

CONSOLIDATED FINANCIAL STATEMENTS
For the
CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
For year ended
DECEMBER 31, 2017

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

	<u>Page(s)</u>
Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets (Liabilities)	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-18
Schedule 1 - Five year financial review (unaudited)	19

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the **Corporation of the Township of North Glengarry** are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Welch LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Corporation of the Township of North Glengarry and meet when required.

On behalf of the Corporation of the Township of North Glengarry:

Sarah Huskinson
Chief Administrative Officer/Clerk

Kimberley Champigny
Director of Finance/Treasurer

Alexandria, Ontario
September 10, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the:

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the consolidated 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 Township's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

The Township is expected to receive insurance proceeds related to an investigation into its taxes receivable. A provision in the amount of \$550,000 for estimated insurance recoveries has been recorded in these consolidated financial statements. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of this expected insurance recovery due to the measurement uncertainty of the insurable loss. Consequently, we were unable to determine whether any adjustments might have been necessary to the financial assets recorded in the consolidated statement of financial position as at December 31, 2017, as well as any related adjustments to the consolidated statements of operations, changes in net assets and the cash flows.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the **Corporation of the Township of North Glengarry** as at December 31, 2017 and its results of consolidated operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated financial statements of Corporation of the Township of North Glengarry for the year ended December 31, 2016, were audited by another auditor who expressed a qualified opinion on August 8, 2017. The qualified opinion was due to a lack of sufficient appropriate audit evidence related to the carrying amount of the Township's taxes receivable due to measurement uncertainty with respect to expected insurance recoveries.

Welch LLP

**Cornwall, Ontario
September 10, 2018**

**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Financial assets		
Cash (note 2)	\$ 1,543,581	\$ 1,458,590
Taxes receivable	1,888,356	2,522,276
Accounts receivable (note 3)	2,395,890	1,519,894
Long-term receivables (note 4)	<u>476,498</u>	<u>480,615</u>
	<u>6,304,325</u>	<u>5,981,375</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,737,197	1,028,772
Employee benefits payable (note 6)	191,399	192,574
Deferred revenue - obligatory reserve funds (note 5)	262,146	162,966
Landfill closure and post-closure liabilities	1,395,722	1,412,409
Municipal debt (note 9)	<u>2,461,582</u>	<u>3,060,128</u>
	<u>6,048,046</u>	<u>5,856,849</u>
Net financial assets	<u>256,279</u>	<u>124,526</u>
Non-financial assets		
Tangible capital assets (note 7)	39,395,562	39,460,337
Tangible capital assets under construction	4,019,357	3,672,641
Inventory	184,317	134,189
Prepaid expenses	<u>17,598</u>	<u>36,855</u>
	<u>43,616,834</u>	<u>43,304,022</u>
Accumulated surplus (note 10)	<u>\$ 43,873,113</u>	<u>\$ 43,428,548</u>

Contingencies (note 14)

The accompanying notes are an integral part of these financial statements.

(See accompanying notes)

Welch LLP[®]

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CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>Budget</u> (Note 15)	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Operating revenues			
Municipal taxation	\$ 5,153,393	\$ 4,973,179	\$ 5,021,089
User charges	5,866,375	5,835,122	5,763,160
Government transfers - operating	3,150,782	2,615,702	2,820,823
Investment income	20,000	33,752	34,376
Interest and penalties on taxes	320,000	359,859	395,620
Donations and other income	<u>2,500</u>	<u>1,775</u>	<u>4,273</u>
	<u>14,513,050</u>	<u>13,819,389</u>	<u>14,039,341</u>
Operating expenditures			
General government	1,270,872	1,772,364	1,679,148
Protection to persons and property	1,400,810	1,426,833	1,369,880
Transportation services	4,283,986	3,602,485	3,695,413
Environmental services	4,684,422	4,137,708	5,026,195
Health services	23,000	20,981	20,295
Recreational and cultural services	2,182,421	2,157,301	2,000,569
Planning and development	<u>1,108,585</u>	<u>623,905</u>	<u>606,971</u>
	<u>14,954,096</u>	<u>13,741,577</u>	<u>14,398,471</u>
Net operating expenditures	<u>(441,046)</u>	<u>77,812</u>	<u>(359,130)</u>
Other income related to capital			
Government transfers - capital	733,944	327,666	175,689
Donations	-	-	910,000
Gain on disposal of tangible capital assets	<u>24,000</u>	<u>39,087</u>	<u>22,847</u>
	<u>757,944</u>	<u>366,753</u>	<u>1,108,536</u>
Annual surplus	316,898	444,565	749,406
Accumulated surplus at beginning of year	<u>43,428,548</u>	<u>43,428,548</u>	<u>42,679,142</u>
Accumulated surplus at end of year	<u>\$ 43,745,446</u>	<u>\$ 43,873,113</u>	<u>\$ 43,428,548</u>

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)
YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>Budget</u> (Note 15)	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Annual surplus	\$ 316,898	\$ 444,565	\$ 749,406
Amortization of tangible capital assets	2,294,884	2,294,884	2,208,328
Acquisition of tangible capital assets and tangible capital assets under construction	(3,098,049)	(2,576,379)	(3,202,820)
Gain on disposal of tangible capital assets	-	(39,087)	(22,847)
Proceeds on disposal of tangible capital assets	-	38,641	35,629
Change in inventory	-	(50,128)	18,923
Change in prepaid expenses	<u>-</u>	<u>19,257</u>	<u>22,804</u>
Increase (decrease) in net financial assets	(486,267)	131,753	(190,577)
Net financial assets at beginning of year	<u>124,526</u>	<u>124,526</u>	<u>315,103</u>
Net financial assets (liabilities) at end of year	\$ <u>(361,741)</u>	\$ <u>256,279</u>	\$ <u>124,526</u>

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Annual surplus	\$ 444,565	\$ 749,406
Items not affecting cash:		
Amortization	2,294,884	2,208,328
Gain on disposal of tangible capital assets	<u>(39,087)</u>	<u>(22,847)</u>
	2,700,362	2,934,887
Net changes in non-cash working capital items:		
Taxes receivable	633,920	81,970
Accounts receivable	(875,996)	(76,904)
Inventory	(50,128)	18,923
Prepaid expenses	19,257	22,804
Accounts payable and accrued liabilities	708,425	73,893
Employee benefits payable	(1,175)	14,001
Landfill closure and post-closure	(16,687)	852,169
Deferred revenue	<u>99,180</u>	<u>25,224</u>
	<u>3,217,158</u>	<u>3,946,967</u>
Cash flows from capital activities		
Acquisition of tangible capital assets	(2,576,379)	(3,202,820)
Proceeds on disposal of tangible capital assets	<u>38,641</u>	<u>35,629</u>
	<u>(2,537,738)</u>	<u>(3,167,191)</u>
Cash flows from investing activities		
Advances of long-term receivables	(129,725)	(155,874)
Repayment of long-term receivable	<u>133,842</u>	<u>71,862</u>
	<u>4,117</u>	<u>(84,012)</u>
Cash flows from financing activities		
Municipal debt repaid	(648,546)	(862,301)
Proceeds from long-term debt	<u>50,000</u>	<u>81,100</u>
	<u>(598,546)</u>	<u>(781,201)</u>
Increase (decrease) in cash	84,991	(85,437)
Cash at beginning of year	<u>1,458,590</u>	<u>1,544,027</u>
Cash at end of year	<u>\$ 1,543,581</u>	<u>\$ 1,458,590</u>

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

NATURE OF OPERATIONS

The Corporation of the Township of North Glengarry (the "Township") was incorporated on January 1, 1998 and is a lower tier municipality in the Province of Ontario. The Township is responsible for providing a variety of municipal services to its residents. The Township conducts its operations under the direction of its elected Council, guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township are prepared by management in accordance with Canadian generally accepted accounting policies for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. These financial statements include the following significant accounting policies:

a) *Reporting entity*

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all municipal organizations, committees, and local boards accountable to the Township, and which are owned or controlled by the Township. Included with the municipality is the following:

Palais des Sports Glengarry Sports Palace

Interdepartmental and organizational transactions and balances are eliminated.

b) *Accounting for United Counties and School Board transactions*

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

c) *Basis of accounting*

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon cost of goods or services acquired.

d) *Deferred revenue*

The Township receives contributions under the authority of federal and provincial legislation and funding agencies. These funds, by their nature, are restricted in their use, and until applied to applicable projects, are recorded as deferred revenue. Amounts applied to projects are recorded as revenue in the fiscal period in which they are expended.

e) *Reserve and reserve funds*

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

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Government transfers*

Government transfers are recognized as revenues or expenditures in the period in which the events giving rise to the transfer occurred, provided the transfers are authorized, any eligibility criteria have been met by the recipient, and a reasonable estimates of the amounts can be made.

g) *Taxation and related revenues*

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council incorporating amounts to be raised for local services and amounts the Township is required to collect on behalf of the United Counties of Stormont, Dundas and Glengarry and the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Township determines the taxes applicable and renders supplementary tax billings. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the period they are determined and the effect shared with the school boards as appropriate.

h) *Landfill Closure and Post-closure Liability*

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering, landscaping, as well as surface and ground water monitoring and visual inspections. The reported liability is based on estimated future expenses in current dollars, adjusted for estimated inflation and charges to expense are based on usage.

i) *Use of Estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the year they become known. Management makes accounting estimates when determining the estimated useful life of the Township's tangible capital assets, its allowance for doubtful accounts and accounts receivable, the accrued liability for employee benefits and the accrued liability for landfill closure and post closure costs. Actual results could differ from those estimates.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) *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 is amortized on a straight-line basis over their estimated useful life as follows:

Land improvements	10 years
Buildings	40 years
Vehicles	10 to 25 years
Machinery and equipment	5 to 50 years
Transportation:	
- roads	7 to 40 years
- bridges and structures	40 years
Water and waste plants and networks	50 to 100 years

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

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

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.

2. CASH

Cash consists of the following:

	<u>2017</u>	<u>2016</u>
Unappropriated cash	\$ 336,538	\$ 362,275
Restricted under federal gas tax agreement	174,926	91,629
Restricted for parkland	87,220	71,337
Restricted for reserve funds	<u>944,897</u>	<u>933,349</u>
	<u>\$ 1,543,581</u>	<u>\$ 1,458,590</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2017</u>	<u>2016</u>
Water and sewer user fees receivables	\$ 367,928	\$ 393,737
Excise tax rebates receivable	83,351	171,316
Municipal drains charges receivable	366,061	358,688
Due from School Boards and the United Counties	489,296	-
Accounts receivable - other	<u>1,089,254</u>	<u>596,153</u>
	<u>\$ 2,395,890</u>	<u>\$ 1,519,894</u>

4. LONG-TERM RECEIVABLES

Long-term receivables consists of the following:

	<u>2017</u>	<u>2016</u>
Community improvement program loans receivable	\$ 137,418	\$ 74,774
Tile drainage loans receivable	<u>339,080</u>	<u>405,841</u>
	<u>\$ 476,498</u>	<u>\$ 480,615</u>

5. 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 legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances held in the obligatory reserve funds are as follows:

	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Transferred to Income</u>	<u>Balance December 31, 2017</u>
Parkland	\$ 71,337	\$ 15,883	\$ -	\$ 87,220
Federal gas tax	<u>91,629</u>	<u>319,765</u>	<u>(236,468)</u>	<u>174,926</u>
	<u>\$ 162,966</u>	<u>\$ 335,648</u>	<u>\$ (236,468)</u>	<u>\$ 262,146</u>

6. EMPLOYEE BENEFITS PAYABLE

The Township provides employee benefits that will require funding in future periods for vacation pay. The vacation pay liability has been estimated based on pay rates in effect at December 31, 2017 and is expected to be paid out over the next fiscal year.

Employee benefits payable is comprised of:

	<u>2017</u>	<u>2016</u>
Vacation pay	<u>\$ 191,399</u>	<u>\$ 192,574</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets consists of the following:

<u>Cost</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2017</u>
Land	\$ 536,998	\$ -	\$ -	\$ 536,998
Land improvements	462,744	12,302	-	475,046
Buildings	24,342,729	19,313	-	24,362,042
Vehicles	5,814,339	847,941	-	6,662,280
Equipment	6,969,978	322,250	-	7,292,228
Roads	15,332,501	716,695	(11,479)	16,037,717
Bridges	6,361,508	190,031	-	6,551,539
Water and sewer	<u>19,611,994</u>	<u>121,131</u>	<u>-</u>	<u>19,733,125</u>
	<u>\$ 79,432,791</u>	<u>\$ 2,229,663</u>	<u>\$ (11,479)</u>	<u>\$ 81,650,975</u>

<u>Accumulated Amortization</u>	<u>Balance December 31, 2016</u>	<u>Amortization Expense</u>	<u>Disposals</u>	<u>Balance December 31, 2017</u>
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	241,102	36,596	-	277,698
Buildings	15,084,159	600,197	-	15,684,356
Vehicles	3,413,880	290,891	-	3,704,771
Equipment	4,501,526	354,088	-	4,855,614
Roads	10,700,594	668,867	(11,925)	11,357,536
Bridges	2,689,060	134,503	-	2,823,563
Water and sewer	<u>3,342,133</u>	<u>209,742</u>	<u>-</u>	<u>3,551,875</u>
	<u>\$ 39,972,454</u>	<u>\$ 2,294,884</u>	<u>\$ (11,925)</u>	<u>\$ 42,255,413</u>

<u>Net book value</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>
Land	\$ 536,998	\$ 536,998
Land improvements	221,642	197,348
Buildings	9,258,570	8,677,686
Vehicles	2,400,459	2,957,509
Equipment	2,468,452	2,436,614
Roads	4,631,907	4,680,181
Bridges	3,672,448	3,727,976
Water and sewer	<u>16,269,861</u>	<u>16,181,250</u>
	<u>\$ 39,460,337</u>	<u>\$ 39,395,562</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

8. CREDIT FACILITY

The Township has a revolving operating credit facility with a maximum limit of 50% of the Township's total estimated annual revenue. The credit facility bears interest at prime plus 0.5% and was unused at December 31, 2017.

9. MUNICIPAL DEBT

Municipal debt consists of the following:

	<u>2017</u>	<u>2016</u>
<u>Royal Bank of Canada</u>		
Term loans - interest rates between 2.19% and 5.35%, repayable in monthly blended payments ranging between \$103 and \$10,878, maturity dates ranging from 2018 to 2022	\$1,168,150	\$1,518,027
 <u>Ontario Infrastructure and Lands Corporation</u>		
Debenture loans - interest rates between 1.86% and 2.87%, repayable in semi-annual payments ranging between \$13,522 and \$63,818 plus interest, maturity dates ranging from 2022 to 2025	954,352	1,136,260
 <u>Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA):</u>		
Tile drainage debenture loans - 6% repayable over a ten year period in blended annual payments ranging between \$217 and \$6,793, maturity dates ranging from 2018 to 2027	<u>339,080</u>	<u>405,841</u>
	<u>\$2,461,582</u>	<u>\$3,060,128</u>

The Township has offsetting tile drain loans receivable from property owners with the same terms and maturity dates as the OMAFRA tile drain loans above. These loans receivable have been included in long-term receivables on the statement of financial position.

Principal repayments on municipal debt are estimated to be as follows:

2018	\$ 607,245
2019	470,680
2020	464,620
2021	326,643
2022	308,857
2023 and subsequent	<u>283,537</u>
	<u>\$2,461,582</u>

Subsequent to the year-end the Township obtained new financing in the amount of \$867,930 to finance the cost of fire equipment purchased in 2017. The new loan bears interest at 3.01%, is repayable in semi-annual payments of \$43,397 plus interest and is due in 2028.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

10. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2017</u>	<u>2016</u>
Reserves:		
Working funds	\$ 885,232	\$ 709,848
CEMC contingency fund	50,000	50,000
Fire	324,560	324,560
Recreation	63,455	73,455
Roads	541,417	649,761
Waste management	800,280	701,705
Water & sewer	1,297,536	996,155
WSIB	54,443	54,443
Zoning and elections	47,500	30,000
Other	<u>34,270</u>	<u>42,678</u>
	<u>4,098,693</u>	<u>3,632,605</u>
Reserve funds:		
Water and sewer reserve funds	930,571	919,198
Other	<u>14,326</u>	<u>14,151</u>
	<u>944,897</u>	<u>933,349</u>
Reserves and reserve funds - total	<u>5,043,590</u>	<u>4,565,954</u>
Invested in tangible capital assets:		
Equity in tangible capital assets	43,414,919	43,132,978
Less: related debt	(2,122,502)	(2,654,287)
Less: unfinanced tangible capital assets	<u>(867,930)</u>	<u>-</u>
	<u>40,424,487</u>	<u>40,478,691</u>
Amounts to be recovered from future revenues:		
Accrued interest	(7,843)	(11,114)
Accrued landfill closure and post-closure costs	(1,395,722)	(1,412,409)
Employee benefits payable	<u>(191,399)</u>	<u>(192,574)</u>
	<u>(1,594,964)</u>	<u>(1,616,097)</u>
	<u>\$ 43,873,113</u>	<u>\$ 43,428,548</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

11. SEGMENTED INFORMATION

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the statement of operations. Departments have been separately disclosed in the segmented information. For each reported segment, revenues and expenditures 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 in the preparation of the financial statements as disclosed in note 1. The nature of the Township's segments and the activities they encompass are as follows:

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 in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting and overall budget status as well as frontline reception and customer service.

Protection to Persons and Property

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

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.

Environmental Services

Environmental services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services as well as solid waste collection, disposal and recycling services.

Health Services

Health services includes health and safety programs, and contributions to the Glengarry Memorial Hospital.

Recreation and Cultural Services

Recreation and cultural services includes services that contribute to the Township's development and sustainability through the provision of recreation and leisure programs including community halls, libraries, parks, recreation fields and arenas.

Planning and Development

Planning and development manages development for business interest, 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.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

11. SEGMENTED INFORMATION (continued)

	<u>General Government</u>	<u>Protection</u>	<u>Transportation</u>	<u>Environment</u>	<u>Health</u>	<u>Recreation and Cultural</u>	<u>Planning and Development</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Revenues									
Municipal taxation	\$ 460,834	\$ 643,865	\$ 2,107,202	\$ 459,640	\$ 13,735	\$ 909,493	\$ 378,410	\$ 4,973,179	\$ 5,021,089
User charges	78,331	245,948	54,561	4,513,338	-	767,134	175,810	5,835,122	5,763,160
Government transfers									
- operating	242,381	338,648	1,108,308	241,753	7,224	478,359	199,029	2,615,702	2,820,823
- capital	-	-	327,666	-	-	-	-	327,666	175,689
Other	<u>395,386</u>	<u>30,837</u>	<u>8,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>434,473</u>	<u>1,367,116</u>
	<u>1,176,932</u>	<u>1,259,298</u>	<u>3,605,987</u>	<u>5,214,731</u>	<u>20,959</u>	<u>2,154,986</u>	<u>753,249</u>	<u>14,186,142</u>	<u>15,147,877</u>
Expenditures									
Wages and benefits	944,212	544,824	1,277,698	1,248,636	-	791,432	239,302	5,046,104	4,682,318
Interest municipal debt	-	9,806	7,359	51,262	-	-	29,971	98,398	116,681
Materials and services	389,832	503,978	1,134,926	1,586,807	981	802,775	268,841	4,688,140	5,802,423
Contracted services	-	32,287	79,984	495,516	-	13,867	-	621,654	581,557
Insurance and financial costs	406,492	56,525	51,168	81,000	-	31,957	-	627,142	682,506
Third party transfers	-	75,771	-	-	20,000	191,496	77,988	365,255	324,658
Amortization	<u>31,827</u>	<u>203,641</u>	<u>1,051,351</u>	<u>674,488</u>	<u>-</u>	<u>325,773</u>	<u>7,804</u>	<u>2,294,884</u>	<u>2,208,328</u>
	<u>1,772,363</u>	<u>1,426,832</u>	<u>3,602,486</u>	<u>4,137,709</u>	<u>20,981</u>	<u>2,157,300</u>	<u>623,906</u>	<u>13,741,577</u>	<u>14,398,471</u>
Net surplus (deficit)	<u>\$ (595,431)</u>	<u>\$ (167,534)</u>	<u>\$ 3,501</u>	<u>\$ 1,077,022</u>	<u>\$ (22)</u>	<u>\$ (2,314)</u>	<u>\$ 129,343</u>	<u>\$ 444,565</u>	<u>\$ 749,406</u>

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

12. OPERATION OF SCHOOL BOARDS AND THE UNITED COUNTIES

The following taxation revenues were raised and remitted to school boards and the United Counties of Stormont, Dundas and Glengarry:

	<u>2017</u>	<u>2016</u>
School boards	<u>\$ 2,535,463</u>	<u>\$ 2,914,537</u>
United Counties of Stormont, Dundas and Glengarry	<u>\$ 5,817,652</u>	<u>\$ 5,775,808</u>

13. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees, based on length of service and rates of pay. OMERS provides pension services to approximately 1,000 employers and 480,000 plan members.

Each year an independent actuary determines the funding status of the OMERS pension plan (the Plan) by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million in respect of defined benefit obligations with actuarial assets of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of employers and plan members participating in the Plan. The Township has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. As a result, the Township does not recognize any share of the OMERS pension deficit.

The amount contributed to OMERS for 2017 was \$263,366 (2016 - \$248,403) for current service and is included as an expenditure on the statement of operations.

14. CONTINGENCIES

In 2014, the Government of Ontario expanded regulations to include six additional cancers presumed to be work related for firefighters under the Workplace Safety and Insurance Act. This change is retroactive to January 1, 1960. The Workplace Safety and Insurance Board (WSIB) has determined a potential liability for all Schedule 2 employers based on the total number of firefighters employed across the province. As the WSIB potential liability has been based on assumptions and general allocations and no specific claims have been filed with the Township, no provision for potential claims has been recorded in these financial statements. The Township previously established a reserve for future WSIB costs in the amount of \$54,443 to mitigate any claims from when it previously was a Schedule 2 employer.

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. A provision for litigation claims has been recorded in these consolidated financial statements based on management's best estimate of the likely outcomes. Should claims be settled for amounts other than established accruals, the outstanding amounts will be offset against operations in the year of settlement.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

15. BUDGETED FIGURES

The budgeted figures are presented for comparison purposes as prepared and approved by the Township's Council. The budget figures have been adjusted from the cash basis of accounting as originally prepared and have been restated as follows to conform with Canadian public sector accounting standards:

	<u>2017</u>
Annual surplus as budgeted	\$ -
Add:	
Capital expenditures expensed	3,098,049
Principal repayment of municipal debt expensed	623,103
Transfers to reserves expensed	471,928
Less:	
Loan proceeds included as income	(400,000)
Transfers from reserves included as income	(1,090,048)
Principal repayment of tile drain loans receivable included as income	(91,250)
Amortization of tangible capital assets not recorded	<u>(2,294,884)</u>
Annual surplus as presented on the statement of operations	<u>\$ 316,898</u>

16. EXPENSES BY OBJECT

Operating expenditures by object is summarized as follows:

	<u>2017</u>	<u>2016</u>
Wages and benefits	\$ 5,046,104	\$ 4,682,318
Interest on municipal debt	98,398	116,681
Materials and services	4,688,140	5,802,423
Contracted services	621,654	581,557
Insurance and financial costs	627,142	682,506
Third party transfers	365,255	324,658
Amortization	<u>2,294,884</u>	<u>2,208,328</u>
	<u>\$ 13,741,577</u>	<u>\$ 14,398,471</u>

17. COMPARATIVE FIGURES

Comparative figures have been audited by another auditor and have been reclassified where necessary to conform to the presentation adopted for 2017.

CORPORATION OF THE TOWNSHIP OF NORTH GLENGARRY**SCHEDULE 1 - FIVE YEAR FINANCIAL REVIEW (unaudited)****DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Population (MPAC)	8,865	10,088	9,740	9,690	9,573
Number of Households (MPAC)	5,847	5,734	5,754	5,774	4,786
Taxable Assessment (000's)					
Residential and farm	\$ 1,055,595	\$ 969,296	\$ 907,281	\$ 846,782	\$ 787,280
Commercial and industrial	<u>101,315</u>	<u>106,141</u>	<u>101,852</u>	<u>99,245</u>	<u>89,614</u>
Total	<u>\$1,156,910</u>	<u>\$1,075,437</u>	<u>\$1,009,133</u>	<u>\$ 946,027</u>	<u>\$ 876,894</u>
Property Taxes Billed (000's)					
Own purpose	\$ 4,973	\$ 5,021	\$ 4,785	\$ 4,523	\$ 4,136
Upper-Tier Municipality	5,818	5,776	5,646	5,444	5,328
School Boards	<u>2,535</u>	<u>2,915</u>	<u>2,843</u>	<u>2,785</u>	<u>2,746</u>
Total	<u>\$ 13,326</u>	<u>\$ 13,712</u>	<u>\$ 13,274</u>	<u>\$ 12,752</u>	<u>\$ 12,210</u>
Tax Arrears					
% of own levy	38 %	50 %	54 %	55 %	56 %
% of total levy	14 %	18 %	20 %	19 %	19 %
Municipal Debt (000's)					
Municipal debt	\$ 2,462	\$ 3,060	\$ 3,851	\$ 4,020	\$ 4,407
Annual debt charges	\$ 603	\$ 799	\$ 666	\$ 658	\$ 690
Municipal Equity (000's)					
Surplus and reserves	\$ 5,044	\$ 4,566	\$ 4,096	\$ 3,652	\$ 3,032
Invested in tangible capital assets	\$ 40,424	\$ 40,479	\$ 38,697	\$ 39,061	\$ 38,567
Reserves as % of operating expenses	36.71 %	31.71 %	35.85 %	33.00 %	38.00 %
Financial Indicators:					
Sustainability:					
Financial assets to liabilities	1.04 %	1.02 %	1.06 %	0.72 %	0.63 %
Municipal debt to tangible capital assets	5.67 %	7.09 %	9.14 %	9.45 %	10.39 %
Flexibility:					
Debt charges to total operating revenue	4.36 %	5.69 %	5.94 %	6.14 %	6.85 %
Total operating revenue to taxable assessment	1.19 %	1.31 %	1.27 %	1.31 %	1.34 %
Vulnerability:					
Operating government transfers to operating revenues	18.93 %	20.09 %	19.22 %	19.09 %	19.14 %
Total government transfers to total revenues	21.30 %	21.34 %	22.46 %	22.22 %	30.49 %