

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FINANCIAL STATEMENTS

December 31, 2017

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

December 31, 2017

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Financial Activities	3
Statement of Change in Net Financial Assets	4
Statement of Cash Flows	5
Schedule of Tangible Capital Assets	6 - 7
Schedule of Accumulated Surplus	8
Schedule of Change in Accumulated Surplus	9
Schedule of Segmented Disclosure	10
Notes to the Financial Statements	11 - 24



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, 2017, 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, 2017 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.

Other Matters

The financial statements of Corporation of the Township of Edwardsburgh/Cardinal for the year ended December 31, 2016 were audited by CKDM LLP of Cornwall, Ontario, prior to its merger with MNP LLP. CKDM LLP expressed an unmodified opinion on those statements dated July 24, 2017.

Cornwall, Ontario
June 25, 2018

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants



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

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

As at December 31, 2017

	2017	2016
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 5,803,093	\$ 6,982,619
Taxes receivable	1,077,780	856,067
Accounts receivable	1,139,721	1,635,862
Land held for resale	136,722	136,722
Long-term receivable (Note 2)	225,000	225,000
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	640,036	643,648
Investment in Port of Johnstown (Note 4)	31,737,955	29,408,333
	40,760,307	39,888,251
Liabilities		
Accounts payable	1,331,059	2,399,947
Accrued interest on municipal debt	69,017	72,325
Deferred revenue - obligatory reserve funds (Note 5)	128,478	209,552
Municipal debt (Note 6)	6,403,357	6,849,563
Capital leases (Note 7)	239,391	322,755
Accrued landfill closure and post closure costs (Note 8)	320,853	349,273
	8,492,155	10,203,415
Net Financial Assets	32,268,152	29,684,836
Non-Financial Assets		
Tangible capital assets	34,675,642	34,157,463
Inventory	93,462	96,044
	34,769,104	34,253,507
Accumulated Surplus	\$ 67,037,256	\$ 63,938,343

See Accompanying Notes

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

For the year ended December 31, 2017

	BUDGET 2017 (unaudited)	ACTUAL 2017	ACTUAL 2016
REVENUE			
Taxation (Note 1(a)(iii))	\$ 4,912,077	\$ 4,713,991	\$ 4,657,579
Fees and service charges	3,590,846	4,084,984	4,223,536
Grants	1,055,213	941,303	917,239
Investment income	318,120	248,748	231,205
Proceeds from land held for resale	-	-	3,022,385
Donations	99,600	100,291	12,963
	9,975,856	10,089,317	13,064,907
EXPENSES			
General government	1,062,960	898,481	898,299
Protection to persons and property	2,004,009	2,010,471	1,895,543
Transportation services	2,261,322	2,860,558	1,839,008
Environmental services	2,147,573	1,897,477	2,682,422
Recreation and cultural services	2,145,365	2,087,500	2,096,488
Planning and development	268,600	178,030	203,045
	9,889,829	9,932,517	9,614,805
OTHER REVENUE			
Deferred revenue earned (Note 5)	300,000	300,000	200,000
Capital grants	232,757	297,026	296,763
Equity income from government business enterprises	1,963,789	2,345,087	2,292,919
	2,496,546	2,942,113	2,789,682
SURPLUS FOR THE YEAR	2,582,573	3,098,913	6,239,784
ACCUMULATED SURPLUS, beginning of year	63,938,343	63,938,343	57,698,559
ACCUMULATED SURPLUS, end of year	\$ 66,520,916	\$ 67,037,256	\$ 63,938,343

See Accompanying Notes

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

For the year ended December 31, 2017

	BUDGET 2017 (unaudited)	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 2,582,573	\$ 3,098,913	\$ 6,239,784
Amortization of tangible assets	1,446,072	1,563,213	1,459,246
Acquisition of tangible capital assets	(2,267,260)	(2,081,392)	(3,657,905)
Change in inventory	-	2,582	17,820
Increase in net financial assets	1,761,385	2,583,316	4,058,945
Net financial assets, beginning of year	29,684,836	29,684,836	25,625,891
Net financial assets, end of year	\$ 31,446,221	\$ 32,268,152	\$ 29,684,836

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	2016
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 3,098,913	\$ 6,239,784
Item not affecting cash		
Amortization expense	1,563,213	1,459,246
Changes in non-cash working capital balances		
Taxes receivable	(221,713)	(10,111)
Accounts receivable	496,141	(474,031)
Land held for resale	-	643,056
Accounts payable	(1,068,888)	891,417
Accrued interest on municipal debt	(3,308)	9,000
Deferred revenue - obligatory reserve funds	(81,074)	14,974
Accrued landfill closure and post closure costs	(28,420)	(23,607)
Inventory	2,582	17,821
	3,757,446	8,767,549
CASH (USED IN) FROM FINANCING ACTIVITIES		
Repayment of municipal debt	(446,206)	(380,362)
Proceeds from the issue of municipal debt	-	800,000
	(446,206)	419,638
CASH USED IN INVESTING ACTIVITIES		
Increase in investment in Rideau St. Lawrence Holdings Inc.	3,612	928
Increase in investment in Port of Johnstown	(2,329,622)	(2,293,847)
	(2,326,010)	(2,292,919)
CASH USED IN CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,081,392)	(3,657,905)
Increase in capital leases	(83,364)	(83,364)
	(2,164,756)	(3,741,269)
(DECREASE) INCREASE IN CASH AND EQUIVALENT	(1,179,526)	3,152,999
CASH AND EQUIVALENT, beginning of year	6,982,619	3,829,620
CASH AND EQUIVALENT, end of year	\$ 5,803,093	\$ 6,982,619
REPRESENTED BY :		
Cash	\$ 5,803,093	\$ 6,982,619

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	Land	Buildings	Vehicles and Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	2017	2016
Cost									
Balance, beginning of year	\$ 747,796	\$11,856,493	\$ 6,580,310	\$17,227,619	\$17,421,747	\$ 8,412,767	\$ 3,144,800	\$65,391,532	\$61,757,133
Additions during the year	10,078	-	160,661	-	1,444,056	466,597	-	2,081,392	3,657,905
Disposals during the year	-	-	27,334	-	-	-	-	27,334	23,506
Balance, end of year	757,874	11,856,493	6,713,637	17,227,619	18,865,803	8,879,364	3,144,800	67,445,590	65,391,532
Accumulated Amortization									
Balance, beginning 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
Amortization during the year	-	299,819	309,030	129,326	609,511	137,269	78,258	1,563,213	1,459,246
Amortization on disposals	-	-	27,334	-	-	-	-	27,334	23,506
Balance, end of year	-	3,258,111	4,664,243	7,798,246	12,166,286	3,468,944	1,414,118	32,769,948	31,234,069
Net book value	\$ 757,874	\$ 8,598,382	\$ 2,049,394	\$ 9,429,373	\$ 6,699,517	\$ 5,410,420	\$ 1,730,682	\$34,675,642	\$34,157,463

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health, and Recreation	2017	2016
Cost							
Balance, beginning of year	\$ 877,563	\$ 3,999,798	\$22,900,676	\$26,723,047	\$ 10,066,982	\$64,568,066	\$61,453,595
Additions during the year	62,890	14,705	2,212,961	453,636	83,068	2,827,260	3,137,977
Disposals during the year	-	-	-	-	27,334	27,334	23,506
Assets in service, end of year	940,453	4,014,503	25,113,637	27,176,683	10,122,716	67,367,992	64,568,066
Assets under construction	-	-	54,559	23,039	-	77,598	823,466
Balance, end of year	940,453	4,014,503	25,168,196	27,199,722	10,122,716	67,445,590	65,391,532
Accumulated Amortization							
Balance, beginning of year	310,255	1,739,583	14,899,562	11,581,424	2,703,245	31,234,069	29,798,329
Amortization during the year	18,790	171,773	757,752	346,757	268,141	1,563,213	1,459,246
Amortization on disposals	-	-	-	-	27,334	27,334	23,506
Balance, end of year	329,045	1,911,356	15,657,314	11,928,181	2,944,052	32,769,948	31,234,069
Net book value	\$ 611,408	\$ 2,103,147	\$ 9,510,882	\$15,271,541	\$ 7,178,664	\$34,675,642	\$34,157,463

See Accompanying Notes

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

For the year ended December 31, 2017

	2017	2016
Surpluses		
Operating surplus	\$ -	\$ -
Land inventory surplus	136,723	136,723
EMS building surplus	49,500	49,500
Library board surplus	26,010	24,104
Capital surplus	119,698	180,816
Investment in Port of Johnstown	31,737,955	29,408,333
Investment in Rideau St. Lawrence Holdings Inc.	640,035	643,647
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(69,017)	(72,325)
Accrued landfill closure and post closure	(320,853)	(349,273)
Total surplus	32,320,051	30,021,525
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
Working capital	750,000	750,000
Capital expenditures	84,181	74,604
Tax stabilization	110,000	90,000
Election	18,000	12,000
Fire	263,889	198,088
Police	128,715	147,500
Transportation	676,341	600,582
Environmental	164,446	156,478
Recreation	83,458	57,987
Planning	59,870	38,827
Total reserves	2,338,900	2,126,066
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
Water and sewer	1,299,420	1,222,456
Subdivision	242,080	203,199
Industrial park	530,556	1,115,284
Johnstown	18,286	13,108
Endowment	91,196	71,058
Industrial park	2,027,261	2,000,904
Total reserve funds	4,208,799	4,626,009
Total reserves and reserve funds	6,547,699	6,752,075
Invested in tangible capital assets		
Tangible capital assets	34,675,642	34,157,463
Less: related debt	(6,506,136)	(6,992,720)
Invested in tangible capital assets	28,169,506	27,164,743
ACCUMULATED SURPLUS	\$ 67,037,256	\$ 63,938,343

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2017

	Surpluses	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ 30,021,525	\$ 6,752,075	\$ 27,164,743	\$ 63,938,343	\$ 57,698,559
Surplus for the year	4,599,869	62,257	(1,563,213)	3,098,913	6,239,784
Reserve funds used for operations	749,098	(749,098)	-	-	-
Funds transferred to reserves	(482,465)	482,465	-	-	-
Current year funds used for tangible capital assets	(2,081,392)	-	2,081,392	-	-
Repayment of municipal debt	(486,584)	-	486,584	-	-
Change in accumulated surplus	2,298,526	(204,376)	1,004,763	3,098,913	6,239,784
Balance, end of year	\$ 32,320,051	\$ 6,547,699	\$ 28,169,506	\$ 67,037,256	\$ 63,938,343

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2017	2016
REVENUE								
Taxation	\$ 23,138	\$ 1,684,277	\$ 1,697,747	\$ 44,447	\$ 1,096,230	\$ 168,152	\$ 4,713,991	\$ 4,657,579
Fees and service charges	1,212,919	42,318	262,873	1,709,837	739,012	118,025	4,084,984	4,223,536
Grants	783,750	-	-	57,590	86,713	13,250	941,303	917,239
Investment income	245,338	-	-	3,173	237	-	248,748	231,205
Donations	-	-	-	-	100,291	-	100,291	12,963
Proceeds from land held for resale	-	-	-	-	-	-	-	3,022,385
	2,265,145	1,726,595	1,960,620	1,815,047	2,022,483	299,427	10,089,317	13,064,907
EXPENSES								
Wages and benefits	572,474	294,587	597,185	560,320	894,729	34,287	2,953,582	2,882,079
Interest on municipal debt	46,206	3,015	792	-	227,689	4,465	282,167	288,864
Materials and services	131,706	252,316	1,435,929	325,023	629,065	119,884	2,893,923	2,885,611
Contracted services	108,376	1,254,343	11,810	586,773	6,499	17,812	1,985,613	1,847,938
Insurance and financial costs	20,926	34,437	57,090	78,604	61,377	1,582	254,016	251,068
Amortization	18,793	171,773	757,752	346,757	268,141	-	1,563,216	1,459,245
	898,481	2,010,471	2,860,558	1,897,477	2,087,500	178,030	9,932,517	9,614,805
OTHER REVENUE								
Deferred revenue earned	-	-	300,000	-	-	-	300,000	200,000
Capital grants	-	-	-	105,000	-	192,026	297,026	296,763
Equity income from government business enterprises	2,345,087	-	-	-	-	-	2,345,087	2,292,919
	2,345,087	-	300,000	105,000	-	192,026	2,942,113	2,789,682
SURPLUS (DEFICIT) FOR THE YEAR	\$ 3,711,751	\$ (283,876)	\$ (599,938)	\$ 22,570	\$ (65,017)	\$ 313,423	\$ 3,098,913	\$ 6,239,784

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of consolidation

(i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund and 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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.

	2017	2016
Investment, beginning of year	\$ 643,648	\$ 644,576
Share of net income for the year	15,465	18,149
Dividends received	(19,077)	(19,077)
Investment, end of year	\$ 640,036	\$ 643,648

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, 2017

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

	2017	2016
Current assets	\$ 4,229,988	\$ 5,341,496
Capital	7,743,250	7,095,357
Regulatory assets	185,916	321,320
Total Assets	12,159,154	12,758,173
Current liabilities	5,378,235	5,463,341
Customer deposits	275,002	272,341
Regulatory liabilities	447,357	472,299
Long-term debt	523,065	984,437
Total Liabilities	6,623,659	7,192,418
Net Assets	\$ 5,535,495	\$ 5,565,755

Financial Activities

	2017	2016
Total Revenue	\$ 16,335,338	\$ 17,684,867
Total Expenses	16,205,598	17,532,608
	\$ 129,740	\$ 152,259
Township share of net income (11.92%)	\$ 15,465	\$ 18,149

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

For the year ended December 31, 2017

4. INVESTMENT IN PORT OF JOHNSTOWN

	2017	2016
Investment, beginning of year	\$ 29,408,333	\$ 27,114,486
Share of net income for the year	2,329,622	2,293,847
Investment, end of year	\$ 31,737,955	\$ 29,408,333

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

	2017	2016
Cash	\$ 2,577,771	2,995,618
Investments	6,320,569	6,181,101
Accounts receivable	1,574,934	1,115,376
Other assets	96,886	148,297
Capital	47,719,310	45,965,687
Total Assets	58,289,470	56,406,079
Current liabilities	875,829	957,972
Deferred contributions	25,675,686	26,039,774
Total Liabilities	26,551,515	26,997,746
Net Assets	\$ 31,737,955	\$ 29,408,333

Financial Activities

	2017	2016
Total Revenue	\$ 7,971,643	\$ 8,147,938
Total Expenses	5,642,021	5,854,091
Net Income	\$ 2,329,622	\$ 2,293,847

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

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:

	2017	2016
Balance, beginning of year	\$ 209,552	\$ 194,578
Grants received	215,321	211,576
Interest and other	3,605	3,398
Deferred revenue earned	(300,000)	(200,000)
Balance, end of year	\$ 128,478	\$ 209,552

6. MUNICIPAL DEBT

	2017	2016
Loan payable, interest at 4.59%, payable in blended semi-annual payments of \$151,849, due October 2043	\$ 4,993,969	\$ 5,067,866
Loan payable, interest at 2.88%, payable in blended monthly payments of \$7,052, due October 2024	88,835	100,136
Loan payable, interest at 4.3%, payable in blended monthly payments of \$21,708, due November 2019	413,922	701,962
Loan payable, interest at 2.91%, payable in blended semi-annual payments of \$26,523, due July 2036	770,018	800,000
Loan payable, interest at 3.25%, payable in blended monthly payments of \$1,469, due May 2023	87,420	101,945
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	49,193	77,654
	\$ 6,403,357	\$ 6,849,563

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

2018		\$ 442,325
2019		258,153
2020		150,765
2021		156,875
2022		160,678
Thereafter		5,234,561
		\$ 6,403,357

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

6. MUNICIPAL DEBT (Continued)

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

	2018 - 2022	Thereafter
Taxation revenues	\$ 474,382	\$ 4,608,422
Other revenues	577,539	606,401
Benefiting landowners	116,874	19,739
	\$ 1,168,795	\$ 5,234,562

7. CAPITAL LEASES

	2017	2016
Capital lease obligation, equipment, 0%, monthly payments of \$3,142, matures August 2019	\$ 169,119	\$ 207,483
Capital lease obligation, equipment, 0%, monthly payments of \$3,750, matures June 2019	70,272	115,272
	\$ 239,391	\$ 322,755

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

2018		\$ 84,160
2019		155,231
		\$ 239,391

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 \$28,421 were incurred and were charged to the accrued liability. The remaining estimated costs of \$320,853 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, 2017

9. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2017	2016
Municipal debt	\$ 6,403,357	\$ 6,849,563
Accrued interest on municipal debt	69,017	72,325
Accrued landfill closure and post-closure	320,853	349,273
	\$ 6,793,227	\$ 7,271,161

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 5,464,583	\$ 5,578,201
Benefiting landowners	1,328,644	1,692,960
	\$ 6,793,227	\$ 7,271,161

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 2017 was \$171,300 (2016 - \$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 2017 (unaudited)	ACTUAL 2017	ACTUAL 2016
Wages and benefits	\$ 2,998,994	\$ 2,953,582	\$ 2,882,079
Interest on long-term debt	529,984	282,167	288,864
Materials and services	2,069,893	2,893,923	2,885,611
Contracted services	1,931,989	1,985,613	1,847,938
Insurance and financial expenses	262,112	254,016	251,068
Amortization	1,446,072	1,563,216	1,459,245
	\$ 9,239,044	\$ 9,932,517	\$ 9,614,805

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

12. OPERATING AND WATERWORKS AND SEWER OPERATIONS SURPLUSES AND DEFICITS

The operating deficit for the fiscal year ending December 31, 2017 was \$43,375 which was transferred from the capital expenditures reserve.

The waterworks and sewer operations deficit for the fiscal year ending December 31, 2017 was \$19,946, of which a surplus of \$14,155 was transferred to the Spencerville wastewater reserve, \$14,340 was transferred to the Cardinal water reserve, \$1,007 was transferred to the low lift reserve, a deficit of \$44,255 was transferred from the Industrial Park wastewater reserve and \$5,193 was transferred from the Industrial Park water reserve.

	BUDGET 2017 (unaudited)	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 2,582,573	\$ 3,098,913	\$ 6,239,784
Funds transferred to reserves	(403,843)	(452,963)	(4,017,470)
Reserve funds used for operations	630,600	656,275	1,560,219
Reserve fund interest	-	(62,257)	(67,190)
Change in accrued landfill costs	-	(28,421)	(23,607)
Acquisition of tangible capital assets	(2,267,260)	(2,081,392)	(3,657,905)
Annual amortization expense	1,446,072	1,563,213	1,459,246
Change in accrued interest on municipal debt	-	(3,308)	9,000
Port of Johnstown	(1,976,611)	(2,329,622)	(2,293,847)
Rideau St. Lawrence Holdings Inc.	(12,822)	3,612	928
Change in capital surplus	234,789	61,118	7,413
Principal payments on municipal debt	(237,621)	(486,578)	(438,987)
Proceeds from municipal debt	-	-	800,000
Change in land inventory surplus	-	-	667,918
Change in EMS building surplus	-	-	(49,500)
Operating (deficit) surplus for the year	(4,123)	(61,410)	196,002
Library board surplus	4,123	(1,911)	(2,815)
Transfer from (to) water and sewer reserves	-	19,946	(74,839)
Transfer from (to) capital expenditures reserve	-	43,375	(118,348)
	\$ -	\$ -	\$ -

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

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, 2017

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

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

FINANCIAL ACTIVITIES (000's)

	2017	2016	2015	2014	2013
Revenues					
Taxation	\$ 4,714	\$ 4,659	\$ 4,623	\$ 4,329	\$ 4,149
Fees and service charges	4,085	4,225	3,554	3,492	3,016
Grants	941	917	887	918	1,090
Investment income	249	231	196	210	210
Donations and other	100	3,035	140	161	293
	10,089	13,067	9,400	9,110	8,758
Expenses					
General government	898	897	1,063	992	909
Protection to persons and property	2,010	1,896	1,818	1,831	1,628
Transportation services	2,861	1,839	2,171	2,137	2,107
Environmental	1,897	2,682	2,573	2,473	2,769
Recreation and cultural services	2,088	2,096	1,936	1,930	1,652
Planning and development	178	203	154	208	250
	9,932	9,613	9,715	9,571	9,315
Other Revenue					
Deferred revenue earned	300	200	-	107	-
Capital grants	297	297	200	93	431
Gain (loss) on disposal of tangible capital assets	-	-	49	10	(128)
Equity income	2,345	2,293	3,927	1,720	2,807
	2,942	2,790	4,176	1,930	3,110
Surplus (deficit) for the year	\$ 3,099	\$ 6,244	\$ 3,861	\$ 1,469	\$ 2,553

PROPERTY TAXES BILLED (000's)

	2017	2016	2015	2014	2013
Own purposes	\$ 4,714	\$ 4,658	\$ 4,623	\$ 4,329	\$ 4,149
Upper-tier municipality	2,735	2,589	2,513	2,353	2,329
School boards	1,944	2,097	2,084	2,047	2,116
	\$ 9,393	\$ 9,344	\$ 9,220	\$ 8,729	\$ 8,594

TAXABLE ASSESSMENT (000's)

	2017	2016	2015	2014	2013
Residential and farm	\$ 679,026	\$ 668,904	\$ 631,185	\$ 611,757	\$ 579,252
Commercial and industrial	76,415	79,628	65,109	71,744	68,477
	755,441	748,532	696,294	683,501	647,729
Exempt	33,273	33,932	32,491	31,439	30,749
	\$ 788,714	\$ 782,464	\$ 728,785	\$ 714,940	\$ 678,478
Commercial and industrial	10.12%	10.64%	9.35%	10.50%	10.57%

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

FINANCIAL INDICATORS

	2017	2016	2015	2014	2013
Tax arrears					
Percentage of own levy	23 %	18 %	18 %	17 %	17 %
Percentage of total levy	11 %	9 %	8 %	9 %	8 %
Municipal debt	\$ 6,403,357	\$ 6,849,564	\$ 6,429,926	\$ 6,814,664	\$ 6,957,538
Municipal debt charges	\$ 728,373	\$ 669,227	\$ 639,231	\$ 642,274	\$ 591,992
Sustainability					
Financial assets to liabilities	4.80	3.91	3.86	0.69	1.91
Financial assets to liabilities excluding municipal debt	4.46	3.20	2.83	3.46	7.20
Municipal debt to tangible capital assets	18.47 %	20.05 %	20.12 %	21.45 %	11.46 %
Flexibility					
Debt charges to total operating revenue	7.22 %	5.12 %	6.80 %	7.02 %	6.65 %
Total operating revenue to taxable assessment	1.28 %	1.67 %	1.29 %	1.28 %	1.31 %
Vulnerability					
Operating grants to operating revenue	9.33 %	7.02 %	9.44 %	10.08 %	16.68 %
Total grants to total revenues	9.50 %	7.66 %	28.26 %	(0.94)%	11.44 %
Reserve coverage					
Reserves and reserve funds	\$ 6,547,699	\$ 6,752,075	\$ 4,034,466	\$ 4,571,640	\$ 5,590,763
Reserves to operating expenses	66 %	70 %	42 %	48 %	60 %
Reserves to working capital	2.89	3.18	1.80	1.50	0.43