

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FINANCIAL STATEMENTS

December 31, 2018

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Corporation of the Township of Edwardsburgh/Cardinal (the "Municipality"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities, change in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Cornwall, Ontario
May 27, 2019



Chartered Professional Accountants
Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 6,340,695	\$ 5,803,093
Taxes receivable	620,202	1,077,780
Accounts receivable	1,040,717	1,139,721
Land held for resale	125,779	136,722
Long-term receivable (Note 2)	225,000	225,000
Investment in Rideau St. Lawrence Holdings Inc. (Note 3)	638,766	640,036
Investment in Port of Johnstown (Note 4)	34,259,891	31,737,955
	43,251,050	40,760,307
Liabilities		
Accounts payable	1,351,386	1,331,058
Accrued interest on municipal debt	68,142	69,017
Deferred revenue - obligatory reserve funds (Note 5)	43,702	128,478
Municipal debt (Note 6)	5,991,165	6,403,357
Capital leases (Note 7)	271,966	239,391
Accrued landfill closure and post-closure costs (Note 8)	298,454	320,853
	8,024,815	8,492,154
Net Financial Assets	35,226,235	32,268,153
Non-Financial Assets		
Tangible capital assets	35,510,399	34,675,642
Inventory	81,496	93,462
	35,591,895	34,769,104
Accumulated Surplus	\$ 70,818,130	\$ 67,037,257

See Accompanying Notes

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

For the year ended December 31, 2018

	2018 BUDGET (Unaudited)	2018 ACTUAL	2017 ACTUAL
REVENUE			
Taxation (Note 1(a)(iii))	\$ 5,275,594	\$ 5,548,470	\$ 4,713,991
Fees and service charges	3,890,091	3,843,728	4,084,984
Grants	1,124,082	1,108,616	941,303
Investment income	157,300	316,563	248,748
Proceeds from land held for resale	-	138,967	-
Donations	80,100	84,599	100,291
	10,527,167	11,040,943	10,089,317
EXPENSES			
General government	1,043,809	1,050,447	898,481
Protection to persons and property	2,083,236	2,096,322	2,010,471
Transportation services	2,212,158	2,432,998	2,860,558
Environmental services	2,262,160	2,315,619	1,897,476
Recreation and cultural services	2,139,137	2,108,309	2,087,500
Planning and development	313,775	316,769	178,030
	10,054,275	10,320,464	9,932,516
OTHER REVENUE			
Deferred revenue earned (Note 5)	310,000	310,000	300,000
Capital grants	138,858	180,151	297,026
Gain on disposal of tangible capital assets	-	30,500	-
Equity income from government business enterprises	2,330,240	2,539,743	2,345,087
	2,779,098	3,060,394	2,942,113
SURPLUS FOR THE YEAR	3,251,990	3,780,873	3,098,914
ACCUMULATED SURPLUS, beginning of year	67,037,257	67,037,257	63,938,343
ACCUMULATED SURPLUS, end of year	\$ 70,289,247	\$ 70,818,130	\$ 67,037,257

See Accompanying Notes

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

For the year ended December 31, 2018

	2018 BUDGET (Unaudited)	2018 ACTUAL	2017 ACTUAL
Surplus for the year	\$ 3,251,990	\$ 3,780,873	\$ 3,098,914
Amortization of tangible assets	1,567,768	1,639,360	1,563,213
Acquisition of tangible capital assets	(2,785,460)	(2,474,117)	(2,081,392)
Proceeds on sale of tangible capital assets	-	30,500	-
Gain on disposal of tangible capital assets	-	(30,500)	-
Change in inventory	-	11,966	2,582
Increase in net financial assets	2,034,298	2,958,082	2,583,317
Net financial assets, beginning of year	32,268,153	32,268,153	29,684,836
Net financial assets, end of year	\$ 34,302,451	\$ 35,226,235	\$ 32,268,153

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 3,780,873	\$ 3,098,914
Items not affecting cash		
Amortization expense	1,639,360	1,563,213
Gain on disposal of tangible capital assets	(30,500)	-
Changes in non-cash working capital balances		
Taxes receivable	457,578	(221,713)
Accounts receivable	99,004	496,141
Land held for resale	10,943	-
Accounts payable	20,328	(1,068,889)
Accrued interest on municipal debt	(875)	(3,308)
Deferred revenue - obligatory reserve funds	(84,776)	(81,074)
Accrued landfill closure and post-closure costs	(22,399)	(28,420)
Inventory	11,966	2,582
	5,881,502	3,757,446
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(412,192)	(446,206)
CASH USED IN INVESTING ACTIVITIES		
Decrease in investment in Rideau St. Lawrence Holdings Inc.	1,270	3,612
Increase in investment in Port of Johnstown	(2,521,936)	(2,329,622)
	(2,520,666)	(2,326,010)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of capital assets	30,500	-
Acquisition of tangible capital assets	(2,300,217)	(2,081,392)
Repayments of capital leases	(141,325)	(83,364)
	(2,411,042)	(2,164,756)
INCREASE (DECREASE) IN CASH	537,602	(1,179,526)
CASH, beginning of year	5,803,093	6,982,619
CASH, end of year	\$ 6,340,695	\$ 5,803,093
REPRESENTED BY :		
Cash	\$ 6,340,695	\$ 5,803,093

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	Land	Buildings	Vehicles and Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	2018	2017
Cost									
Balance, beginning 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
Additions during the year	-	10,384	216,071	-	1,335,571	867,214	44,877	2,474,117	2,081,392
Disposals during the year	-	-	203,505	-	-	-	-	203,505	27,334
Balance, end of year	757,874	11,866,877	6,726,203	17,227,619	20,201,374	9,746,578	3,189,677	69,716,202	67,445,590
Accumulated Amortization									
Balance, beginning 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
Amortization during the year	-	301,376	238,478	130,893	681,621	208,595	78,397	1,639,360	1,563,213
Amortization on disposals	-	-	203,505	-	-	-	-	203,505	27,334
Balance, end of year	-	3,559,487	4,699,216	7,929,139	12,847,907	3,677,539	1,492,515	34,205,803	32,769,948
Net book value	\$ 757,874	\$ 8,307,390	\$ 2,026,987	\$ 9,298,480	\$ 7,353,467	\$ 6,069,039	\$ 1,697,162	\$35,510,399	\$34,675,642

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health, and Recreation	2018	2017
Cost							
Balance, beginning of year	\$ 940,453	\$ 4,014,503	\$ 25,113,637	\$ 27,176,683	\$ 10,122,716	\$ 67,367,992	\$ 64,568,066
Additions during the year	13,992	-	989,230	1,047,240	95,725	2,146,187	2,827,260
Disposals during the year	-	-	163,578	-	39,927	203,505	27,334
Assets in service, end of year	954,445	4,014,503	25,939,289	28,223,923	10,178,514	69,310,674	67,367,992
Assets under construction	19,541	-	365,563	19,314	1,110	405,528	77,598
Balance, end of year	973,986	4,014,503	26,304,852	28,243,237	10,179,624	69,716,202	67,445,590
Accumulated Amortization							
Balance, beginning of year	329,045	1,911,356	15,657,314	11,928,181	2,944,052	32,769,948	31,234,069
Amortization during the year	26,676	170,702	829,647	348,130	264,205	1,639,360	1,563,213
Amortization on disposals	-	-	163,578	-	39,927	203,505	27,334
Balance, end of year	355,721	2,082,058	16,323,383	12,276,311	3,168,330	34,205,803	32,769,948
Net book value	\$ 618,265	\$ 1,932,445	\$ 9,981,469	\$ 15,966,926	\$ 7,011,294	\$ 35,510,399	\$ 34,675,642

See Accompanying Notes

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

For the year ended December 31, 2018

	2018	2017
Surpluses		
Operating surplus	\$ -	\$ -
Land inventory surplus	125,779	136,722
EMS building surplus	49,500	49,500
Library board surplus	32,096	26,010
Capital surplus	189,193	119,699
Investment in Port of Johnstown	34,259,891	31,737,955
Investment in Rideau St. Lawrence Holdings Inc.	638,766	640,036
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(68,142)	(69,017)
Accrued landfill closure and post-closure	(298,454)	(320,853)
Total surplus	34,928,629	32,320,052
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
Working capital	750,000	750,000
Capital expenditures	95,625	84,181
Tax stabilization	130,000	110,000
Election	-	18,000
Fire	352,640	263,889
Police	118,715	128,715
Transportation	609,886	676,341
Environmental	206,887	164,446
Recreation	152,300	83,458
Planning	9,772	59,870
Total reserves	2,425,825	2,338,900
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
Water and sewer	1,207,345	1,299,420
Subdivision	290,106	242,080
Industrial park	412,796	530,556
Johnstown	20,205	18,286
Endowment	112,172	91,196
Industrial park	2,068,268	2,027,261
Total reserve funds	4,110,892	4,208,799
Total reserves and reserve funds	6,536,717	6,547,699
Invested in tangible capital assets		
Tangible capital assets	35,510,399	34,675,642
Less: related debt	(6,157,615)	(6,506,136)
Invested in tangible capital assets	29,352,784	28,169,506
ACCUMULATED SURPLUS	\$ 70,818,130	\$ 67,037,257

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2018

	Surpluses	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2018	2017
Balance, beginning of year	\$ 32,320,052	\$ 6,547,699	\$ 28,169,506	\$ 67,037,257	\$ 63,938,343
Surplus (deficit) for the year	5,313,348	106,885	(1,639,360)	3,780,873	3,098,914
Reserve funds used for operations	953,640	(953,640)	-	-	-
Funds transferred to reserves	(835,773)	835,773	-	-	-
Current year funds used for tangible capital assets	(2,474,117)	-	2,474,117	-	-
Repayment of municipal debt	(348,521)	-	348,521	-	-
Change in accumulated surplus	2,608,577	(10,982)	1,183,278	3,780,873	3,098,914
Balance, end of year	\$ 34,928,629	\$ 6,536,717	\$ 29,352,784	\$ 70,818,130	\$ 67,037,257

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	2018	2017
REVENUE								
Taxation	\$ 298,678	\$ 1,981,580	\$ 1,469,694	\$ 565,846	\$ 1,165,697	\$ 66,975	\$ 5,548,470	\$ 4,713,991
Fees and service charges	1,166,974	55,500	22,447	1,739,775	765,053	93,979	3,843,728	4,084,984
Grants	50,000	-	851,400	116,853	40,525	49,838	1,108,616	941,303
Investment income	313,976	-	-	1,978	609	-	316,563	248,748
Donations	-	-	-	-	84,599	-	84,599	100,291
Proceeds from land held for resale	138,967	-	-	-	-	-	138,967	-
	1,968,595	2,037,080	2,343,541	2,424,452	2,056,483	210,792	11,040,943	10,089,317
EXPENSES								
Wages and benefits	588,627	386,256	633,404	580,395	947,425	32,934	3,169,041	2,953,581
Interest on municipal debt	33,229	2,475	1,810	-	230,462	2,952	270,928	282,167
Materials and services	271,239	258,425	903,770	770,663	604,717	190,781	2,999,595	2,893,923
Contracted services	111,021	1,246,508	12,388	544,523	5,583	88,651	2,008,674	1,985,613
Insurance and financial costs	19,655	31,956	51,979	71,908	55,917	1,451	232,866	254,016
Amortization	26,676	170,702	829,647	348,130	264,205	-	1,639,360	1,563,216
	1,050,447	2,096,322	2,432,998	2,315,619	2,108,309	316,769	10,320,464	9,932,516
OTHER REVENUE								
Deferred revenue earned	-	-	130,000	180,000	-	-	310,000	300,000
Capital grants	-	-	122,592	57,559	-	-	180,151	297,026
Gain on disposal of tangible capital assets	-	-	30,500	-	-	-	30,500	-
Equity income from government business enterprises	2,539,743	-	-	-	-	-	2,539,743	2,345,087
	2,539,743	-	283,092	237,559	-	-	3,060,394	2,942,113
SURPLUS (DEFICIT) FOR THE YEAR								
	\$ 3,457,891	\$ (59,242)	\$ 193,635	\$ 346,392	\$ (51,826)	\$ (105,977)	\$ 3,780,873	\$ 3,098,914

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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., bears interest at 3.72%, paid quarterly, has no specific terms of repayment, and is unsecured.

3. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC.

	2018	2017
Investment, beginning of year	\$ 640,036	\$ 643,648
Share of net income for the year	17,807	15,465
Dividends received	(19,077)	(19,077)
Investment, end of year	\$ 638,766	\$ 640,036

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, 2018

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

	2018	2017
Current assets	\$ 4,355,284	\$ 4,229,988
Capital	7,847,414	7,743,250
Regulatory assets	189,321	185,916
Total Assets	12,392,019	12,159,154
Current liabilities	5,586,218	5,378,235
Customer deposits	260,103	275,002
Regulatory liabilities	563,678	447,357
Long-term debt	457,135	523,065
Total Liabilities	6,867,134	6,623,659
Net Assets	\$ 5,524,885	\$ 5,535,495

Financial Activities

	2018	2017
Total Revenue	\$ 15,529,500	\$ 16,335,338
Total Expenses	15,380,110	16,205,598
Net Income	\$ 149,390	\$ 129,740
Township share of net income (11.92%)	\$ 17,807	\$ 15,465

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

For the year ended December 31, 2018

4. INVESTMENT IN PORT OF JOHNSTOWN

	2018	2017
Investment, beginning of year	\$ 31,737,955	\$ 29,408,333
Share of net income for the year	2,521,936	2,329,622
Investment, end of year	\$ 34,259,891	\$ 31,737,955

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

	2018	2017
Cash	\$ 3,699,968	\$ 2,577,771
Investments	6,379,482	6,320,569
Accounts receivable	1,842,040	1,574,934
Other assets	87,591	96,886
Capital	48,340,543	47,719,310
Total Assets	60,349,624	58,289,470
Current liabilities	776,328	875,829
Deferred contributions	25,313,405	25,675,686
Total Liabilities	26,089,733	26,551,515
Net Assets	\$ 34,259,891	\$ 31,737,955

Financial Activities

	2018	2017
Total Revenue	\$ 8,364,717	\$ 7,971,643
Total Expenses	5,842,781	5,642,021
Net Income	\$ 2,521,936	\$ 2,329,622

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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:

	2018	2017
Balance, beginning of year	\$ 128,478	\$ 209,552
Grants received	221,651	215,321
Interest and other	3,573	3,605
Deferred revenue earned	(310,000)	(300,000)
Balance, end of year	\$ 43,702	\$ 128,478

6. MUNICIPAL DEBT

	2018	2017
Loan payable, interest at 4.59%, payable in blended semi-annual payments of \$151,849, due October 2043	\$ 4,920,733	\$ 4,993,969
Loan payable, interest at 2.88%, payable in blended monthly payments of \$7,052, due October 2024	77,207	88,835
Loan payable, interest at 4.3%, payable in blended monthly payments of \$21,708, due November 2019	113,249	413,922
Loan payable, interest at 2.91%, payable in blended semi-annual payments of \$26,523, due July 2036	739,158	770,018
Loan payable, interest at 3.25%, payable in blended monthly payments of \$1,469, due May 2023	65,248	87,420
Loan payable, 0%, payable in monthly payments of 955, due January 2022	35,301	-
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 2021 to 2024	40,269	49,193
	\$ 5,991,165	\$ 6,403,357

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

	\$ 269,838	
2019	162,458	
2020	168,577	
2021	161,014	
2022	149,517	
2023	5,079,761	
Thereafter	\$ 5,991,165	

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

For the year ended December 31, 2018

6. MUNICIPAL DEBT (Continued)

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

	2019 - 2023	Thereafter
Taxation revenues	\$ 495,333	\$ 4,502,607
Other revenues	316,962	570,746
Benefiting landowners	99,109	6,408
	\$ 911,404	\$ 5,079,761

7. CAPITAL LEASES

	2018	2017
Capital lease obligation, equipment, 0%, monthly payments of \$3,142, matures August 2019	\$ 130,754	\$ 169,119
Capital lease obligation, equipment, 0%, monthly payments of \$3,750, matures June 2019	25,272	70,272
Capital lease obligation, equipment, 0%, monthly payments of \$3,051, matures March 2022	115,940	-
	\$ 271,966	\$ 239,391

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

2019	\$ 100,249
2020	74,977
2021	74,977
2022	21,763
	\$ 271,966

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 \$22,398 were incurred and were charged to the accrued liability. The remaining estimated costs of \$298,454 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, 2018

9. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2018	2017
Municipal debt	\$ 5,991,165	\$ 6,403,357
Accrued interest on municipal debt	68,142	69,017
Accrued landfill closure and post-closure	298,454	320,853
	\$ 6,357,761	\$ 6,793,227

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 5,353,793	\$ 5,464,583
Benefiting landowners	1,003,968	1,328,644
	\$ 6,357,761	\$ 6,793,227

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 2018 was \$366,203 (2017 - \$328,923) 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 2018 (unaudited)	ACTUAL 2018	ACTUAL 2017
Wages and benefits	\$ 3,158,485	\$ 3,169,041	\$ 2,953,581
Interest on long-term debt	296,749	270,928	282,167
Materials and services	2,814,942	2,999,595	2,893,923
Contracted services	1,967,641	2,008,674	1,985,613
Insurance and financial expenses	261,890	232,866	254,016
Amortization	1,567,768	1,639,360	1,563,216
	\$ 10,067,475	\$ 10,320,464	\$ 9,932,516

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

12. OPERATING AND WATERWORKS AND SEWER OPERATIONS SURPLUSES AND DEFICITS

The operating surplus for the fiscal year ending December 31, 2018 was \$154,272 which was transferred to the capital expenditures reserves.

The waterworks and sewer operations surplus for the fiscal year ending December 31, 2018 was \$28,074, of which a surplus of \$43,150 was transferred to the Spencerville wastewater reserve and \$11,964 was transferred to the low lift reserve, a surplus of \$3,035 was transferred to the Industrial Park water reserve, a surplus of \$27,283 was transferred to the Cardinal wastewater reserve, and a deficit of \$57,358 was transferred from the Cardinal water reserve.

	BUDGET 2018 (unaudited)	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 3,251,990	\$ 3,780,873	\$ 3,098,914
Funds transferred to reserves	(445,298)	(571,530)	(452,963)
Reserve funds used for operations	1,099,835	871,743	656,275
Reserve fund interest	-	(106,885)	(62,257)
Change in accrued landfill costs	-	(22,398)	(28,421)
Acquisition of tangible capital assets	(2,785,460)	(2,474,117)	(2,081,392)
Annual amortization expense	1,567,768	1,639,360	1,563,213
Gain on sale of tangible capital assets	-	(30,500)	-
Proceeds on sale of tangible capital assets	-	30,500	-
Change in accrued interest on municipal debt	-	(875)	(3,308)
Port of Johnstown	(2,343,062)	(2,521,936)	(2,329,622)
Rideau St. Lawrence Holdings Inc.	(12,822)	1,265	3,612
Change in capital surplus	216,157	(69,494)	61,118
Principal payments on municipal debt	(549,131)	(562,484)	(486,579)
Proceeds from municipal debt	-	40,071	-
Tangible capital assets acquired by capital leases	-	173,900	-
Change in land inventory surplus	-	10,943	-
Operating (deficit) surplus for the year	(23)	188,436	(61,410)
Library board surplus	-	(6,090)	(1,911)
Transfer (to) from water and sewer reserves	-	(28,074)	19,946
Transfer (to) from capital expenditures reserve	-	(154,272)	43,375
	\$ (23)	\$ -	\$ -

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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, 2018

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.

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

FINANCIAL ACTIVITIES (000's)

	2018	2017	2016	2015	2014
Revenues					
Taxation	\$ 5,548	\$ 4,714	\$ 4,659	\$ 4,623	\$ 4,329
Fees and service charges	3,844	4,085	4,225	3,554	3,492
Grants	1,109	941	917	887	918
Investment income	317	249	231	196	210
Donations and other	224	100	3,035	140	161
	11,042	10,089	13,067	9,400	9,110
Expenses					
General government	1,050	898	897	1,063	992
Protection to persons and property	2,096	2,010	1,896	1,818	1,831
Transportation services	2,433	2,861	1,839	2,171	2,137
Environmental	2,316	1,897	2,683	2,575	2,473
Recreation and cultural services	2,108	2,088	2,096	1,936	1,930
Planning and development	317	178	203	154	208
	10,320	9,932	9,614	9,717	9,571
Other Revenue					
Deferred revenue earned	310	300	200	-	107
Capital grants	180	297	297	200	93
Gain on disposal of tangible capital assets	31	-	-	49	10
Equity income	2,540	2,345	2,293	3,927	1,720
	3,061	2,942	2,790	4,176	1,930
Surplus (deficit) for the year	\$ 3,783	\$ 3,099	\$ 6,243	\$ 3,859	\$ 1,469

PROPERTY TAXES BILLED (000's)

	2018	2017	2016	2015	2014
Own purposes	\$ 5,548	\$ 4,714	\$ 4,658	\$ 4,623	\$ 4,329
Upper-tier municipality	2,846	2,735	2,589	2,513	2,353
School boards	1,941	1,944	2,097	2,084	2,047
	\$ 10,335	\$ 9,393	\$ 9,344	\$ 9,220	\$ 8,729

TAXABLE ASSESSMENT (000's)

	2018	2017	2016	2015	2014
Residential and farm	\$ 712,539	\$ 679,026	\$ 668,904	\$ 631,185	\$ 611,757
Commercial and industrial	80,570	76,415	79,628	65,109	71,744
	793,109	755,441	748,532	696,294	683,501
Exempt	34,078	33,273	33,932	32,491	31,439
	\$ 827,187	\$ 788,714	\$ 782,464	\$ 728,785	\$ 714,940
Commercial and industrial	10.16%	10.12%	10.64%	9.35%	10.50%

CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

FINANCIAL INDICATORS

	2018	2017	2016	2015	2014
Tax arrears					
Percentage of own levy	11 %	23 %	18 %	18 %	17 %
Percentage of total levy	6 %	11 %	9 %	8 %	9 %
Municipal debt	\$ 5,991,166	\$ 6,403,357	\$ 6,849,564	\$ 6,429,926	\$ 6,814,664
Municipal debt charges	\$ 683,120	\$ 728,373	\$ 669,227	\$ 639,231	\$ 642,274
Sustainability					
Financial assets to liabilities	5.39	4.79	3.91	3.86	0.69
Financial assets to liabilities excluding municipal debt	4.67	4.47	2.83	2.81	3.42
Municipal debt to tangible capital assets	16.87 %	18.47 %	20.05 %	20.12 %	21.45 %
Flexibility					
Debt charges to total operating revenue	6.19 %	7.22 %	5.12 %	6.80 %	7.02 %
Total operating revenue to taxable assessment	1.33 %	1.28 %	1.67 %	1.29 %	1.28 %
Vulnerability					
Operating grants to operating revenue	10.04 %	9.33 %	7.02 %	9.44 %	10.08 %
Total grants to total revenues	9.14 %	9.50 %	7.66 %	28.26 %	(0.94)%
Reserve coverage					
Reserves and reserve funds	\$ 6,536,717	\$ 6,547,699	\$ 6,752,075	\$ 4,034,466	\$ 4,571,640
Reserves to operating expenses	63 %	66 %	70 %	42 %	48 %
Reserves to working capital	3.11	2.89	3.18	1.81	1.51