH, end of year	\$ 4,041,030	\$ 3,540,979
REPRESENTED BY :		
Cash	\$ 4,041,030	\$ 3,540,979

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	Land	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	Assets under Construction	2017	2016
Cost											
Balance, beginning of year	\$ 1,659,625	\$ 8,652,421	\$ 4,125,599	\$ 2,206,791	\$ 21,198,091	\$ 39,641,897	\$ 12,564,748	\$ 10,682,550	\$ 1,062,865	\$ 101,794,587	\$ 98,886,618
Additions during the year	64,934	1,758,424	-	330,841	322,452	1,391,129	-	186,565	-	4,054,345	3,102,582
Disposals during the year	-	-	-	-	-	-	-	-	(1,062,865)	(1,062,865)	(194,613)
Balance, end 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
Accumulated Amortization											
Balance, beginning of year	-	3,903,648	2,824,555	1,238,490	11,652,946	24,678,775	2,833,936	5,400,118	-	52,532,468	50,074,034
Amortization during the year	-	207,742	183,563	123,539	416,342	1,061,665	154,644	208,031	-	2,355,526	2,536,334
Amortization on disposals	-	-	-	-	-	-	-	-	-	-	(77,900)
Balance, end 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
Net book value	\$ 1,724,559	\$ 6,299,455	\$ 1,117,481	\$ 1,175,603	\$ 9,451,255	\$ 15,292,586	\$ 9,576,168	\$ 5,260,966	\$ -	\$ 49,898,073	\$ 49,262,119

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	2017	2016
Cost							
Balance, beginning of year	\$ 2,070,752	\$ 5,210,103	\$ 54,124,305	\$ 34,275,806	\$ 5,050,756	\$100,731,722	\$ 97,800,673
Additions during the year	-	1,205,017	2,438,633	322,452	88,243	4,054,345	3,089,321
Disposals during the year	-	-	-	-	-	-	(158,272)
Assets in service, end of year	2,070,752	6,415,120	56,562,938	34,598,258	5,138,999	104,786,067	100,731,722
Assets under construction	-	-	-	-	-	-	1,062,865
Balance, end of year	2,070,752	6,415,120	56,562,938	34,598,258	5,138,999	104,786,067	101,794,587
Accumulated Amortization							
Balance, beginning of year	510,217	2,508,843	32,369,361	14,673,936	2,470,111	52,532,468	50,074,034
Amortization during the year	33,167	162,035	1,451,547	571,778	136,999	2,355,526	2,536,334
Amortization on disposals	-	-	-	-	-	-	(77,900)
Balance, end of year	543,384	2,670,878	33,820,908	15,245,714	2,607,110	54,887,994	52,532,468
Net book value	\$ 1,527,368	\$ 3,744,242	\$ 22,742,030	\$ 19,352,544	\$ 2,531,889	\$ 49,898,073	\$ 49,262,119

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2017

	2017	2016
Surpluses (deficits)		
Operating surplus (Note 8)	\$ -	\$ -
Water and sewer surplus	137,084	163,540
Street lights (deficit) surplus	(126,438)	7,048
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post closure	(1,338,310)	(1,308,310)
Total deficit	(1,327,664)	(1,137,722)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	1,955,281	1,709,074
Waste management	495,750	330,750
Capital	142,981	335,568
Fire	1,141,058	1,085,758
Planning	147,000	23,000
Recreation and health	822,040	755,325
Roads	1,201,647	944,033
Sewer and water	1,043,571	1,009,971
Other	329,967	303,767
Total reserves	7,279,295	6,497,246
Equity in tangible capital assets		
Invested in tangible capital assets	49,898,073	49,262,119
ACCUMULATED SURPLUS	\$ 55,849,704	\$ 54,621,643

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2017

	Surpluses (Deficits)	Reserves	Equity in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ (1,137,722)	\$ 6,497,246	\$ 49,262,119	\$ 54,621,643	\$ 54,481,823
Surplus (deficit) for the year	3,583,587	-	(2,355,526)	1,228,061	139,820
Reserve funds used for operations	1,109,457	(1,109,457)	-	-	-
Funds transferred to reserves	(1,891,506)	1,891,506	-	-	-
Current year funds used for tangible capital assets	(4,054,345)	-	4,054,345	-	-
Transfer of capital assets from WIP to tangible capital assets	1,062,865	-	(1,062,865)	-	-
Change in accumulated surplus	(189,942)	782,049	635,954	1,228,061	139,820
Balance, end of year	\$ (1,327,664)	\$ 7,279,295	\$ 49,898,073	\$ 55,849,704	\$ 54,621,643

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2017	2016
REVENUE										
Taxation	\$ 491,158	\$ 1,819,556	\$ 4,761,100	\$ 895,436	\$ -	\$ 6,096	\$ 960,627	\$ 91,020	\$ 9,024,993	\$ 8,439,269
Fees and service charges	72,681	36,574	58,217	85,975	1,059,277	50,395	291,558	325,521	1,980,198	2,065,837
Grants	126,114	190,735	412,861	311,704	-	4,004	95,306	29,855	1,170,579	1,343,973
Investment income	557,320	-	-	-	6,243	-	-	-	563,563	525,230
Other	-	-	-	-	-	-	-	-	-	12,953
	1,247,273	2,046,865	5,232,178	1,293,115	1,065,520	60,495	1,347,491	446,396	12,739,333	12,387,262
EXPENSES										
Wages and benefits	797,038	729,199	1,067,179	16,570	320,968	-	532,965	189,632	3,653,551	3,611,404
Interest on municipal debt	-	-	-	-	-	-	-	8,323	8,323	11,227
Materials and services	744,339	534,515	1,932,771	344,561	570,200	40,662	477,331	45,544	4,689,923	4,541,873
Contracted services	-	27,133	309,233	767,694	2,788	-	-	-	1,106,848	1,604,031
Insurance and financial costs	21,241	36,589	72,544	14,222	13,652	203	18,359	4,749	181,559	193,392
Third party transfers	48,822	127,430	-	-	-	-	-	-	176,252	376,316
Amortization	33,167	161,369	1,451,547	1,457	570,986	10,391	126,609	-	2,355,526	2,536,334
	1,644,607	1,616,235	4,833,274	1,144,504	1,478,594	51,256	1,155,264	248,248	12,171,982	12,874,577
OTHER REVENUE RELATED TO CAPITAL										
Deferred revenue earned	-	-	407,000	-	-	-	-	-	407,000	391,000
Grants	93,492	-	-	-	160,218	-	-	-	253,710	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	236,135
	93,492	-	407,000	-	160,218	-	-	-	660,710	627,135
SURPLUS (DEFICIT)	\$ (303,842)	\$ 430,630	\$ 805,904	\$ 148,611	\$ (252,856)	\$ 9,239	\$ 192,227	\$ 198,148	\$ 1,228,061	\$ 139,820

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

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 enterprise and are consolidated using the modified equity method. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform with those of the Township 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 Township 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, payment 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 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 Township 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, 2017

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits

Employee benefits include vacation entitlement. Vacation benefits are accrued in accordance with the Township's policy. The Township 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 Township 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 excess of revenues over expenses, 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 cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	3 to 10 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 asset is 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, 2017

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 sites capacity is used.

The Township 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, 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, 2017

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 Township is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Township 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 are:

- 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	2017	2016
Balance, beginning of year	\$ 11,762	\$ 42,555	\$ 304,634	\$ 358,951	\$ 338,920
Grants received	407,251	-	-	407,251	400,167
Interest and other	2,037	4,532	3,821	10,390	10,864
Deferred revenue earned	(407,000)	-	-	(407,000)	(391,000)
Balance, end of year	\$ 14,050	\$ 47,087	\$ 308,455	\$ 369,592	\$ 358,951

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the statement of financial position is comprised of the following:

	<u>2017</u>	<u>2016</u>
Tile drain loans, interest rates ranging from 6-8%, repayable over a ten year period in blended payments ranging between \$665 and \$4,171, maturity dates ranging from 2018 to 2027	\$ 107,824	\$ 138,713
Principal payments assuming the loans are renewed under the same terms and conditions are as follows:		
2018	\$ 22,172	
2019	19,643	
2020	18,104	
2021	10,386	
2022	11,010	
2023 - 2027	26,509	
	\$ 107,824	

(b) Of the municipal debt reported in (a) of this note, all principal payments are payable from the following sources as follows:

	<u>2018 - 2022</u>	<u>2023 - 2027</u>
General municipal revenues	\$ -	\$ -
Benefiting landowners	81,315	26,509
	\$ 81,315	\$ 26,509

4. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Township operates two solid waste landfill sites. The North Lancaster landfill site has an estimated remaining life of 25 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 25 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 \$1,433,300 with \$1,338,310 (2016 - \$1,308,310) 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, 2017

5. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2017	2016
Municipal debt	\$ 107,824	\$ 138,713
Accrued landfill closure and post-closure	1,338,310	1,308,310
	\$ 1,446,134	\$ 1,447,023

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 1,338,310	\$ 1,308,310
Benefiting landowners	107,824	138,713
	\$ 1,446,134	\$ 1,447,023

6. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Wages and benefits	\$ 3,705,400	\$ 3,653,551	\$ 3,611,404
Interest on municipal debt	40,000	8,323	11,227
Materials and services	4,423,924	4,689,923	4,541,873
Contracted services	1,186,500	1,106,848	1,604,031
Insurance and other financial costs	197,350	181,559	193,392
Third party transfers	352,933	176,252	376,316
Amortization	2,658,000	2,355,526	2,536,334
	\$ 12,564,107	\$ 12,171,982	\$ 12,874,577

7. PENSION AGREEMENTS

The Township 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 pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The employer amount contributed to OMERS for 2017 was \$202,524 (2016 - \$190,925) 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, 2017

8. OPERATING SURPLUS

	BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 321,050	\$ 1,228,061	\$ 139,820
Funds transferred to reserves	(639,340)	(1,891,506)	(1,591,270)
Reserves used for operations	520,000	1,418,844	1,644,443
Change in accrued landfill costs	-	30,000	30,000
Acquisition of tangible capital assets	(3,035,000)	(4,054,345)	(3,102,582)
Annual amortization expense	2,658,000	2,355,526	2,536,334
Disposal of tangible capital assets	25,000	-	80,371
Transfer of WIP to tangible capital assets	-	1,062,865	36,341
Operating surplus (deficit) for the year	(150,290)	149,445	(226,543)
Transfer from street lights surplus	-	133,486	15,644
Transfer from (to) water and sewer surplus	150,290	26,456	(73,207)
Transfer (to) from working capital reserves	-	(309,387)	284,106
	\$ -	\$ -	\$ -

9. SEGMENTED INFORMATION

The Township is responsible for providing a range of services to its citizens. For management reporting purposes the Township'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 Township 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 Township. Administration as a segment includes operating and maintaining municipal 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, 2017

9. SEGMENTED INFORMATION (Continued)

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Township. In addition, services are provided for the 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 Township.

(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 Township.

(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 Township 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, 2017 no claims have been filed.

TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

FINANCIAL ACTIVITIES (000's)

	2017	2016	2015	2014	2013
Revenues					
Taxation	\$ 9,025	\$ 8,439	\$ 7,861	\$ 7,266	\$ 6,762
Fees and service charges	1,980	2,066	1,955	1,534	1,992
Grants	1,171	1,344	1,716	1,198	1,446
Investment income	564	525	574	611	563
Other	-	13	254	-	-
	12,740	12,387	12,360	10,609	10,763
Expenses					
General government	1,645	1,370	1,195	1,537	1,206
Protection to persons and property	1,616	2,076	1,612	1,554	1,405
Transportation services	4,833	4,989	4,509	4,613	4,581
Environmental	2,623	2,735	2,596	2,725	3,067
Health services	51	108	46	99	31
Recreation and cultural services	1,155	1,284	1,404	1,230	1,170
Planning and development	248	313	265	253	246
	12,171	12,875	11,627	12,011	11,706
Other revenue related to capital					
Deferred revenue earned	407	391	391	395	395
Grants	254	-	-	-	-
Gain (loss) on disposal of tangible capital assets	-	236	-	39	(11)
Contribution from developers	-	-	-	412	-
	661	627	391	846	384
Surplus (deficit) for the year	\$ 1,230	\$ 139	\$ 1,124	\$ (556)	\$ (559)

PROPERTY TAXES BILLED (000's)

	2017	2016	2015	2014	2013
Own Purposes	\$ 9,025	\$ 8,439	\$ 7,861	\$ 7,266	\$ 6,762
Upper-Tier Municipality	9,891	9,344	9,152	8,782	8,606
School Boards	4,236	4,221	4,163	4,064	4,002
	\$ 23,152	\$ 22,004	\$ 21,176	\$ 20,112	\$ 19,370

TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

TAXABLE ASSESSMENT (000's)

	2017	2016	2015	2014	2013
Residential and farm	\$ 1,825,457	\$ 1,685,298	\$ 1,575,873	\$ 1,467,642	\$ 1,363,563
Commercial and industrial	138,886	133,494	131,071	122,584	118,994
	1,964,343	1,818,792	1,706,944	1,590,226	1,482,557
Exempt	42,691	42,925	42,092	43,388	41,964
	\$ 2,007,034	\$ 1,861,717	\$ 1,749,036	\$ 1,633,614	\$ 1,524,521
Commercial and industrial	7.07%	7.34%	7.68%	7.71%	8.03%

FINANCIAL INDICATORS

	2017	2016	2015	2014	2013
Tax arrears					
Percentage of own levy	43 %	43 %	51 %	54 %	69 %
Percentage of total levy	17 %	17 %	18 %	19 %	24 %
Municipal debt	\$ 107,824	\$ 138,713	\$ 185,117	\$ 198,952	\$ 238,949
Municipal debt charges	\$ 8,323	\$ 11,227	\$ 11,937	\$ 14,462	\$ 285,019
Sustainability					
Financial assets to liabilities	2.67	2.70	2.67	2.87	2.67
Financial assets to liabilities excluding municipal debt	2.65	2.58	2.84	3.07	2.90
Municipal debt to tangible capital assets	0.22 %	0.28 %	0.38 %	0.42 %	0.49 %
Flexibility					
Debt charges to total operating revenue	0.07 %	0.09 %	0.10 %	0.13 %	2.56 %
Total operating revenue to taxable assessment	6.35 %	6.65 %	6.92 %	7.01 %	7.31 %
Vulnerability					
Operating grants to operating revenue	9.19 %	10.85 %	13.88 %	11.29 %	13.43 %
Total grants to total revenues	10.63 %	10.33 %	13.46 %	10.46 %	12.97 %
Reserve coverage					
Reserves	\$ 7,279,295	\$ 6,497,246	\$ 6,834,524	\$ 7,197,366	\$ 6,191,258
Reserves to operating expenses	60 %	50 %	59 %	60 %	53 %
Reserves to working capital	1.01	0.96	0.97	0.97	0.90