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**CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY**

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**FINANCIAL STATEMENTS**

**December 31, 2005**

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2005

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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, 2005, 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, 2005 and the results of its 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  
May 11, 2006

**Chartered Accountants**

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2005

	2005	2004
<b>NET FINANCIAL ASSETS</b>		
<b>Assets</b>		
Cash	\$ 3,100,571	\$ 2,162,250
Taxes receivable	3,017,542	2,838,609
Accounts receivable	737,271	424,883
Other current assets	109,361	113,192
Long-term receivables	113,430	166,084
	<b>7,078,175</b>	<b>5,705,018</b>
 <b>Liabilities</b>		
Accounts payable	1,119,907	630,395
Accrued landfill closure and post-closure (Note 2)	964,045	932,460
Accrued interest on municipal debt	3,829	4,672
Deferred revenue (Note 3)	595,846	452,140
Net municipal debt (Note 4)	1,338,943	1,509,773
	<b>4,022,570</b>	<b>3,529,440</b>
	<b>\$ 3,055,605</b>	<b>\$ 2,175,578</b>

### MUNICIPAL POSITION

<b>Fund Balances (Note 5)</b>		
Operating fund	\$ 197,678	\$ 1,197,600
Capital fund	(93,014)	(248,410)
Reserves	5,257,758	3,673,293
	<b>5,362,422</b>	<b>4,622,483</b>
<b>Amounts To Be Recovered From Future Revenues (Note 6)</b>		
Future taxation revenue	(964,045)	(893,328)
Local improvement charges	(1,342,772)	(1,514,445)
Reserves	-	(39,132)
	<b>(2,306,817)</b>	<b>(2,446,905)</b>
	<b>\$ 3,055,605</b>	<b>\$ 2,175,578</b>

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
<b>REVENUE</b>			
<b>Taxation and user charges</b> (Note 1(a)(iii))			
Taxation	\$ 5,020,081	\$ 5,183,866	\$ 4,628,325
Taxation from other governments	106,450	109,236	107,292
Fees and service charges	1,466,380	1,695,146	1,793,570
	6,592,911	6,988,248	6,529,187
<b>Grants</b>			
Government of Canada	-	16,273	-
Province of Ontario	1,883,287	1,977,621	1,435,221
	1,883,287	1,993,894	1,435,221
<b>Other</b>			
Investment income	365,600	437,403	375,364
Sale of land and equipment	-	50,355	1,922
Donations	19,000	-	24,195
Other revenue	-	-	50,354
	384,600	487,758	451,835
<b>Total revenue for the year</b>	\$ 8,860,798	\$ 9,469,900	\$ 8,416,243

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - EXPENDITURE

For the year ended December 31, 2005

	BUDGET	ACTUAL	ACTUAL
	2005	2005	2004
<b>EXPENDITURE</b>			
<b>Current operations</b>			
General government	\$ 1,095,900	\$ 918,333	\$ 855,890
Protection to persons and property	926,817	914,040	584,182
Transportation services	2,048,000	2,040,309	2,272,111
Environmental services	1,650,746	1,368,547	1,240,102
Health services	21,700	19,397	82,724
Social and family services	109,200	114,796	106,058
Recreation and cultural services	844,040	1,056,434	967,187
Planning and development	163,050	149,432	114,010
	6,859,453	6,581,288	6,222,264
<b>Capital</b>			
General government	42,000	25,350	12,779
Protection to persons and property	351,800	347,735	62,138
Transportation services	1,317,751	1,139,671	272,768
Environmental services	182,130	172,758	321,935
Health services	82,500	105,198	-
Social and family services	-	-	10,328
Recreation and cultural services	136,550	171,203	110,284
Planning and development	-	46,229	40,622
	2,112,731	2,008,144	830,854
<b>Total expenditure for the year</b>	8,972,184	8,589,432	7,053,118
<b>Net revenue (expenditure) for the year</b>	(111,386)	880,468	1,363,125
<b>CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (Note 6)</b>			
Accrued landfill closure and post-closure	-	31,585	31,585
Municipal debt principal repayment	(170,829)	(170,829)	(169,331)
Accrued interest	-	(1,283)	(773)
	(170,829)	(140,527)	(138,519)
<b>Change in fund balance</b>	\$ (282,215)	\$ 739,941	\$ 1,224,606

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2005

	2005	2004
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net revenue for the year	\$ 880,468	\$ 1,363,125
Taxes receivable	(178,934)	(431,027)
Accounts receivable	(312,827)	(60,202)
Other current assets	3,831	(89,981)
Accounts payable	513,017	(19,472)
Other current liabilities	(23,505)	(6,302)
Deferred revenue	143,705	29,530
Accrued interest on municipal debt	(843)	(773)
Accrued landfill closure and post-closure	31,585	31,585
Long-term receivables	52,654	51,057
	<b>1,109,151</b>	867,540
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Decrease in net municipal debt	(170,830)	(169,331)
	<b>(170,830)</b>	(169,331)
<b>INCREASE IN CASH AND EQUIVALENT</b>	<b>938,321</b>	698,209
<b>CASH AND EQUIVALENT, beginning of year</b>	<b>2,162,250</b>	1,464,041
<b>CASH AND EQUIVALENT, end of year</b>	<b>\$ 3,100,571</b>	\$ 2,162,250
<b>REPRESENTED BY :</b>		
Cash	\$ 3,100,571	\$ 2,162,250
	<b>\$ 3,100,571</b>	\$ 2,162,250

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF OPERATING FUND

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
<b>Revenue</b>			
Taxation	\$ 5,126,531	\$ 5,293,101	\$ 4,735,616
Fees and service charges	1,466,380	1,676,448	1,756,695
Grants	1,883,287	1,986,076	1,430,960
Interest	365,600	437,403	375,364
Other	19,000	-	26,118
	8,860,798	9,393,028	8,324,753
<b>Expenditure</b>			
General government	1,095,900	918,333	855,890
Protection to persons and property	926,817	914,040	584,182
Transportation services	2,048,000	2,040,309	2,272,111
Environmental services	1,650,746	1,368,547	1,240,102
Health services	21,700	19,397	82,724
Social	109,200	114,796	106,058
Recreation and cultural services	844,040	1,056,434	967,187
Planning and development	163,050	149,432	114,008
	6,859,453	6,581,288	6,222,262
<b>Net revenue (expenditure)</b>	2,001,345	2,811,740	2,102,491
<b>Financing and transfers</b>			
Transfer from (to) reserves and reserve funds	(1,079,717)	(1,584,466)	(114,227)
Transfer from (to) capital fund	(1,863,660)	(2,086,669)	(833,679)
Debt principal repayments	(170,829)	(170,829)	(169,331)
Accrued landfill closure and post-closure	-	31,585	31,585
Accrued interest	-	(1,283)	(773)
	(3,114,206)	(3,811,662)	(1,086,425)
<b>Change in operating fund balance</b>	(1,112,861)	(999,922)	1,016,066
<b>Operating fund - beginning of the year</b>	1,197,600	1,197,600	181,534
<b>Operating fund - end of the year</b>	\$ 84,739	\$ 197,678	\$ 1,197,600

See Accompanying Notes



# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
<b>Revenue</b>			
Grants	\$ -	\$ 7,819	\$ 4,261
Direct billings	-	18,697	36,875
Other	-	50,355	-
	-	76,871	41,136
<b>Expenditure</b>			
General government	42,000	25,350	12,779
Protection to persons and property	351,800	347,735	62,138
Transportation services	1,317,751	1,139,671	272,768
Environmental services	182,130	172,758	321,935
Health services	82,500	105,198	-
Social	-	-	10,328
Recreation and cultural services	136,550	171,203	110,284
Planning and development	-	46,229	40,623
	2,112,731	2,008,144	830,855
<b>Net revenue (expenditure)</b>	(2,112,731)	(1,931,273)	(789,719)
<b>Financing and transfers</b>			
Transfer from (to) operating fund	1,863,660	2,086,669	833,679
	1,863,660	2,086,669	833,679
<b>Change in capital fund balance</b>	(249,071)	155,396	43,960
<b>Capital fund - beginning of the year</b>	(248,410)	(248,410)	(292,370)
<b>Capital fund - end of the year</b>	\$ (497,481)	\$ (93,014)	\$ (248,410)

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF RESERVES

For the year ended December 31, 2005

	BUDGET 2005	ACTUAL 2005	ACTUAL 2004
<b>Revenue</b>			
Other	\$ -	\$ -	\$ 50,354
	-	-	50,354
<b>Financing and transfers</b>			
Transfer from (to) operating fund	1,079,717	<b>1,584,466</b>	114,227
	1,079,717	<b>1,584,466</b>	114,227
<b>Change in reserves</b>	1,079,717	<b>1,584,466</b>	164,581
<b>Reserves - beginning of the year</b>	3,673,292	<b>3,673,292</b>	3,508,712
<b>Reserves - end of the year</b>	\$ 4,753,009	\$ <b>5,257,758</b>	\$ 3,673,293
<b>Analyzed as follows:</b>			
<b>Reserves set aside for specific purposes by Council:</b>			
. for working capital		\$ 2,414,991	\$ 1,696,878
. for hospital commitments		<b>100,910</b>	-
. for capital		-	33,000
. for fire		<b>453,015</b>	390,000
. for sewer and water		<b>259,032</b>	234,032
. for planning		<b>45,000</b>	45,000
. for roads		<b>753,964</b>	658,964
. for recreation and culture		<b>284,335</b>	224,391
. for waste management		-	39,132
. for other		<b>946,511</b>	351,896
<b>Total reserves</b>		\$ <b>5,257,758</b>	\$ 3,673,293

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

### 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, 2005

### 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, 2005

### 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 \$964,045 (2004 - 932,460) 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.

### 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:

	2005	2004
Parkland	\$ 182,955	\$ 169,910
Development charges	289,070	282,231
Federal gas tax rebate	123,821	-
	<b>\$ 595,846</b>	<b>\$ 452,141</b>

See Auditor's Report dated May 11, 2006

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

### 4. MUNICIPAL DEBT

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

	2005	2004
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises.	\$ 1,803,417	\$ 2,082,285
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals.	(351,044)	(406,428)
Interfund municipal debt eliminated upon consolidation	(113,430)	(166,084)
<b>Municipal debt at the end of the year</b>	<b>\$ 1,338,943</b>	<b>\$ 1,509,773</b>

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

	2006 to 2010	2011 to 2015
Local improvement charges	\$ 981,083	\$ 357,860

(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, 2005 is \$351,044 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, 2005

### 5. FUND BALANCES

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

	2005	2004
Operating fund		
General taxation	\$ -	\$ 970,736
Water and sewer	53,039	89,792
Street lights	1,250	7,320
Minor sports	143,389	129,752
Total operating fund balance	197,678	1,197,600
Capital fund	(93,014)	(248,410)
Reserves	5,257,758	3,673,293
	<b>\$ 5,362,422</b>	<b>\$ 4,622,483</b>

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

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

	2005	2004
Net municipal debt	\$ 1,338,943	\$ 1,509,773
Accrued interest on municipal debt	3,829	4,672
Accrued landfill closure and post-closure	964,045	932,460
	<b>\$ 2,306,817</b>	<b>\$ 2,446,905</b>

### 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 2005 in the amount of \$163,356.

### 8. TRUST FUNDS

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

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

### 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. COMMITMENTS

The Township has committed to provide funding to the Cornwall Community Hospital in the amount of \$379,555 of which \$75,910 has been placed into a reserve. As well, a commitment was approved to provide funding to the Glengarry Memorial Hospital in the amount of \$75,000 of which \$25,000 has been placed into a reserve.

### 11. 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.