
CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FINANCIAL STATEMENTS

December 31, 2016



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

December 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Township of Edwardsburgh/Cardinal

We have audited the financial statements of the Corporation of the Township of Edwardsburgh/Cardinal, 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 Corporation of the Township of Edwardsburgh/Cardinal as at December 31, 2016 and its results of its operations, change in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cornwall, Ontario
July 24, 2017

Chartered Professional Accountants
Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015 (Note 16)
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 6,982,619	\$ 3,829,620
Taxes receivable	856,067	880,956
Accounts receivable	1,635,862	1,126,831
Land held for resale	136,722	779,778
Long-term receivable (Note 2)	225,000	225,000
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	643,647	644,575
Investment in Port of Johnstown (Note 4)	29,408,333	27,114,486
	39,888,250	34,601,246
Liabilities		
Accounts payable	2,399,947	1,508,531
Accrued interest on municipal debt	72,325	63,325
Deferred revenue - obligatory reserve funds (Note 5)	209,551	194,577
Municipal debt (Note 6)	6,849,563	6,429,926
Capital leases (Note 7)	322,755	406,119
Accrued landfill closure and post closure costs (Note 8)	349,273	372,880
	10,203,414	8,975,358
Net Financial Assets	29,684,836	25,625,888
Non-Financial Assets		
Tangible capital assets	34,157,463	31,958,804
Inventory	96,044	113,865
	34,253,507	32,072,669
Accumulated Surplus	\$ 63,938,343	\$ 57,698,557

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2016

	BUDGET 2016 (unaudited)	ACTUAL 2016	ACTUAL 2015 (Note 16)
REVENUE			
Taxation (Note 1(a)(iii))	\$ 4,669,633	\$ 4,657,579	\$ 4,622,565
Fees and service charges	3,783,304	4,221,507	3,553,142
Grants	864,223	917,240	886,776
Investment income	141,100	231,205	195,809
Proceeds from land held for resale	-	3,022,385	-
Donations	11,600	12,963	139,750
	9,469,860	13,062,879	9,398,042
EXPENSES			
General government	899,360	898,300	1,063,194
Protection to persons and property	1,850,648	1,893,513	1,817,154
Transportation services	2,401,761	1,839,009	2,170,640
Environmental services	2,368,515	2,682,422	2,572,792
Recreation and cultural services	1,967,078	2,096,488	1,936,413
Planning and development	292,120	203,043	154,424
	9,779,482	9,612,775	9,714,617
OTHER REVENUE			
Deferred revenue earned (Note 5)	200,000	200,000	200,000
Capital grants	47,200	296,763	-
Gain on disposal of tangible capital assets	-	-	49,279
Equity income from government business enterprises	19,077	2,292,919	3,926,981
	266,277	2,789,682	4,176,260
SURPLUS FOR THE YEAR	(43,345)	6,239,786	3,859,685
ACCUMULATED SURPLUS, beginning of year	57,698,557	57,698,557	53,838,872
ACCUMULATED SURPLUS, end of year	\$ 57,655,212	\$ 63,938,343	\$ 57,698,557

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2016

	BUDGET 2016 (unaudited)	ACTUAL 2016	ACTUAL 2015 (Note 16)
Surplus for the year	\$ (43,345)	\$ 6,239,786	\$ 3,859,685
Amortization of tangible assets	1,816,238	1,459,246	1,564,566
Acquisition of tangible capital assets	(2,350,720)	(3,657,905)	(1,753,171)
Proceeds on sale of tangible capital assets	-	-	49,279
Gain on disposal of tangible capital assets	-	-	(49,279)
Change in inventory	-	17,821	(10,061)
Increase in net financial assets	(577,827)	4,058,948	3,661,019
Net financial assets, beginning of year	25,625,888	25,625,888	21,964,869
Net financial assets, end of year	\$ 25,048,061	\$ 29,684,836	\$ 25,625,888

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	2016	2015 (Note 16)
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 6,239,786	\$ 3,859,685
Items not affecting cash		
Amortization expense	1,459,246	1,564,566
Gain on disposal of tangible capital assets	-	(49,279)
Changes in non-cash working capital balances		
Taxes receivable	24,889	(97,810)
Accounts receivable	(509,031)	271,924
Land held for resale	643,056	-
Accounts payable	891,416	465,511
Accrued interest on municipal debt	9,000	(1,661)
Deferred revenue - obligatory reserve funds	14,974	4,769
Accrued landfill closure and post closure costs	(23,607)	(25,370)
Inventory	17,821	(10,058)
	8,767,550	5,982,277
CASH FROM (USED IN) FINANCING ACTIVITIES		
Repayment of municipal debt	(380,363)	(384,738)
Proceeds from the issue of municipal debt	800,000	-
	419,637	(384,738)
CASH USED IN INVESTING ACTIVITIES		
Increase in investment in Rideau St. Lawrence Holdings Inc.	928	(11,894)
Increase in investment in Port of Johnstown	(2,293,847)	(3,915,086)
	(2,292,919)	(3,926,980)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of capital assets	-	49,279
Acquisition of tangible capital assets	(3,657,905)	(1,753,171)
Increase in capital leases	(83,364)	406,120
	(3,741,269)	(1,297,772)
INCREASE IN CASH AND EQUIVALENT	3,152,999	372,787
CASH AND EQUIVALENT, beginning of year	3,829,620	3,456,833
CASH AND EQUIVALENT, end of year	\$ 6,982,619	\$ 3,829,620
REPRESENTED BY :		
Cash	\$ 6,982,619	\$ 3,829,620

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2016

	Land	Buildings	Vehicles and Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	2016	2015
Cost									
Balance, beginning of year	\$ 695,111	\$ 11,150,822	\$ 6,336,312	\$ 17,227,619	\$ 15,253,694	\$ 7,948,775	\$ 3,144,800	\$ 61,757,133	\$ 60,196,041
Additions during the year	52,685	1,474,577	267,503	-	1,399,148	463,992	-	3,657,905	1,753,171
Disposals during the year	-	-	23,506	-	-	-	-	23,506	192,079
Balance, end of year	747,796	12,625,399	6,580,309	17,227,619	16,652,842	8,412,767	3,144,800	65,391,532	61,757,133
Accumulated Amortization									
Balance, beginning of year	-	2,660,144	3,934,296	7,666,041	11,070,870	3,209,376	1,257,602	29,798,329	28,425,842
Amortization during the year	-	298,148	471,757	2,879	485,905	122,299	78,258	1,459,246	1,564,566
Amortization on disposals	-	-	23,506	-	-	-	-	23,506	192,079
Balance, end of year	-	2,958,292	4,382,547	7,668,920	11,556,775	3,331,675	1,335,860	31,234,069	29,798,329
Net book value	\$ 747,796	\$ 9,667,107	\$ 2,197,762	\$ 9,558,699	\$ 5,096,067	\$ 5,081,092	\$ 1,808,940	\$ 34,157,463	\$ 31,958,804

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

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	\$ 729,926	\$ 3,144,793	\$ 21,489,114	\$ 26,206,370	\$ 9,883,394	\$ 61,453,597	\$ 59,892,505
Additions during the year	147,637	855,006	1,411,562	516,677	207,094	3,137,976	1,753,171
Disposals during the year	-	-	-	-	23,506	23,506	192,079
Assets in service, end of year	877,563	3,999,799	22,900,676	26,723,047	10,066,982	64,568,067	61,453,597
Assets under construction	-	-	800,425	23,040	-	823,465	303,536
Balance, end of year	877,563	3,999,799	23,701,101	26,746,087	10,066,982	65,391,532	61,757,133
Accumulated Amortization							
Balance, beginning of year	290,029	1,573,041	14,236,938	11,239,179	2,459,142	29,798,329	28,425,842
Amortization during the year	20,225	169,613	657,831	342,245	269,332	1,459,246	1,564,566
Amortization on disposals	-	-	-	-	23,506	23,506	192,079
Balance, end of year	310,254	1,742,654	14,894,769	11,581,424	2,704,968	31,234,069	29,798,329
Net book value	\$ 567,309	\$ 2,257,145	\$ 8,806,332	\$ 15,164,663	\$ 7,362,014	\$ 34,157,463	\$ 31,958,804

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2016

	2016	2015
Surpluses		
Operating surplus	\$ -	\$ -
Land inventory surplus	136,723	804,641
EMS building surplus	49,500	-
Library board surplus	24,104	21,293
Capital surplus	180,816	491,765
Unfinanced capital outlay	-	(303,536)
Investment in Port of Johnstown	29,408,333	27,114,486
Investment in Rideau St. Lawrence Holdings Inc.	643,647	644,575
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(72,325)	(63,325)
Accrued landfill closure and post closure	(349,273)	(372,880)
Total surplus	30,021,525	28,337,019
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
Working capital	750,000	750,000
Capital expenditures	74,604	62,435
Tax stabilization	90,000	70,000
Election	12,000	6,000
Fire	198,088	189,103
Police	147,500	150,000
Transportation	600,582	846,216
Environmental	156,478	312,346
Recreation	57,987	114,859
Planning	38,827	24,784
Total reserves	2,126,066	2,525,743
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
Water and sewer	1,222,456	924,461
Subdivision	203,199	169,257
Industrial park	1,115,284	284,982
Johnstown	13,108	8,000
Endowment	71,058	122,023
Industrial park	2,000,904	-
Total reserve funds	4,626,009	1,508,723
Total reserves and reserve funds	6,752,075	4,034,466
Invested in tangible capital assets		
Tangible capital assets	34,157,463	31,958,804
Less: related debt	(6,992,720)	(6,631,732)
Invested in tangible capital assets	27,164,743	25,327,072
ACCUMULATED SURPLUS	\$ 63,938,343	\$ 57,698,557

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2016

	Surpluses	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2016	2015
Balance, beginning of year	\$ 28,337,019	\$ 4,034,466	\$ 25,327,072	\$ 57,698,557	\$ 53,838,872
Surplus for the year	7,631,842	67,190	(1,459,246)	6,239,786	3,859,685
Reserve funds used for operations	1,560,218	(1,560,218)	-	-	-
Funds transferred to reserves	(4,210,637)	4,210,637	-	-	-
Current year funds used for tangible capital assets	(3,657,905)	-	3,657,905	-	-
Repayment of municipal debt	360,988	-	(360,988)	-	-
Change in accumulated surplus	1,684,506	2,717,609	1,837,671	6,239,786	3,859,685
Balance, end of year	\$ 30,021,525	\$ 6,752,075	\$ 27,164,743	\$ 63,938,343	\$ 57,698,557

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2016

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2016	2015
REVENUE								
Taxation	\$ 153,451	\$ 1,649,787	\$ 1,229,478	\$ 437,622	\$ 1,095,298	\$ 91,943	\$ 4,657,579	\$ 4,622,565
Fees and service charges	1,252,457	22,414	413,296	1,717,866	710,531	104,943	4,221,507	3,553,142
Grants	751,680	-	-	59,639	105,616	305	917,240	886,776
Investment income	230,321	-	-	884	-	-	231,205	195,809
Donations	-	-	-	-	12,963	-	12,963	139,750
Proceeds from land held for resale	3,022,385	-	-	-	-	-	3,022,385	-
	5,410,294	1,672,201	1,642,774	2,216,011	1,924,408	197,191	13,062,879	9,398,042
EXPENSES								
Wages and benefits	552,839	260,435	578,411	570,769	888,115	31,509	2,882,078	2,829,320
Interest on municipal debt	46,547	3,055	-	-	234,195	5,067	288,864	298,981
Materials and services	165,838	213,946	534,341	1,182,561	637,362	149,533	2,883,581	2,797,527
Contracted services	91,836	1,212,724	11,992	509,131	6,849	15,406	1,847,938	1,882,021
Insurance and financial costs	21,015	33,740	56,434	77,716	60,635	1,528	251,068	342,202
Amortization	20,225	169,613	657,831	342,245	269,332	-	1,459,246	1,564,566
	898,300	1,893,513	1,839,009	2,682,422	2,096,488	203,043	9,612,775	9,714,617
OTHER REVENUE								
Deferred revenue earned	-	-	200,000	-	-	-	200,000	200,000
Capital grants	-	-	47,176	-	-	249,587	296,763	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	49,279
Equity income from government business enterprises	2,292,919	-	-	-	-	-	2,292,919	3,926,981
	2,292,919	-	247,176	-	-	249,587	2,789,682	4,176,260
SURPLUS FOR THE YEAR	\$ 6,804,913	\$ (221,312)	\$ 50,941	\$ (466,411)	\$ (172,080)	\$ 243,735	\$ 6,239,786	\$ 3,859,685

See Accompanying Notes



CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

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 reserve funds and reserves and include the activities of all committees of Council and the following local board and other government organization:

Township of Edwardsburgh/Cardinal Library Board

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of any funds of the Township which results in consolidated interest income and expenditures during the year.

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. The following government business enterprises are consolidated based on the Township's share of ownership.

Rideau St. Lawrence Holdings Inc.

Port of Johnstown

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties of Leeds and Grenville 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 Leeds and Grenville are not reflected in the municipal fund balances of these financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the Township are not consolidated.

(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.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Leeds and Grenville, 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.

(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 and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and short term investments, which includes guaranteed investment certificates.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 expenditures have 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.

(l) Employee benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave 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 contribution 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.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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	15 years
Buildings	10 to 50 years
Machinery and equipment	10 years
Vehicles	5 to 10 years
Computer hardware and software	5 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	10 to 50 years
bridges and structures	25 to 75 years
Leased assets	5 to 40 years

Full amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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, bunker gear and furniture.

(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.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Non-financial assets (Continued)

(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) 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.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

2. LONG-TERM RECEIVABLE

The long-term receivable is due from Rideau St. Lawrence Holdings Inc., is interest bearing 4.41%, paid quarterly, has no specific terms of repayment, and is unsecured.

3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC.

	2016	2015
Investment, beginning of year	\$ 644,575	\$ 632,682
Share of net income for the year	18,149	30,970
Dividends received	(19,077)	(19,077)
Investment, end of year	\$ 643,647	\$ 644,575

The Township of Edwardsburgh/Cardinal owns 11.92 % of the outstanding share capital of Rideau St. Lawrence Holdings Inc.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC. (Continued)

The following table provides condensed supplementary financial information for Rideau St. Lawrence Holdings Inc.:

Financial Position

	2016	2015
Current assets	\$ 5,341,496	\$ 4,577,078
Capital	7,095,357	6,875,202
Regulatory assets	321,320	575,960
Total Assets	12,758,173	12,028,240
Current liabilities	5,463,341	4,807,857
Customer deposits	272,341	262,561
Regulatory liabilities	472,299	292,358
Long-term debt	984,437	1,090,169
Total Liabilities	7,192,418	6,452,945
Net Assets	\$ 5,565,755	\$ 5,575,295

Financial Activities

	2016	2015
Total Revenue	\$ 17,684,867	\$ 16,630,827
Total Expenses	17,532,608	16,376,899
Net Income	152,259	253,928
IFRS transitional adjustment	-	5,891
	\$ 152,259	\$ 259,819
Township share of net income (11.92%)	\$ 18,149	\$ 30,970

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

4. INVESTMENT IN PORT OF JOHNSTOWN

	2016	2015
Investment, beginning of year	\$ 27,114,486	\$ 23,199,400
Share of net income for the year	2,293,847	3,915,086
Investment, end of year	\$ 29,408,333	\$ 27,114,486

The Township of Edwardsburgh/Cardinal owns 100% of the Port of Johnstown.

(a) The following table provides condensed supplementary financial information for Port of Johnstown:

Financial Position

	2016	2015
Cash	\$ 2,995,618	3,203,260
Investments	6,181,101	5,969,922
Accounts receivable	1,115,376	2,821,446
Other assets	148,297	130,331
Capital	45,965,687	42,311,525
Total Assets	56,406,079	54,436,484
Current liabilities	957,972	1,702,688
Deferred contributions	26,039,774	25,619,310
Total Liabilities	26,997,746	27,321,998
Net Assets	\$ 29,408,333	\$ 27,114,486

Financial Activities

	2016	2015
Total Revenue	\$ 8,147,938	\$ 9,705,559
Total Expenses	5,854,091	5,790,473
Net Income	\$ 2,293,847	\$ 3,915,086

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

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 provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The transactions in the federal gas tax obligatory reserve fund are summarized as follows:

	2016	2015
Balance, beginning of year	\$ 194,577	\$ 189,807
Grants received	211,576	201,501
Interest and other	3,398	3,269
Deferred revenue earned	(200,000)	(200,000)
Balance, end of year	\$ 209,551	\$ 194,577

6. MUNICIPAL DEBT

	2016	2015
Loan payable, interest at 4.59%, payable in blended semi-annual payments of \$151,849, due October 2043	\$ 5,067,866	\$ 5,136,594
Loan payable, interest at 2.88%, payable in blended monthly payments of \$7,052, due October 2024	100,136	111,118
Loan payable, interest at 4.3%, payable in blended monthly payments of \$21,708, due November 2019	701,962	977,900
Loan payable, interest at 2.91%, payable in blended semi-annual payments of \$26,523, due July 2036	800,000	-
Loan payable, interest at 3.25%, payable in blended monthly payments of \$1,469, due May 2023	101,945	116,007
Tile drainage loans, interest at 6%, repayable over a ten year period in blended payments ranging between \$850 and \$6,800, maturity dates ranging from 2018 to 2024	77,654	88,307
	\$ 6,849,563	\$ 6,429,926

Principal payments assuming the loans are renewed under the same terms and conditions are as follows:

2017		\$ 427,037
2018		445,371
2019		261,382
2020		154,187
2021		160,503
Thereafter		5,401,083
		\$ 6,849,563

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

6. MUNICIPAL DEBT (Continued)

(b) Of the municipal debt reported principal payments are payable from the following sources as follows:

	2017 - 2021	Thereafter
Taxation revenues	\$ 613,290	\$ 4,554,712
Other revenues	860,920	641,042
Benefiting landowners	133,228	46,371
	\$ 1,607,438	\$ 5,242,125

7. CAPITAL LEASES

	2016	2015
Capital lease obligation, equipment, 0%, monthly payments of \$3,142, matures August 2019	\$ 207,483	\$ 245,847
Capital lease obligation, equipment, 0%, monthly payments of \$3,750, matures June 2019	115,272	160,272
	\$ 322,755	\$ 406,119

Lease payments due in the next five years are as follows:

2017	\$ 84,160
2018	84,160
2019	154,435
	\$ 322,755

8. ACCRUED LANDFILL CLOSURE AND POST CLOSURE COSTS

The Township operates one solid waste landfill site. The landfill site has reached its useful life and capping procedures have commenced in 2016. 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 ten years. Total closure and post-closure costs were estimated to be \$372,880. During the year closing costs of \$23,607 were incurred and were charged to the accrued liability. The remaining estimated costs of \$349,273 are to be recovered from future taxation revenue and reserves.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

9. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

Amounts to be recovered from future taxation and local improvement charges are as follows:

	2016	2015
Municipal debt	\$ 6,849,563	\$ 6,429,926
Accrued interest on municipal debt	72,325	63,325
Accrued landfill closure and post-closure	349,273	372,880
	\$ 7,271,161	\$ 6,866,131

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 5,578,201	\$ 5,681,504
Benefiting landowners	1,692,960	1,184,627
	\$ 7,271,161	\$ 6,866,131

10. 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 employee 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 \$171,300 (2015 - \$173,592) for current service and is included as an expenditure on the statement of financial activities.

11. OPERATING EXPENDITURES BY OBJECT

Municipal operating expenditures are summarized as follows:

	BUDGET 2016 (unaudited)	ACTUAL 2016	ACTUAL 2015
Wages and benefits	\$ 2,940,552	\$ 2,882,078	\$ 2,829,320
Interest on long-term debt	298,697	288,864	298,981
Materials and services	2,639,655	2,883,581	2,797,527
Contracted services	1,820,845	1,847,938	1,882,021
Insurance and financial expenses	263,495	251,068	342,202
Amortization	1,816,238	1,459,246	1,564,566
	\$ 9,779,482	\$ 9,612,775	\$ 9,714,617

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

12. OPERATING AND WATERWORKS AND SEWER OPERATIONS SURPLUSES AND DEFICITS

The operating surplus for the fiscal year ending December 31, 2016 was \$118,344 which was transferred to the capital expenditures reserve.

The waterworks and sewer operations surplus for the fiscal year ending December 31, 2016 was \$141,660, of which a surplus of \$28,788 was transferred to the Cardinal wastewater reserve, \$81,107 was transferred to the Cardinal water reserve and a surplus of \$31,765 was transferred to the Spencerville wastewater reserve.

	BUDGET 2016 (unaudited)	ACTUAL 2016	ACTUAL 2015
Surplus for the year	\$ (43,345)	\$ 6,239,786	\$ 3,859,685
Funds transferred to reserves	(280,705)	(4,017,470)	(476,500)
Reserve funds used for operations	908,147	1,560,219	686,636
Reserve fund interest	-	(67,190)	(39,012)
Change in accrued landfill costs	-	(23,607)	(25,370)
Acquisition of tangible capital assets	(2,350,720)	(3,657,905)	(1,753,171)
Annual amortization expense	1,816,238	1,459,246	1,564,566
Gain on sale of tangible capital assets	-	-	(49,279)
Proceeds on sale of tangible capital assets	-	-	49,279
Change in accrued interest on municipal debt	-	9,000	(1,661)
Port of Johnstown	(19,077)	(2,293,847)	(3,915,086)
Rideau St. Lawrence Holdings Inc.	-	928	(11,894)
Change in capital surplus	425,050	7,413	(316,070)
Principal payments on municipal debt	(461,032)	(438,989)	(376,362)
Proceeds from municipal debt	-	800,000	-
Tangible capital assets acquired by capital leases	-	-	441,804
Change in land inventory surplus	-	667,918	-
Change in EMS building surplus	-	(49,500)	-
Operating surplus (deficit) for the year	(5,444)	196,002	(362,435)
Library board surplus	7,042	(2,815)	(3,616)
Transfer (to) from water and sewer reserves	(1,598)	(74,839)	240,511
Transfer (to) from capital expenditures reserve	-	(118,348)	125,540
	\$ -	\$ -	\$ -

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

13. 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 Edwardsburgh/Cardinal 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.

(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, recycling services and 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.

(e) 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.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

13. SEGMENTED INFORMATION (Continued)

(f) 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.

14. 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.

15. PORT OF JOHNSTOWN

On October 12, 2000, the Township acquired ownership of the assets of the Port of Johnstown from Canada Ports Corporation for \$60. This agreement stipulates the protocol for the disposition of Port of Johnstown assets by the Township during the operating period (four years) and the monitoring period (thirty-one years).

The Port has changed its name as of January 1, 2014 to Port of Johnstown. It was previously operating as Port of Prescott.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

16. COMPARATIVE FIGURES

Effective January 1, 2016, the Port of Johnstown is considered a Government Business Enterprise. As a result, the Township has changed the accounting treatment for the Port from consolidation to the modified equity basis. This change in accounting policy was recorded retroactively, and the effect on the prior period amounts are as follow:

STATEMENT OF FINANCIAL POSITION

	Original December 31, 2015	Adjustment	Revised December 31, 2015
Assets			
Cash	7,032,880	(3,203,260)	3,829,620
Short-term investments	5,969,922	(5,969,922)	-
Taxes receivable	880,956	-	880,956
Accounts receivable	3,948,277	(2,821,446)	1,126,831
Inventory for resale	808,758	(28,980)	779,778
Long-term receivable	225,000	-	225,000
Investment in Rideau St. Lawrence Holdings Inc.	644,575	-	644,575
Investment in Port of Johnstown	-	27,114,486	27,114,486
	19,510,368	15,090,878	34,601,246
Liabilities			
Accounts payable	3,154,966	(1,646,435)	1,508,531
Accrued interest on municipal debt	63,325	-	63,325
Deferred revenue - obligatory reserve funds	194,577	-	194,577
Deferred revenue - Port of Johnstown	22,515,267	(22,515,267)	-
Municipal debt	6,429,926	-	6,429,926
Capital leases	406,119	-	406,119
Accrued landfill closure and post closure costs	372,880	-	372,880
	33,137,060	(24,161,702)	8,975,358
Non-financial Assets			
Tangible capital assets	74,399,740	(42,440,936)	31,958,804
Inventory	113,865	-	113,865
Prepaid expenses	101,351	(101,351)	-
	74,614,956	(42,542,287)	32,072,669
Accumulated Surplus	60,988,264	(3,289,707)	57,698,557

STATEMENT OF FINANCIAL ACTIVITIES

	Original December 31, 2015	Adjustment	Revised December 31, 2015
Revenue	21,721,284	(8,146,982)	13,574,302
Expenses	14,746,751	(5,032,134)	9,714,617
Surplus for the year	6,974,533	(3,114,848)	3,859,685

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2016

FINANCIAL ACTIVITIES (000's)

	2016	2015	2014	2013	2012
Revenues					
Taxation	\$ 4,658	\$ 4,624	\$ 4,329	\$ 4,149	\$ 3,976
Fees and service charges	4,223	3,554	3,491	3,015	2,899
Grants	917	887	918	1,090	451
Investment income	231	196	210	210	218
Donations and other	3,035	140	161	293	31
	13,064	9,401	9,109	8,757	7,575
Expenses					
General government	898	1,062	992	907	903
Protection to persons and property	1,894	1,817	1,830	1,627	1,731
Transportation services	1,839	2,171	2,137	2,107	2,147
Environmental	2,682	2,573	2,473	2,769	2,253
Recreation and cultural services	2,096	1,936	1,930	1,652	1,358
Planning and development	203	154	208	250	204
	9,612	9,713	9,570	9,312	8,596
Other Revenue					
Deferred revenue earned	200	200	107	-	300
Capital grants	297	-	93	431	459
Gain (loss) on disposal of tangible capital assets	-	49	10	(128)	(30)
Equity income	2,293	3,927	1,720	2,807	2,964
	2,790	4,176	1,930	3,110	3,693
Surplus for the year	\$ 6,242	\$ 3,864	\$ 1,469	\$ 2,555	\$ 2,672

PROPERTY TAXES BILLED (000's)

	2016	2015	2014	2013	2012
Own purposes	\$ 4,658	\$ 4,623	\$ 4,329	\$ 4,149	\$ 3,976
Upper-tier municipality	2,589	2,513	2,353	2,329	2,770
School boards	2,097	2,084	2,047	2,116	2,257
	\$ 9,344	\$ 9,220	\$ 8,729	\$ 8,594	\$ 9,003

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2016

TAXABLE ASSESSMENT (000's)

	2016	2015	2014	2013	2012
Residential and farm	\$ 668,904	\$ 631,185	\$ 611,757	\$ 579,252	\$ 548,806
Commercial and industrial	79,628	65,109	71,744	68,477	68,557
	748,532	696,294	683,501	647,729	617,363
Exempt	33,932	32,491	31,439	30,749	31,110
	\$ 782,464	\$ 728,785	\$ 714,940	\$ 678,478	\$ 648,473
Commercial and industrial	10.64%	9.35%	10.50%	10.57%	11.10%

FINANCIAL INDICATORS

	2016	2015	2014	2013	2012
Tax arrears					
Percentage of own levy	18 %	19 %	18 %	18 %	15 %
Percentage of total levy	9 %	9 %	9 %	8 %	9 %
Municipal debt	\$ 6,849,564	\$ 6,429,926	\$ 6,814,664	\$ 6,957,538	\$ 1,931,328
Municipal debt charges	\$ 669,227	\$ 639,231	\$ 642,274	\$ 591,992	\$ 583,177
Sustainability					
Financial assets to liabilities	3.91	3.86	0.69	1.91	4.24
Financial assets to liabilities excluding municipal debt	3.20	2.83	3.46	7.20	7.66
Municipal debt to tangible capital assets	20.05 %	20.12 %	21.45 %	11.46 %	3.76 %
Flexibility					
Debt charges to total operating revenue	5.12 %	6.80 %	7.02 %	6.65 %	6.94 %
Total operating revenue to taxable assessment	1.67 %	1.29 %	1.28 %	1.31 %	1.30 %
Vulnerability					
Operating grants to operating revenue	7.02 %	9.44 %	10.08 %	12.45 %	5.95 %
Total grants to total revenues	7.66 %	6.53 %	9.16 %	12.82 %	8.08 %
Reserve coverage					
Reserves and reserve funds	\$ 6,752,075	\$ 4,034,466	\$ 4,571,640	\$ 5,590,763	\$ 5,818,209
Reserves to operating expenses	70 %	42 %	48 %	60 %	68 %
Reserves to working capital	3.18	1.80	1.50	0.43	0.44