
CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL STATEMENTS

December 31, 2004

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2004

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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, 2004, 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, 2004 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
Accountants
April 7, 2005

Chartered

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2004

	2004	2003
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 2,162,250	\$ 1,464,041
Taxes receivable	2,838,608	2,407,585
Accounts receivable	424,883	364,682
Other current assets	113,192	23,211
Long-term receivables	166,084	217,141
	5,705,017	4,476,660
 Liabilities		
Accounts payable	630,394	656,173
Accrued landfill closure and post-closure (Note 2)	932,460	901,175
Accrued interest on municipal debt	4,672	5,445
Deferred revenue (Note 3)	452,141	422,610
Net municipal debt (Note 4)	1,509,773	1,679,103
	3,529,440	3,664,506
	\$ 2,175,577	\$ 812,154

MUNICIPAL POSITION

Fund Balances (Note 5)		
Operating fund	\$ 1,197,600	\$ 181,534
Capital fund	(248,410)	(292,370)
Reserves	3,673,292	3,508,713
	4,622,482	3,397,877
Amounts To Be Recovered From Future Revenues (Note 6)		
Future taxation revenue	(893,328)	(735,362)
Local improvement charges	(1,514,445)	(1,684,548)
Reserves	(39,132)	(165,813)
	(2,446,905)	(2,585,723)
	\$ 2,175,577	\$ 812,154

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
REVENUE			
Taxation and user charges (Note 1(a)(iii))			
Taxation	\$ 4,645,219	\$ 4,721,482	\$ 3,922,742
Taxation from other governments	100,300	107,292	99,888
Fees and service charges	1,617,874	1,793,570	1,753,888
	6,363,393	6,622,344	5,776,518
Grants			
Province of Ontario	1,377,150	1,435,221	1,445,322
	1,377,150	1,435,221	1,445,322
Other			
Investment income	334,500	375,364	359,532
Sale of land and equipment	4,500	1,922	16,411
Lot levies earned	145,976	-	-
Donations	21,000	24,195	21,000
Other revenue	-	50,354	-
	505,976	451,835	396,943
Total revenue for the year	\$ 8,246,519	\$ 8,509,400	\$ 7,618,783

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - EXPENDITURE

For the year ended December 31, 2004

	BUDGET	ACTUAL	ACTUAL
	2004	2004	2003
EXPENDITURE			
Current operations			
General government	\$ 1,012,927	\$ 949,047	\$ 976,135
Protection to persons and property	634,903	584,182	574,209
Transportation services	2,351,285	2,272,111	2,208,130
Environmental services	1,455,467	1,240,102	866,218
Health services	25,055	82,724	25,097
Social and family services	120,920	106,058	110,305
Recreation and cultural services	850,739	967,187	926,676
Planning and development	194,850	114,010	157,321
	6,646,146	6,315,421	5,844,091
Capital			
General government	39,000	12,779	5,097
Protection to persons and property	88,260	62,138	-
Transportation services	558,000	272,768	897,839
Environmental services	460,103	321,935	225,751
Health services	-	-	106,316
Social and family services	-	10,328	-
Recreation and cultural services	480,100	110,284	115,505
Planning and development	-	40,623	51,098
	1,625,463	830,855	1,401,606
Total expenditure for the year	8,271,609	7,146,276	7,245,697
Net revenue (expenditure) for the year	(25,090)	1,363,124	373,086
CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (Note 6)			
Accrued landfill closure and post-closure	-	31,585	(377,190)
Municipal debt principal repayment	(159,892)	(169,331)	(150,825)
Accrued interest	-	(773)	(709)
	(159,892)	(138,519)	(528,724)
Change in fund balance	\$ (184,982)	\$ 1,224,605	\$ (155,638)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2004

	2004	2003
CASH FROM OPERATING ACTIVITIES		
Net revenue for the year	\$ 1,363,124	\$ 373,086
Taxes receivable	(430,723)	(193,890)
Accounts receivable	(60,202)	24,265
Other current assets	(89,981)	8,731
Accounts payable	(19,474)	196,699
Other current liabilities	(6,302)	(2,860)
Deferred revenue	29,530	25,848
Accrued interest on municipal debt	(773)	(709)
Accrued landfill closure and post-closure	31,285	(377,190)
Long-term receivables	51,056	47,657
	867,540	101,637
CASH USED IN FINANCING ACTIVITIES		
Decrease in net municipal debt	(169,331)	(150,825)
	(169,331)	(150,825)
INCREASE (DECREASE) IN CASH AND EQUIVALENT	698,209	(49,188)
CASH AND EQUIVALENT, beginning of year	1,464,041	1,513,229
CASH AND EQUIVALENT, end of year	\$ 2,162,250	\$ 1,464,041
REPRESENTED BY :		
Cash	\$ 2,162,250	\$ 1,464,041
	\$ 2,162,250	\$ 1,464,041

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF OPERATING FUND

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
Revenue			
Taxation	\$ 4,745,519	\$ 4,828,774	\$ 4,022,630
Fees and service charges	1,542,874	1,756,695	1,690,570
Grants	1,377,150	1,430,960	1,392,071
Interest	334,500	375,364	359,532
Other	171,476	26,118	25,411
	8,171,519	8,417,911	7,490,214
Expenditure			
General government	1,012,927	949,047	976,135
Protection to persons and property	634,903	584,182	574,209
Transportation services	2,351,285	2,272,111	2,208,130
Environmental services	1,455,467	1,240,102	866,218
Health services	25,055	82,724	25,097
Social	120,920	106,058	110,305
Recreation and cultural services	850,739	967,187	926,676
Planning and development	194,850	114,010	157,319
	6,646,146	6,315,421	5,844,089
Net revenue (expenditure)	1,525,373	2,102,490	1,646,125
Financing and transfers			
Transfer from (to) reserves and reserve funds	47,589	(114,226)	300,009
Transfer from (to) capital fund	(1,550,463)	(833,679)	(1,350,160)
Debt principal repayments	(159,892)	(169,331)	(150,825)
Accrued landfill closure and post-closure	-	31,585	(377,190)
Accrued interest	-	(773)	(709)
	(1,662,766)	(1,086,424)	(1,578,875)
Change in operating fund balance	(137,393)	1,016,066	67,250
Operating fund - beginning of the year	181,534	181,534	114,284
Operating fund - end of the year	\$ 44,141	\$ 1,197,600	\$ 181,534

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
Revenue			
Grants	\$ -	\$ 4,261	\$ 53,251
Direct billings	75,000	36,875	63,319
Other	-	-	12,000
	75,000	41,136	128,570
Expenditure			
General government	39,000	12,779	5,097
Protection to persons and property	88,260	62,138	-
Transportation services	558,000	272,768	897,839
Environmental services	460,103	321,935	225,751
Health services	-	-	106,316
Social	-	10,328	-
Recreation and cultural services	480,100	110,284	115,505
Planning and development	-	40,623	51,099
	1,625,463	830,855	1,401,607
Net revenue (expenditure)	(1,550,463)	(789,719)	(1,273,037)
Financing and transfers			
Transfer from (to) reserves and reserve funds	-	-	(35,876)
Transfer from (to) operating fund	1,550,463	833,679	1,350,160
	1,550,463	833,679	1,314,284
Change in capital fund balance	-	43,960	41,247
Capital fund - beginning of the year	(292,370)	(292,370)	(333,617)
Capital fund - end of the year	\$ (292,370)	\$ (248,410)	\$ (292,370)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

SCHEDULE OF RESERVES

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
Revenue			
Other	\$ -	\$ 50,354	\$ -
	-	50,354	-
Financing and transfers			
Transfer from (to) capital fund	-	-	35,876
Transfer from (to) operating fund	(47,589)	114,226	(300,009)
	(47,589)	114,226	(264,133)
Change in reserves	(47,589)	164,580	(264,133)
Reserves - beginning of the year	3,508,712	3,508,712	3,772,846
Reserves - end of the year	\$ 3,461,123	\$ 3,673,292	\$ 3,508,713
Analyzed as follows:			
Reserves set aside for specific purposes by Council:			
. for working capital		\$ 1,696,877	\$ 1,698,193
. for capital		33,000	33,000
. for fire		390,000	190,000
. for sewer and water		234,032	198,032
. for planning		45,000	30,000
. for roads		658,964	625,527
. for recreation and culture		224,391	248,002
. for waste management		39,132	165,813
. for other		351,896	320,146
Total reserves		\$ 3,673,292	\$ 3,508,713

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

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, 2004

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, 2004

2. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE

The Municipality operates two solid waste landfill sites. One has an estimated remaining life of seven 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 \$932,460 (2003 - 901,175) 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 \$39,132 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:

	2004	2003
Parkland	\$ 169,910	\$ 145,976
Development charges	282,231	276,634
	\$ 452,141	\$ 422,610

See Auditor's Report dated April 7, 2005

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

4. MUNICIPAL DEBT

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

	2004	2003
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises.	\$ 2,082,285	\$ 2,479,632
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals.	(406,428)	(583,388)
<u>Interfund municipal debt eliminated upon consolidation</u>	(166,084)	(217,141)
Municipal debt at the end of the year	\$ 1,509,773	\$ 1,679,103

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

	2005 to 2009	2010 to 2014
<u>Local improvement charges</u>	<u>\$ 914,549</u>	<u>\$ 595,224</u>

(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, 2004 is \$406,428 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, 2004

5. FUND BALANCES

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

	2004	2003
Operating fund		
General taxation	\$ 970,737	\$ -
Water and sewer	89,791	57,144
Street lights	7,320	(665)
Minor sports	129,752	125,055
Total operating fund balance	1,197,600	181,534
Capital fund	(248,410)	(292,370)
Reserves	3,673,292	3,508,713
	\$ 4,622,482	\$ 3,397,877

6. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

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

	2004	2003
Net unicipal debt	\$ 1,509,773	\$ 1,679,103
Accrued interest on municipal debt	4,672	5,445
Accrued landfill closure and post-closure	932,460	901,175
	\$ 2,446,905	\$ 2,585,723

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.

Contributions were required on account of current service in 2004 in the amount of \$160,141.

8. TRUST FUNDS

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

See Auditor's Report dated April 7, 2005

CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

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 2004 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.