
TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL STATEMENTS

December 31, 2016

TOWNSHIP OF SOUTH GLENGARRY

December 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2016, and the statements of financial activities, change 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, 2016 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.

CKDM LLP

September 18, 2017
Cornwall, Ontario

Chartered Professional Accountants
Licensed Public Accountants

TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 3,540,979	\$ 3,425,447
Taxes receivable	3,642,403	3,902,409
Accounts receivable	1,270,065	1,422,891
	8,453,447	8,750,747
Liabilities		
Accounts payable	1,325,078	1,345,571
Due to counties and school boards	4,590	4,509
Deferred revenue - obligatory reserve funds (Note 2)	358,951	338,920
Municipal debt (Note 3)	138,713	185,117
Accrued landfill closure and post closure costs (Note 4)	1,308,310	1,278,310
	3,135,642	3,152,427
Net Financial Assets	5,317,805	5,598,320
NON-FINANCIAL ASSETS		
Tangible capital assets	49,262,119	48,812,584
Inventory	41,719	70,919
	49,303,838	48,883,503
Accumulated Surplus	\$ 54,621,643	\$ 54,481,823

See Accompanying Notes



TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2016

	BUDGET 2016 (Unaudited)	ACTUAL 2016	ACTUAL 2015
REVENUES			
Taxation (Note 1(a)(iii))	\$ 8,353,165	\$ 8,439,269	\$ 7,860,668
Fees and service charges	1,687,684	2,065,837	1,954,827
Grants	1,267,708	1,343,973	1,300,154
Investment income	527,000	525,230	574,166
Other	-	12,953	254,183
	11,835,557	12,387,262	11,943,998
EXPENSES			
General government	1,416,150	1,369,744	1,195,298
Protection to persons and property	1,947,642	2,075,854	1,611,675
Transportation services	4,679,870	4,989,168	4,509,380
Environmental services	2,568,160	2,734,951	2,595,946
Health services	50,200	107,752	45,601
Recreation and cultural services	1,293,250	1,284,082	1,404,378
Planning and development	358,824	313,026	265,133
	12,314,096	12,874,577	11,627,411
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	391,000	391,000	416,000
Gain on disposal of tangible capital assets	-	236,135	-
	391,000	627,135	416,000
SURPLUS FOR THE YEAR	(87,539)	139,820	732,587
ACCUMULATED SURPLUS, beginning of year	54,481,823	54,481,823	53,749,236
ACCUMULATED SURPLUS, end of year	\$ 54,394,284	\$ 54,621,643	\$ 54,481,823

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2016

	BUDGET 2016 (Unaudited)	ACTUAL 2016	ACTUAL 2015
Surplus for the year	\$ (87,539)	\$ 139,820	\$ 732,587
Amortization of tangible assets	2,430,850	2,536,334	2,293,141
Acquisition of tangible capital assets	(3,050,500)	(3,102,582)	(3,449,347)
Proceeds on sale of tangible capital assets	-	316,506	-
Gain on sale of tangible capital assets	-	(236,135)	-
Transfers of capital assets from WIP to tangible capital assets	-	36,341	65,642
Change in inventory	-	29,201	(19,489)
Decrease in net financial assets	(707,189)	(280,515)	(377,466)
Net financial assets, beginning of year	5,598,320	5,598,320	5,975,786
Net financial assets, end of year	\$ 4,891,131	\$ 5,317,805	\$ 5,598,320

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	2016	2015
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 139,820	\$ 732,587
Items not affecting cash		
Amortization expense	2,536,334	2,293,141
Gain on disposal of tangible capital assets	(236,135)	-
Changes in non-cash working capital balances		
Taxes receivable	260,006	(24,695)
Accounts receivable	152,826	(245,119)
Inventory	29,200	(19,490)
Accounts payable	(20,492)	133,518
Due to counties and school boards	81	(1,378)
Deferred revenue - obligatory reserve funds	20,031	(17,248)
Landfill closure and post closure costs	30,000	30,000
	2,911,671	2,881,316
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(69,704)	(39,435)
Proceeds from the issue of municipal debt	23,300	25,600
	(46,404)	(13,835)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of capital assets	316,506	-
Acquisition of tangible capital assets	(3,102,582)	(3,449,347)
Transfer of capital assets from WIP to tangible capital assets	36,341	65,642
	(2,749,735)	(3,383,705)
INCREASE (DECREASE) IN CASH AND EQUIVALENT	115,532	(516,224)
CASH AND EQUIVALENT, beginning of year	3,425,447	3,941,671
CASH AND EQUIVALENT, end of year	\$ 3,540,979	\$ 3,425,447
REPRESENTED BY :		
Cash	\$ 3,540,979	\$ 3,425,447

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2016

	Land	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	Assets under Construction	2016	2015
Cost											
Balance, beginning of year	\$ 1,614,927	\$ 8,463,712	\$ 3,932,861	\$ 2,040,403	\$ 21,198,091	\$ 38,678,378	\$ 12,564,748	\$ 9,307,554	\$ 1,085,944	\$ 98,886,618	\$ 95,521,556
Additions during the year	44,698	188,708	348,539	166,388	-	965,991	-	1,374,996	13,262	3,102,582	3,449,347
Disposals during the year	-	-	155,800	-	-	2,472	-	-	36,341	194,613	84,285
Balance, end of year	1,659,625	8,652,420	4,125,600	2,206,791	21,198,091	39,641,897	12,564,748	10,682,550	1,062,865	101,794,587	98,886,618
Accumulated Amortization											
Balance, beginning of year	-	3,671,408	2,684,317	1,133,043	11,172,789	23,516,813	2,705,230	5,190,434	-	50,074,034	47,799,536
Amortization during the year	-	232,241	218,138	105,448	480,157	1,161,960	128,706	209,684	-	2,536,334	2,293,141
Amortization on disposals	-	-	77,900	-	-	-	-	-	-	77,900	18,643
Balance, end of year	-	3,903,649	2,824,555	1,238,491	11,652,946	24,678,773	2,833,936	5,400,118	-	52,532,468	50,074,034
Net book value	\$ 1,659,625	\$ 4,748,771	\$ 1,301,045	\$ 968,300	\$ 9,545,145	\$ 14,963,124	\$ 9,730,812	\$ 5,282,432	\$ 1,062,865	\$ 49,262,119	\$ 48,812,584

See Accompanying Notes



TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	2016	2015
Cost							
Balance, beginning of year	\$ 1,979,609	\$ 5,017,364	\$ 51,653,207	\$ 34,231,108	\$ 4,919,385	\$ 97,800,673	\$ 95,405,517
Additions during the year	91,142	348,539	2,473,570	44,698	131,371	3,089,320	2,413,799
Disposals during the year	-	155,800	2,472	-	-	158,272	18,643
Assets in service, end of year	2,070,751	5,210,103	54,124,305	34,275,806	5,050,756	100,731,721	97,800,673
Assets under construction	-	886,692	162,397	13,262	515	1,062,866	1,085,945
Balance, end of year	2,070,751	6,096,795	54,286,702	34,289,068	5,051,271	101,794,587	98,886,618
Accumulated Amortization							
Balance, beginning of year	475,538	2,400,533	30,795,821	14,064,281	2,337,861	50,074,034	47,799,536
Amortization during the year	26,147	183,274	1,572,336	609,655	144,922	2,536,334	2,293,141
Amortization on disposals	-	77,900	-	-	-	77,900	18,643
Balance, end of year	501,685	2,505,907	32,368,157	14,673,936	2,482,783	52,532,468	50,074,034
Net book value	\$ 1,569,066	\$ 3,590,888	\$ 21,918,545	\$ 19,615,132	\$ 2,568,488	\$ 49,262,119	\$ 48,812,584

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2016

	2016	2015
Surpluses (deficits)		
Operating surplus (Note 8)	\$ -	\$ -
Water and sewer surplus	163,540	90,324
Street lights surplus	7,048	22,700
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post closure	(1,308,310)	(1,278,310)
Total deficit	(1,137,722)	(1,165,286)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	1,709,074	1,993,188
Waste management	330,750	295,750
Capital	335,568	361,370
Fire	1,085,758	534,008
Planning	23,000	45,000
Recreation and health	755,325	693,585
Roads	944,033	1,771,491
Sewer and water	1,009,971	850,016
Other	303,767	290,117
Total reserves	6,497,246	6,834,525
Equity in tangible capital assets		
Invested in tangible capital assets	49,262,119	48,812,584
ACCUMULATED SURPLUS	\$ 54,621,643	\$ 54,481,823

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2016

	Surpluses (Deficits)	Reserves	Equity in Tangible Capital Assets	2016	2015
Balance, beginning of year	\$ (1,165,286)	\$ 6,834,525	\$ 48,812,584	\$ 54,481,823	\$ 53,749,236
Surplus (deficit) for the year	2,676,154	-	(2,536,334)	139,820	732,587
Reserve funds used for operations	1,928,549	(1,928,549)	-	-	-
Funds transferred to reserves	(1,591,270)	1,591,270	-	-	-
Current year funds used for tangible capital assets	(3,102,582)	-	3,102,582	-	-
Transfer of capital assets from WIP to tangible capital assets	116,713	-	(116,713)	-	-
Change in accumulated surplus	27,564	(337,279)	449,535	139,820	732,587
Balance, end of year	\$ (1,137,722)	\$ 6,497,246	\$ 49,262,119	\$ 54,621,643	\$ 54,481,823

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Health Services	Recreation and Cultural Services	Planning and Development	2016	2015
REVENUE										
Taxation	\$ 714,381	\$ 1,759,444	\$ 4,232,922	\$ 751,027	\$ -	\$ 13,251	\$ 921,906	\$ 46,338	\$ 8,439,269	\$ 7,860,668
Fees and service charges	61,993	101,362	20,814	92,467	1,152,147	49,327	277,459	310,268	2,065,837	1,954,827
Grants	298,277	178,000	469,672	267,981	-	4,574	97,059	28,410	1,343,973	1,300,154
Investment income	519,960	-	-	-	5,270	-	-	-	525,230	574,166
Other	700	-	-	-	-	-	12,253	-	12,953	254,183
	1,595,311	2,038,806	4,723,408	1,111,475	1,157,417	67,152	1,308,677	385,016	12,387,262	11,943,998
EXPENSES										
Wages and benefits	833,173	757,654	912,461	14,786	302,914	-	584,595	205,821	3,611,404	3,403,573
Interest on municipal debt	-	-	-	-	-	-	-	11,227	11,227	11,937
Materials and services	398,580	610,095	1,905,160	363,887	592,817	99,731	474,165	92,088	4,536,523	4,279,553
Contracted services	-	340,411	444,413	815,032	4,175	-	-	-	1,604,031	1,168,169
Insurance and financial costs	36,147	31,791	70,855	14,954	16,066	566	19,123	3,890	193,392	188,897
Third party transfers	75,697	153,294	83,943	-	-	-	68,732	-	381,666	282,140
Amortization	26,147	182,609	1,572,336	1,457	608,863	7,455	137,467	-	2,536,334	2,293,142
	1,369,744	2,075,854	4,989,168	1,210,116	1,524,835	107,752	1,284,082	313,026	12,874,577	11,627,411
OTHER REVENUE RELATED TO CAPITAL										
Deferred revenue earned	-	-	391,000	-	-	-	-	-	391,000	416,000
Gain (loss) on disposal of tangible capital assets	-	238,607	(2,472)	-	-	-	-	-	236,135	-
	-	238,607	388,528	-	-	-	-	-	627,135	416,000
SURPLUS (DEFICIT)	\$ 225,567	\$ 201,559	\$ 122,768	\$ (98,641)	\$ (367,418)	\$ (40,600)	\$ 24,595	\$ 71,990	\$ 139,820	\$ 732,587

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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 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 legalisation.

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, 2016

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, 2016

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 represents 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, 2016

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 are 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 life 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, 2016

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	2016	2015
Balance, beginning of year	\$ 1,294	\$ 36,173	\$ 301,453	\$ 338,920	\$ 356,168
Grants received	400,167	-	-	400,167	381,993
Interest and other	1,301	6,382	3,181	10,864	16,759
Deferred revenue earned	(391,000)	-	-	(391,000)	(416,000)
Balance, end of year	\$ 11,762	\$ 42,555	\$ 304,634	\$ 358,951	\$ 338,920

TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. MUNICIPAL DEBT

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

	2016	2015
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 2017 to 2026	\$ 138,713	\$ 185,117
Principal payments assuming the loans are renewed under the same terms and conditions are as follows:		
2017	\$ 30,889	
2018	22,172	
2019	19,643	
2020	18,104	
2021	10,386	
2022 - 2026	37,519	
	\$ 138,713	

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

	2017 - 2021	2022 - 2026
General municipal revenues	\$ -	\$ -
Benefiting landowners	101,194	37,519
	\$ 101,194	\$ 37,519

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 \$1,308,310 (2015 - \$1,278,310) 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, 2016

5. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2016	2015
Municipal debt	\$ 138,713	\$ 185,117
Accrued landfill closure and post-closure	1,308,310	1,278,310
	\$ 1,447,023	\$ 1,463,427

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 1,308,310	\$ 1,278,310
Benefiting landowners	138,713	185,117
	\$ 1,447,023	\$ 1,463,427

6. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2016	ACTUAL 2016	ACTUAL 2015
Wages and benefits	\$ 3,508,566	\$ 3,611,404	\$ 3,403,573
Interest on municipal debt	11,108	11,227	11,937
Materials and services	4,407,209	4,536,523	4,279,553
Contracted services	1,416,576	1,604,031	1,168,169
Insurance and other financial costs	175,650	193,392	188,897
Third party transfers	364,137	381,666	282,140
Amortization	2,430,850	2,536,334	2,293,142
	\$ 12,314,096	\$ 12,874,577	\$ 11,627,411

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 2016 was \$190,925 (2015 - \$189,175) 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, 2016

8. OPERATING SURPLUS

	BUDGET 2016	ACTUAL 2016	ACTUAL 2015
Surplus for the year	\$ (87,539)	\$ 139,820	\$ 732,587
Funds transferred to reserves	(884,065)	(1,591,270)	(1,314,489)
Reserves used for operations	1,655,194	1,644,443	1,642,967
Change in accrued landfill costs	-	30,000	30,000
Acquisition of tangible capital assets	(3,050,500)	(3,102,582)	(3,449,347)
Annual amortization expense	2,430,850	2,536,334	2,293,141
Disposal of tangible capital assets	-	80,371	-
Transfer of WIP to tangible capital assets	-	36,341	65,642
Operating (deficit) surplus for the year	63,940	(226,543)	501
Transfer from (to) street lights surplus	-	15,644	(14,668)
Transfer to water and sewer surplus	(63,940)	(73,207)	(20,201)
Transfer from working capital reserves	-	284,106	34,368
	\$ -	\$ -	\$ -

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:

TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

9. SEGMENTED INFORMATION (Continued)

(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.

(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.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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, 2016 no claims have been filed.

TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2016

FINANCIAL ACTIVITIES (000's)

	2016	2015	2014	2013	2012
Revenues					
Taxation	\$ 8,439	\$ 7,861	\$ 7,266	\$ 6,762	\$ 6,622
Fees and service charges	2,066	1,955	1,946	1,580	2,132
Grants	1,344	1,300	1,593	1,446	1,458
Investment income	525	574	611	563	508
Other	13	254	160	-	-
	12,387	11,944	11,576	10,351	10,720
Expenses					
General government	1,370	1,195	1,537	1,206	1,164
Protection to persons and property	2,076	1,612	1,554	1,405	1,434
Transportation services	4,989	4,509	4,613	4,581	4,784
Environmental	2,735	2,596	2,725	3,067	2,626
Health services	108	46	99	31	48
Recreation and cultural services	1,284	1,404	1,230	1,170	1,140
Planning and development	313	265	253	246	285
	12,875	11,627	12,011	11,706	11,481
Other revenue related to capital					
Deferred revenue earned	391	416	395	395	434
Gain (loss) on disposal of tangible capital assets	236	-	39	(11)	(147)
Contribution from developers	-	-	-	412	-
	627	416	434	796	287
Surplus (deficit) for the year	\$ 139	\$ 733	\$ (1)	\$ (559)	\$ (474)

PROPERTY TAXES BILLED (000's)

	2016	2015	2014	2013	2012
Own Purposes	\$ 8,439	\$ 7,861	\$ 7,266	\$ 6,762	\$ 6,622
Upper-Tier Municipality	9,344	9,152	8,782	8,606	8,537
School Boards	4,221	4,163	4,064	4,002	4,606
	\$ 22,004	\$ 21,176	\$ 20,112	\$ 19,370	\$ 19,765

TOWNSHIP OF SOUTH GLENGARRY

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2016

TAXABLE ASSESSMENT (000's)

	2016	2015	2014	2013	2012
Residential and farm	\$ 1,685,298	\$ 1,575,873	\$ 1,467,642	\$ 1,363,563	\$ 1,266,625
Commercial and industrial	133,494	131,071	122,584	118,994	115,156
Exempt	1,818,792	1,706,944	1,590,226	1,482,557	1,381,781
	42,925	42,092	43,388	41,964	40,753
	\$ 1,861,717	\$ 1,749,036	\$ 1,633,614	\$ 1,524,521	\$ 1,422,534
Commercial and industrial	7.34%	7.68%	7.71%	8.03%	8.33%

FINANCIAL INDICATORS

	2016	2015	2014	2013	2012
Tax arrears					
Percentage of own levy	43 %	51 %	54 %	69 %	56 %
Percentage of total levy	17 %	18 %	19 %	24 %	18 %
Municipal debt	\$ 138,713	\$ 185,117	\$ 198,952	\$ 238,949	\$ 233,035
Municipal debt charges	\$ 11,227	\$ 11,937	\$ 14,462	\$ 285,019	\$ 139,768
Sustainability					
Financial assets to liabilities	2.70	2.78	2.87	2.67	2.62
Financial assets to liabilities excluding municipal debt	2.58	2.84	3.07	2.90	2.84
Municipal debt to tangible capital assets	0.28 %	0.38 %	0.42 %	0.49 %	0.47 %
Flexibility					
Debt charges to total operating revenue	0.09 %	0.10 %	0.13 %	2.56 %	1.27 %
Total operating revenue to taxable assessment	6.65 %	6.83 %	7.01 %	7.31 %	7.74 %
Vulnerability					
Operating grants to operating revenue	10.85 %	10.89 %	13.76 %	13.97 %	13.60 %
Total grants to total revenues	10.33 %	10.52 %	13.26 %	12.97 %	13.25 %
Reserve coverage					
Reserves	\$ 6,497,246	\$ 6,834,525	\$ 7,197,366	\$ 6,191,258	\$ 5,753,388
Reserves to operating expenses	50 %	59 %	60 %	53 %	50 %
Reserves to working capital	0.96	0.97	0.97	0.90	0.88