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**CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY**

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**FINANCIAL STATEMENTS**

**December 31, 2003**

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2003

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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, 2003, 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, 2003 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  
April 8, 2004

**Chartered Accountants**

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2003

	2003	2002
<b>NET FINANCIAL ASSETS</b>		
<b>Assets</b>		
Cash	\$ 1,464,041	\$ 1,513,229
Taxes receivable	2,407,584	2,213,694
Accounts receivable	364,682	388,947
Other current assets	23,211	31,943
Long-term receivables	217,141	264,798
	<b>4,476,659</b>	<b>4,412,611</b>
 <b>Liabilities</b>		
Accounts payable	656,172	462,336
Accrued landfill closure and post-closure (Note 2)	901,175	1,278,365
Accrued interest on municipal debt	5,445	6,154
Deferred revenue (Note 3)	422,611	396,762
Net municipal debt (Note 4)	1,679,103	1,829,928
	<b>3,664,506</b>	<b>3,973,545</b>
	<b>\$ 812,153</b>	<b>\$ 439,066</b>

### MUNICIPAL POSITION

<b>Fund Balances (Note 5)</b>		
Operating fund	\$ 181,534	\$ 114,284
Capital fund	(292,370)	(333,617)
Reserves	3,508,712	3,772,846
	<b>3,397,876</b>	<b>3,553,513</b>
<b>Amounts To Be Recovered From Future Revenues (Note 6)</b>		
Future taxation revenue	(735,362)	(987,819)
Local improvement charges	(1,684,548)	(1,836,082)
Reserves	(165,813)	(290,546)
	<b>(2,585,723)</b>	<b>(3,114,447)</b>
	<b>\$ 812,153</b>	<b>\$ 439,066</b>

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

For the year ended December 31, 2003

	BUDGET 2003	ACTUAL 2003	ACTUAL 2002
<b>REVENUE</b>			
<b>Taxation and user charges (Note 1(a)(iii))</b>			
Taxation	\$ 3,867,524	\$ 3,922,742	\$ 3,279,187
Taxation from other governments	97,666	99,888	53,465
Fees and service charges	1,488,397	1,753,888	1,573,866
	5,453,587	5,776,518	4,906,518
<b>Grants</b>			
Province of Ontario	1,379,661	1,445,322	1,593,934
	1,379,661	1,445,322	1,593,934
<b>Other</b>			
Investment income	303,100	359,532	313,599
Sale of land and equipment	5,000	16,411	4,608
Lot levies earned	-	-	25,000
Donations	21,000	21,000	21,000
Other revenue	-	-	44,300
Prepaid special charges	-	-	1,134,198
	329,100	396,943	1,542,705
<b>Total revenue for the year</b>	\$ 7,162,348	\$ 7,618,783	\$ 8,043,157

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - EXPENDITURE

For the year ended December 31, 2003

	BUDGET	ACTUAL	ACTUAL
	2003	2003	2002
<b>EXPENDITURE</b>			
<b>Current operations</b>			
General government	\$ 1,001,715	\$ 976,135	\$ 822,637
Protection to persons and property	561,355	574,209	521,554
Transportation services	2,106,877	2,208,130	2,108,820
Environmental services	1,339,750	866,218	1,219,205
Health services	26,050	25,097	23,274
Social and family services	100,231	110,305	101,823
Recreation and cultural services	745,950	926,676	894,952
Planning and development	202,500	157,321	181,323
	6,084,428	5,844,091	5,873,588
<b>Capital</b>			
General government	36,000	5,097	-
Protection to persons and property	-	-	83,393
Transportation services	968,000	897,839	413,107
Environmental services	120,000	225,751	309,386
Health services	75,000	106,316	-
Recreation and cultural services	145,000	115,505	27,881
Planning and development	-	51,099	57,654
	1,344,000	1,401,607	891,421
<b>Total expenditure for the year</b>	7,428,428	7,245,698	6,765,009
<b>Net revenue (expenditure) for the year</b>	(266,080)	373,085	1,278,148
<b>CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (Note 6)</b>			
Accrued landfill closure and post-closure	-	(377,190)	37,510
Municipal debt principal repayment	(150,800)	(150,825)	(103,707)
Proceeds from the issue of municipal debt	-	-	1,812,094
Retirement benefits and accrued interest	-	(709)	(1,043)
	(150,800)	(528,724)	1,744,854
<b>Change in fund balance</b>	\$ (416,880)	\$ (155,639)	\$ 3,023,002

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2003

	<b>2003</b>	<b>2002</b>
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net revenue for the year	\$ 373,085	\$ 1,278,148
Taxes receivable	(193,890)	22,388
Accounts receivable	24,265	106,938
Other current assets	8,731	51,564
Accounts payable	196,700	(235,663)
Other current liabilities	(2,860)	7,733
Deferred revenue	25,848	(7,070)
Accrued interest on municipal debt	(709)	(1,043)
Accrued landfill closure and post-closure	(377,190)	37,510
Long-term receivables	47,657	45,360
	<b>101,637</b>	<b>1,305,865</b>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in net municipal debt	(150,825)	1,708,387
	<b>(150,825)</b>	<b>1,708,387</b>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENT</b>	<b>(49,188)</b>	<b>3,014,252</b>
<b>CASH AND EQUIVALENT, beginning of year</b>	<b>1,513,229</b>	<b>(1,501,023)</b>
<b>CASH AND EQUIVALENT, end of year</b>	<b>\$ 1,464,041</b>	<b>\$ 1,513,229</b>
<b>REPRESENTED BY :</b>		
Cash	\$ 1,464,041	\$ 1,513,229
	<b>\$ 1,464,041</b>	<b>\$ 1,513,229</b>

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF OPERATING FUND

For the year ended December 31, 2003

	BUDGET 2003	ACTUAL 2003	ACTUAL 2002
<b>Revenue</b>			
Taxation	\$ 3,965,190	\$ 4,022,634	\$ 3,332,652
Fees and service charges	1,488,397	1,690,570	1,542,243
Grants	1,379,661	1,392,071	1,577,085
Interest	303,100	359,532	313,599
Other	26,000	25,411	50,658
	7,162,348	7,490,218	6,816,237
<b>Expenditure</b>			
General government	1,001,715	976,135	822,637
Protection to persons and property	561,355	574,209	521,554
Transportation services	2,106,877	2,208,130	2,108,820
Environmental services	1,339,750	866,218	1,219,205
Health services	26,050	25,097	23,274
Social	100,231	110,305	101,823
Recreation and cultural services	745,950	926,676	894,952
Planning and development	202,500	157,321	181,322
	6,084,428	5,844,091	5,873,587
<b>Net revenue (expenditure)</b>	1,077,920	1,646,127	942,650
<b>Financing and transfers</b>			
Transfer from (to) reserves and reserve funds	357,800	300,010	188,574
Transfer from (to) capital fund	(1,344,000)	(1,350,160)	(824,416)
Debt principal repayments	(150,800)	(150,825)	(103,707)
Accrued landfill closure and post-closure	-	(377,190)	37,510
Retirement benefits and accrued interest	-	(709)	(1,043)
	(1,137,000)	(1,578,874)	(703,082)
<b>Change in operating fund balance</b>	(59,080)	67,253	239,568
<b>Operating fund - beginning of the year</b>	114,284	114,281	(125,287)
<b>Operating fund - end of the year</b>	\$ 55,204	\$ 181,534	\$ 114,281

See Accompanying Notes



# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2003

	BUDGET 2003	ACTUAL 2003	ACTUAL 2002
<b>Revenue</b>			
Grants	\$ -	\$ 53,251	\$ 16,847
Direct billings	-	63,319	31,623
Prepaid special charges	-	-	1,134,198
Other	-	12,000	-
	-	<b>128,570</b>	1,182,668
<b>Expenditure</b>			
General government	36,000	5,097	-
Protection to persons and property	-	-	83,393
Transportation services	968,000	897,839	413,107
Environmental services	120,000	225,751	309,386
Health services	75,000	106,316	-
Recreation and cultural services	145,000	115,505	27,881
Planning and development	-	51,099	57,654
	1,344,000	<b>1,401,607</b>	891,421
<b>Net revenue (expenditure)</b>	<b>(1,344,000)</b>	<b>(1,273,037)</b>	291,247
<b>Financing and transfers</b>			
Transfer from (to) reserves and reserve funds	-	(35,876)	(35,085)
Transfer from (to) operating fund	1,344,000	1,350,160	824,416
Proceeds from the issue of municipal debt	-	-	1,812,094
	1,344,000	<b>1,314,284</b>	2,601,425
<b>Change in capital fund balance</b>	-	<b>41,247</b>	2,892,672
<b>Capital fund - beginning of the year</b>	<b>(333,617)</b>	<b>(333,617)</b>	<b>(3,226,289)</b>
<b>Capital fund - end of the year</b>	<b>\$ (333,617)</b>	<b>\$ (292,370)</b>	<b>\$ (333,617)</b>

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF RESERVES

For the year ended December 31, 2003

	BUDGET 2003	ACTUAL 2003	ACTUAL 2002
<b>Revenue</b>			
Other	\$ -	\$ -	\$ 44,249
	-	-	44,249
<b>Financing and transfers</b>			
Transfer from (to) capital fund	-	35,876	35,085
Transfer from (to) operating fund	(357,800)	(300,010)	(188,574)
	(357,800)	(264,134)	(153,489)
<b>Change in reserves</b>	(357,800)	(264,134)	(109,240)
<b>Reserves - beginning of the year</b>	3,772,846	3,772,846	3,882,086
<b>Reserves - end of the year</b>	\$ 3,415,046	\$ 3,508,712	\$ 3,772,846
<b>Analyzed as follows:</b>			
<b>Reserves set aside for specific purposes by Council:</b>			
. for working capital		\$ 1,698,192	\$ 1,773,300
. for capital		33,000	-
. for fire		190,000	90,000
. for sewer and water		198,032	160,483
. for planning		30,000	15,000
. for roads		625,527	861,621
. for recreation and culture		248,002	256,360
. for waste management		165,813	290,546
. for other		320,146	325,536
<b>Total reserves</b>		\$ 3,508,712	\$ 3,772,846

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

### 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 Canadian generally accepted accounting policies for local governments, as recommended by the Public Accounting Standards Board (PSAB) of the Canadian Institute of Chartered Accountants, prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. 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 reserves and include the activities of all committees of Council.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

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, 2003

### 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.

#### (c) Financial instruments

(i) 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.

(ii) 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.

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

### 2. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE

The Municipality operates two solid waste landfill sites. One has an estimated remaining life of 7 years and the other has an estimated remaining life of 30 to 40 years as the result of an amended provisional certificate of approval from the Ministry of the Environment dated December 15, 2003. 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 \$901,175 (2002 - 1,278,365) being accrued at the end of the current fiscal year. The accrual was reduced by \$371,190 in 2003 to reflect the extended life of the one site that received the certificate of approval. These costs are to be recovered from future taxation revenue and reserves. The Municipality has \$165,813 in a reserve for waste management expenditures.

### 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:

	2003	2002
Parkland	\$ 145,976	\$ 127,456
Development charges	276,634	269,306
	<b>\$ 422,610</b>	<b>\$ 396,762</b>

See Auditor's Report dated April 8, 2004

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

### 4. MUNICIPAL DEBT

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

	2003	2002
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises.	\$ 2,479,632	\$ 2,848,218
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals.	(583,388)	(753,492)
Interfund municipal debt eliminated upon consolidation	(217,141)	(264,798)
<b>Municipal debt at the end of the year</b>	<b>\$ 1,679,103</b>	<b>\$ 1,829,928</b>

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

	2004 to 2008	2009 to 2013
Local improvement charges	\$ 886,460	\$ 792,643

(c) All municipal debt issued on or before December 31, 1992 has received approval from the Ontario Municipal Board. Municipal debt issued on or after January 1, 1993 has been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) The municipality is contingently liable for municipal debt with respect to tile drainage. The total amount outstanding as at December 31, 2003 is \$583,388 and is not recorded on the Consolidated Statement of Financial Position.

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

### 5. FUND BALANCES

(a) The corporation's fund balances are comprised of the following:

	2003	2002
Operating fund		
General taxation	\$ -	\$ -
Water and sewer	57,143	27,469
Street lights	(665)	(6,650)
Minor sports	125,056	94,186
Other	-	(721)
Total operating fund balance	181,534	114,284
Capital fund	(292,370)	(333,617)
Reserves	3,508,712	3,772,846
	\$ 3,397,876	\$ 3,553,513

(b) The balance available for the general reduction of taxation for the fiscal year ending has been reduced (increased) by an amount of \$19,269 transferred to the Reserve for Working Capital as authorized by Council. Had this reduction not been made the balance would have shown the general reduction of taxation balance of \$19,269.

### 6. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2003	2002
Net unicipal debt	\$ 1,679,103	\$ 1,829,928
Accrued interest on municipal debt	5,445	6,154
Accrued landfill closure and post-closure	901,175	1,278,365
	\$ 2,585,723	\$ 3,114,447

### 7. 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 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. Contributions commenced at a reduced rate in 2003.

Contributions were required on account of current service made by the employer in 2003 in the amount of \$25,378.

See Auditor's Report dated April 8, 2004

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2003

### 8. TRUST FUNDS

Trust funds administered by the municipality amounting to \$2,197 have not been included in the Consolidated Statement of Financial Activities.

### 9. 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.

### 10. PUBLIC SECTOR SALARY DISCLOSURE ACT

In 2003 no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

### 11. 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.

### 12. CONTINGENCY

The Township is a co-defendant in a lawsuit for damages in the amount of \$850,000. The outcome of the case is unknown at this time. No liability has been recorded in the accounts.