
CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL STATEMENTS

December 31, 2002

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2002

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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Township of South Glengarry

We have audited the consolidated statement of financial position of the Corporation of the Township of South Glengarry as at December 31, 2002, and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Township's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of South Glengarry as at December 31, 2002 and the results of operations and changes in financial position for the year then ended, in accordance with Canadian generally accepted accounting principles.

Craig Keen Despatie Markell LLP

Cornwall, Ontario
June 24, 2003

Chartered Accountants

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2002	2001
ASSETS		
Financial Assets		
Cash	\$ 1,513,229	\$ 1,247,977
Taxes receivable	2,213,694	2,236,082
Accounts receivable	388,947	495,885
Other current assets	31,943	83,505
Long-term receivables	264,798	310,158
	\$ 4,412,611	\$ 4,373,607
 LIABILITIES		
Temporary borrowings	\$ -	\$ 2,749,000
Accounts payable	462,336	690,264
Accrued landfill closure and post-closure (Note 2)	1,278,365	1,240,855
Accrued interest on municipal debt	6,154	7,196
Deferred revenue (Note 3)	396,762	403,833
Municipal debt (Note 4)	1,829,928	121,541
	3,973,545	5,212,689
 Municipal Position (Note 5)		
Operating fund	109,596	(125,287)
Capital fund	(333,617)	(3,226,289)
Reserves	3,777,534	3,882,086
	3,553,513	530,510
Fund balances	3,553,513	530,510
Amounts to be recovered from future revenues	(3,114,447)	(1,369,592)
	439,066	(839,082)
	\$ 4,412,611	\$ 4,373,607

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

	BUDGET 2002	ACTUAL 2002	ACTUAL 2001
REVENUE			
Taxation and user charges (Note 1(a)(iii))			
Taxation	\$ 3,245,339	\$ 3,279,187	\$ 3,017,945
Taxation from other governments	48,850	53,465	73,854
Fees and service charges	1,196,303	1,573,146	1,338,714
	4,490,492	4,905,798	4,430,513
Grants			
Province of Ontario	1,237,368	1,593,934	2,576,477
	1,237,368	1,593,934	2,576,477
Other			
Investment income	343,000	313,599	336,038
Sale of land and equipment	8,800	4,608	23,027
Lot levies earned	25,000	25,000	-
Donations	21,000	21,000	20,500
Other revenue	-	44,300	884,782
Prepaid special charges	-	1,134,198	-
Equity reduction of South Glengarry Hydro Electric Commission	-	-	(597,990)
	397,800	1,542,705	666,357
Total revenues for the year	\$ 6,125,660	\$ 8,042,437	\$ 7,673,347

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES -
EXPENDITURE**

	BUDGET 2002	ACTUAL 2002	ACTUAL 2001
EXPENDITURE			
Current operations			
General government	\$ 834,096	\$ 822,637	\$ 882,270
Protection to persons and property	492,609	521,554	485,451
Transportation services	1,970,148	2,108,820	1,808,792
Environmental services	1,181,232	1,219,205	1,004,627
Health services	27,200	23,274	20,451
Social and family services	86,968	101,823	62,916
Recreation and cultural services	629,322	894,232	775,468
Planning and development	153,700	181,323	217,011
	5,375,275	5,872,868	5,256,986
Capital			
General government	-	-	3,813
Protection to persons and property	85,000	83,393	624,735
Transportation services	669,000	413,107	726,412
Environmental services	263,000	309,386	2,029,167
Health services	-	-	1,822
Social and family services	-	-	7,748
Recreation and cultural services	85,000	27,881	81,197
Planning and development	-	57,654	
	1,102,000	891,421	3,474,894
Total expenditures for the year	6,477,275	6,764,289	8,731,880
Net revenues (expenditures) for the year	(351,615)	1,278,148	(1,058,533)
CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (Note 5)			
Accrued landfill closure and post-closure	-	37,510	37,510
Debt principal repayment	(23,965)	(103,707)	(54,453)
Proceeds from the issue of municipal debt	-	1,812,094	-
Retirement benefits and accrued interest	-	(1,043)	(202)
	(23,965)	1,744,854	(17,145)
Change in fund balance	\$ (375,580)	\$ 3,023,002	\$ (1,075,678)

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2002
2002 2001

CASH FROM OPERATING ACTIVITIES

Net revenue (expenditure) for the year	\$ 1,278,148	\$ (1,058,533)
Taxes receivable	22,388	(214,207)
Accounts receivable	106,938	483,820
Other current assets	51,564	(55,142)
Accounts payable	(235,663)	(715,471)
Other current liabilities	7,733	(10,594)
Deferred revenue	(7,070)	38,507
Accrued interest on debt	(1,043)	(202)
Accrued landfill closure and post-closure	37,510	37,510
Long-term receivables	45,360	43,175

1,305,865 (1,451,137)

CASH FROM FINANCING ACTIVITIES

Increase (decrease) in long-term debt	1,708,387	(54,453)
Increase (decrease) in temporary borrowings	(2,749,000)	579,000

(1,040,613) 524,547

CASH FROM INVESTING ACTIVITIES

Decrease (increase) in investment in South Glengarry Hydro Electric Commission	-	597,990
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- 597,990

INCREASE (DECREASE) IN CASH AND EQUIVALENT 265,252 (328,600)

CASH AND EQUIVALENT, beginning of year 1,247,977 1,576,577

CASH AND EQUIVALENT, end of year \$ 1,513,229 \$ 1,247,977

REPRESENTED BY :

Cash	\$ 1,513,229	\$ 1,247,977
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\$ 1,513,229 \$ 1,247,977

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF OPERATING FUND

For the year ended December 31, 2002

	BUDGET 2002	ACTUAL 2002	ACTUAL 2001
Revenue			
Taxation	\$ 3,294,189	\$ 3,332,654	\$ 3,091,799
Fees and service charges	1,196,303	1,541,524	1,301,711
Grants	1,237,368	1,577,085	1,358,309
Interest	343,000	313,599	336,038
Other	54,800	50,658	849,309
	6,125,660	6,815,520	6,937,166
Expenditure			
General government	834,096	822,637	882,270
Protection to persons and property	492,609	521,554	485,451
Transportation services	1,970,148	2,108,820	1,808,792
Environmental services	1,181,232	1,219,205	1,004,627
Health services	27,200	23,274	20,451
Social	86,968	101,823	62,916
Recreation and cultural services	629,322	894,322	775,468
Planning and development	153,700	181,323	217,010
	5,375,275	5,872,868	5,256,985
Net revenue (expenditure)	750,385	942,652	1,680,181
Financing and transfers			
Transfer from (to) reserves and reserve funds	507,948	183,887	165,197
Transfer from (to) capital fund	(1,102,000)	(824,416)	(1,836,256)
Debt principal repayments	(23,965)	(103,707)	(54,453)
Accrued landfill closure and post-closure	-	37,510	37,510
Retirement benefits and accrued interest	-	(1,043)	(202)
	(618,017)	(707,769)	(1,688,204)
Change in operating fund balance	132,368	234,883	(8,023)
Operating fund - beginning of the year	(125,287)	(125,287)	(117,264)
Operating fund - end of the year	\$ 7,081	\$ 109,596	\$ (125,287)

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2002

	BUDGET 2002	ACTUAL 2002	ACTUAL 2001
Revenue			
Grants	\$ -	\$ 16,847	\$ 1,218,168
Direct billings	-	31,623	37,002
Prepaid special charges	-	1,134,198	-
Other	-	-	13,000
	-	1,182,668	1,268,170
Expenditure			
General government	-	-	3,813
Protection to persons and property	85,000	83,393	624,735
Transportation services	669,000	413,107	726,412
Environmental services	263,000	309,386	2,029,167
Health services	-	-	1,822
Social	-	-	7,748
Recreation and cultural services	85,000	27,881	81,197
Planning and development	-	57,654	-
	1,102,000	891,421	3,474,894
Net revenue (expenditure)	(1,102,000)	291,247	(2,206,724)
Financing and transfers			
Transfer from (to) reserves and reserve funds	-	(35,085)	(96,237)
Transfer from (to) operating fund	1,102,000	824,416	1,836,256
Proceeds from the issue of long-term debt	-	1,812,094	-
	1,102,000	2,601,425	1,740,019
Change in capital fund	-	2,892,672	(466,705)
Capital fund - beginning of the year	(3,226,289)	(3,226,289)	(2,759,584)
Capital fund - end of the year	\$ (3,226,289)	\$ (333,617)	\$ (3,226,289)

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF RESERVES

For the year ended December 31, 2002

	BUDGET 2002	ACTUAL 2002	ACTUAL 2001
Revenue			
Other	\$ -	\$ 44,250	\$ 66,000
	-	44,250	66,000
Financing and transfers			
Transfer from (to) capital fund	-	35,085	96,237
Transfer from (to) operating fund	(507,948)	(183,887)	(165,197)
	(507,948)	(148,802)	(68,960)
Change in reserves	(507,948)	(104,552)	(2,960)
Reserves - beginning of the year	3,882,086	3,882,086	3,885,046
Reserves - end of the year	\$ 3,374,138	\$ 3,777,534	\$ 3,882,086
Analyzed as follows:			
Reserves set aside for specific purposes by Council:			
. for working capital		\$ 1,777,988	\$ 1,878,669
. for fire		90,000	70,000
. for sewer and water		160,483	227,564
. for planning		15,000	-
. for roads		861,621	776,084
. for recreation and culture		256,360	262,747
. for waste management		290,546	363,846
. for other		325,536	303,176
Total reserves		\$ 3,777,534	\$ 3,882,086

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of South Glengarry are the representations of management prepared in accordance with accounting policies prescribed by the Public Accounting Standards Board (PSAB) for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

(a) Basis of Consolidation

(i) Consolidated Entities

These consolidated 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 boards:

There are no local boards

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

These consolidated financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Township and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

(ii) Non-Consolidated Entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and School Board Transactions

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

(iv) Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Balance Sheet and Statement of Continuity.

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting

(i) Revenues and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term liabilities which are charged against operations in the periods in which they are paid.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure in the year of acquisition.

(iv) 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 municipal expenditures, accrued interest on long term liabilities and retirement benefits payable that will be financed through future revenues of the municipality and is reported on the Consolidated Statement of Financial Position.

(v) Deferred revenue

Deferred revenues represent user charges and fees that have been collected but the services have yet to be performed. These amounts will be recognised as revenues in the year the services are performed.

2. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE

Commencing in 2001, the Municipality has adopted the accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants for Accrued Landfill Closure and Post-Closure. This standard states that the costs related to the closing of solid waste landfill sites and post-closure monitoring are to be accrued as the sites' capacity are used.

The Municipality operates two solid waste landfill sites. One with an estimated remaining life of 8 years and the other with an estimated remaining life of 1 year. The estimate associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post closure monitoring estimated for 5 years. Total closure and post-closure costs are estimated to be \$ 1,433,300 with \$ 1,278,365 being accrued at the end of the current fiscal year. These costs are to be recovered from future revenues. The Municipality has \$ 290,546 in a reserve for waste management expenditures.

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of "PSAB" is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	2002		2001
Parkland	\$ 127,456	\$	136,494
Development charges	269,306		267,339
	\$ 396,762	\$	403,833

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

4. MUNICIPAL DEBT

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

	2002	2001
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	\$ 2,848,218	\$ 1,236,602
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	(753,492)	(804,903)
Interfund municipal debt eliminated upon consolidation At the end of the year, the outstanding principal amount of this liability is	(264,798)	(310,158)
Municipal debt at the end of the year	\$ 1,829,928	\$ 121,541

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

	2003 to 2007	2008 to 2012
from special area rates	\$ 840,732	\$ 989,196

(c) Approval of the Ontario Municipal Board has been obtained where necessary for the municipal debt in (a) issued in the name of the municipality.

(d) The municipality is contingently liable for municipal debt with respect to tile drainage. The total amount outstanding as at December 31, 2002 is \$753,492 and is not recorded on the Consolidated Statement of Financial Position.

5. MUNICIPAL POSITION AT THE END OF THE YEAR

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

(a) The balances on the Consolidated Statement of Financial Position of municipal position (future revenue requirement) of \$439,066 at the end of the year are comprised of the following:

	2002	2001
Operating fund		
. for general reduction (increase) of taxation	\$ -	\$ (92,445)
. for general reduction (increase) of user charges	88,778	4,683
. for benefitting landowners related to special charges and special areas	20,818	(37,525)
Total operating fund balance	109,596	(125,287)
Capital fund		
. acquisition of capital assets to be recovered through taxation or user charges	(333,617)	(396,624)
. acquisition of capital assets to be financed from the proceeds of municipal debt	-	(2,829,665)
Total capital fund balance	(333,617)	(3,226,289)
Reserves and reserve funds		
. reserves	3,777,534	3,882,086
Total reserves and reserve fund balance	3,777,534	3,882,086
Amounts to be recovered from future revenues		
. municipal debt	(1,829,928)	(121,541)
. accrued interest on municipal debt	(6,154)	(7,196)
. accrued landfill closure and post-closure	(1,278,365)	(1,240,855)
Amounts to be recovered from future revenues	(3,114,447)	(1,369,592)
Municipal position	\$ 439,066	\$ (839,082)

(b) Approval of the Ontario Municipal Board has been obtained where necessary for the pending issues of municipal debt and for those commitments to be financed from revenues extending beyond the term of Council.

(c) The balance available for the general reduction (increase) of taxation for the fiscal year ending has been reduced (increased) by an amount of \$(22,467) transferred to (from) the Reserve for Working Capital as authorized by Council. Had this reduction (increase) not been made the balance would have shown net operating fund revenues (expenditures) of \$(22,467).

6. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System ("OMERS") which is a

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2002

multi-employer retirement plan. The plan is a 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. Due to significant surpluses, OMERS has declared a temporary contribution holiday for all active employees and participating employees, effective August 1, 1998 to December 31, 2002.

As result of the contribution holiday, no contributions were required on account of current service in 2002.

7. TRUST FUNDS

Trust funds administered by the municipality amounting to \$2,930 have not been included in the Consolidated Statement of Financial Activities.

8. BUDGET FIGURES

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

9. PUBLIC SECTOR SALARY DISCLOSURE ACT

In 2002 no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

10. COMMITMENTS

In 2001, the Municipality approved commitments to provide funding to the City of Cornwall Aquatic Centre in the amount of \$25,000 per year for 5 years and to the Glengarry Highland Games in the amount of \$10,000 per year for 5 years.

11. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The carrying amounts reported on the balance sheet for cash, accounts receivable, taxes receivable, long-term receivables and accounts payable approximate fair values due to the immediate and short term maturities of these financial instruments.

Concentration of credit risk

The Corporation does not believe it is subject to any significant concentration of credit risk. Cash is in place with major financial institutions. Accounts and taxes receivable are the result of services and taxation to corporations, public sector organizations and individuals geographically concentrated within Eastern Ontario.