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**CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY**

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**FINANCIAL STATEMENTS**

**December 31, 2008**

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

December 31, 2008

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**Craig  
Keen  
Despatie  
Markell  
LLP**

**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, 2008, and the consolidated statements of financial activities and cash flows 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, 2008 and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

**Craig Keen Despatie Markell LLP**



**Chartered Accountants**  
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# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2008

	2008	2007
<b>NET FINANCIAL ASSETS</b>		
<b>Assets</b>		
Cash	\$ 4,059,987	\$ 3,878,137
Taxes receivable	3,261,958	3,877,564
Accounts receivable	1,617,384	1,230,220
Other current assets	5,136	8,761
	<b>8,944,465</b>	<b>8,994,682</b>
<b>Liabilities</b>		
Accounts payable	1,405,903	1,350,100
Accrued landfill closure and post-closure (Note 2)	1,058,800	1,027,215
Accrued interest on municipal debt	2,609	3,143
Deferred revenue (Note 3)	414,359	602,647
Net municipal debt (Note 4)	788,465	983,865
	<b>3,670,136</b>	<b>3,966,970</b>
	<b>\$ 5,274,329</b>	<b>\$ 5,027,712</b>

### MUNICIPAL POSITION

<b>Fund Balances (Note 5)</b>		
Operating fund	\$ 106,108	\$ 112,962
Capital fund	1,421,256	615,185
Reserves	5,596,839	6,313,788
	<b>7,124,203</b>	<b>7,041,935</b>
<b>Amounts To Be Recovered From Future Revenues (Note 6)</b>		
Future taxation revenue	(1,058,800)	(1,027,215)
Local improvement charges	(791,074)	(987,008)
	<b>(1,849,874)</b>	<b>(2,014,223)</b>
	<b>\$ 5,274,329</b>	<b>\$ 5,027,712</b>

See Accompanying Notes

**CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE**

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>REVENUE</b>			
<b>Taxation and user charges (Note 1(a)(iii))</b>			
Taxation	\$ 5,592,899	\$ 5,639,512	\$ 5,481,687
Taxation from other governments	103,320	100,631	102,975
Fees and service charges	1,998,963	2,097,714	1,986,754
	7,695,182	7,837,857	7,571,416
<b>Grants</b>			
Government of Canada	1,200	1,840	68,060
Province of Ontario	4,582,463	5,521,218	2,171,689
	4,583,663	5,523,058	2,239,749
<b>Other</b>			
Investment income	515,000	594,884	585,397
Sale of land and equipment	-	-	114,910
Lot levies earned	40,000	40,000	-
Other revenue	-	-	21,500
	555,000	634,884	721,807
<b>Total revenue for the year</b>	\$ 12,833,845	\$ 13,995,799	\$ 10,532,972

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - EXPENDITURE

For the year ended December 31, 2008

	BUDGET	ACTUAL	ACTUAL
	2008	2008	2007
<b>EXPENDITURE</b>			
<b>Current operations</b>			
General government	\$ 1,605,031	\$ 1,565,827	\$ 1,033,979
Protection to persons and property	909,187	895,003	875,372
Transportation services	2,727,058	2,749,787	2,439,246
Environmental services	1,630,475	1,640,690	1,607,519
Health services	27,950	26,560	25,358
Social and family services	69,931	52,911	105,103
Recreation and cultural services	1,046,504	1,177,895	1,111,104
Planning and development	237,930	210,813	220,587
	8,254,066	8,319,486	7,418,268
<b>Capital</b>			
General government	89,400	46,140	56,744
Protection to persons and property	1,812,000	1,326,079	404,633
Transportation services	3,867,245	3,315,996	699,951
Environmental services	508,897	203,162	73,879
Health services	35,000	-	4,912
Social and family services	1,700	1,605	1,808
Recreation and cultural services	394,820	480,239	180,695
Planning and development	-	56,474	41,316
	6,709,062	5,429,695	1,463,938
<b>Total expenditure for the year</b>	14,963,128	13,749,181	8,882,206
<b>Net revenue (expenditure) for the year</b>	(2,129,283)	246,618	1,650,766
<b>CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (Note 6)</b>			
Accrued landfill closure and post-closure	31,585	31,585	31,585
Municipal debt principal repayment	(195,399)	(195,399)	(183,184)
Accrued interest	-	(534)	(282)
	(163,814)	(164,348)	(151,881)
<b>Change in fund balance</b>	\$ (2,293,097)	\$ 82,270	\$ 1,498,885

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOWS

For the year ended December 31, 2008

	2008	2007
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net revenue for the year	\$ 246,618	\$ 1,650,766
Taxes receivable	615,603	(199,851)
Accounts receivable	(387,165)	650,633
Other current assets	3,624	6,457
Accounts payable	69,195	(150,441)
Other current liabilities	(13,386)	(3,189)
Deferred revenue	(188,290)	98,424
Accrued interest on municipal debt	(534)	(282)
Accrued landfill closure and post-closure	31,585	31,585
Long-term receivables	-	58,110
	<b>377,250</b>	<b>2,142,212</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Decrease in net municipal debt	(195,400)	(183,238)
	<b>(195,400)</b>	<b>(183,238)</b>
<b>INCREASE IN CASH AND EQUIVALENT</b>	<b>181,850</b>	<b>1,958,974</b>
<b>CASH AND EQUIVALENT, beginning of year</b>	<b>3,878,137</b>	<b>1,919,163</b>
<b>CASH AND EQUIVALENT, end of year</b>	<b>\$ 4,059,987</b>	<b>\$ 3,878,137</b>
<b>REPRESENTED BY :</b>		
Cash	\$ 4,059,987	\$ 3,878,137
	<b>\$ 4,059,987</b>	<b>\$ 3,878,137</b>

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF OPERATING FUND

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>Revenue</b>			
Taxation	\$ 5,696,219	\$ 5,740,140	\$ 5,584,662
Fees and service charges	1,998,963	2,042,166	1,860,795
Grants	2,006,562	2,929,609	2,234,518
Interest	515,000	594,884	585,397
	10,216,744	11,306,799	10,265,372
<b>Expenditure</b>			
General government	1,605,031	1,565,827	1,033,979
Protection to persons and property	909,187	895,003	875,372
Transportation services	2,727,058	2,749,787	2,439,246
Environmental services	1,630,475	1,640,690	1,607,519
Health services	27,950	26,560	25,358
Social	69,931	52,911	105,103
Recreation and cultural services	1,046,504	1,177,895	1,111,104
Planning and development	237,930	210,813	220,587
	8,254,066	8,319,486	7,418,268
<b>Net revenue</b>	1,962,678	2,987,313	2,847,104
<b>Financing and transfers</b>			
Transfer from (to) reserves and reserve funds	1,265,534	716,949	(756,841)
Transfer from (to) capital fund	(3,052,322)	(3,546,768)	(2,024,596)
Debt principal repayments	(195,399)	(195,399)	(183,184)
Accrued landfill closure and post-closure	31,585	31,585	31,585
Accrued interest	-	(534)	(282)
	(1,950,602)	(2,994,167)	(2,933,318)
<b>Change in operating fund balance</b>	12,076	(6,854)	(86,214)
<b>Operating fund - beginning of the year</b>	112,962	112,962	199,176
<b>Operating fund - end of the year</b>	\$ 125,038	\$ 106,108	\$ 112,962

See Accompanying Notes



# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>Revenue</b>			
Grants	\$ 2,577,101	\$ 2,593,450	\$ 5,231
Direct billings	-	55,548	125,959
Lot levies earned	40,000	40,000	-
Other	-	-	114,910
	2,617,101	2,688,998	246,100
<b>Expenditure</b>			
General government	89,400	46,140	56,744
Protection to persons and property	1,812,000	1,326,079	404,633
Transportation services	3,867,245	3,315,996	699,951
Environmental services	508,897	203,162	73,879
Health services	35,000	-	4,912
Social	1,700	1,605	1,808
Recreation and cultural services	394,820	480,239	180,695
Planning and development	-	56,474	41,316
	6,709,062	5,429,695	1,463,938
<b>Net expenditure</b>	(4,091,961)	(2,740,697)	(1,217,838)
<b>Financing and transfers</b>			
Transfer from operating fund	3,052,322	3,546,768	2,024,596
	3,052,322	3,546,768	2,024,596
<b>Change in capital fund balance</b>	(1,039,639)	806,071	806,758
<b>Capital fund - beginning of the year</b>	615,185	615,185	(191,573)
<b>Capital fund - end of the year</b>	\$ (424,454)	\$ 1,421,256	\$ 615,185

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## SCHEDULE OF RESERVES

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>Revenue</b>			
Other	\$ -	\$ -	\$ 21,501
	-	-	21,501
<b>Financing and transfers</b>			
Transfer from (to) operating fund	(1,265,534)	(716,949)	756,841
	(1,265,534)	(716,949)	756,841
<b>Change in reserves</b>	(1,265,534)	(716,949)	778,342
<b>Reserves - beginning of the year</b>	6,313,787	6,313,788	5,535,446
<b>Reserves - end of the year</b>	\$ 5,048,253	\$ 5,596,839	\$ 6,313,788
<b>Analyzed as follows:</b>			
<b>Reserves set aside for specific purposes by Council:</b>			
. for working capital		\$ 1,850,582	\$ 2,315,524
. for hospital commitments		303,640	227,730
. for fire		705,900	712,685
. for sewer and water		221,908	284,532
. for planning		45,000	45,000
. for roads		1,656,520	877,464
. for recreation and culture		412,011	405,285
. for other		401,278	1,445,568
<b>Total reserves</b>		\$ 5,596,839	\$ 6,313,788

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

### 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, 2008

### 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, 2008

### 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 \$1,058,800 (2007 - 1,027,215). being accrued at the end of the current fiscal year. 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:

	2008		2007
Parkland	\$ 128,896	\$	157,258
Development charges	279,248		270,967
Federal gas tax rebate	6,215		174,422
	\$ 414,359	\$	602,647

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

### 4. MUNICIPAL DEBT

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

	<u>2008</u>	<u>2007</u>
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises.	\$ 1,081,639	\$ 1,341,467
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals.	<u>(293,174)</u>	<u>(357,602)</u>
<b>Municipal debt at the end of the year</b>	<b>\$ 788,465</b>	<b>\$ 983,865</b>

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

2009	\$ 208,378
2010	222,228
2011	237,010
2012	120,849
	<u>\$ 788,465</u>

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

General municipal revenues	\$ -
Local improvement charges	788,465
	<u>\$ 788,465</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, 2008 is \$293,174 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, 2008

### 5. FUND BALANCES

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

	2008	2007
Operating fund		
General reduction of taxation	\$ -	\$ -
Water and sewer	90,706	18,565
Street lights	15,402	(10,792)
Minor sports	-	105,189
Total operating fund balance	106,108	112,962
Capital fund	1,421,256	615,185
Reserves	5,596,839	6,313,788
	\$ 7,124,203	\$ 7,041,935

(b) The balance available for the general reduction of taxation for the fiscal year ending has been changed by an amount of \$(128,103) transferred from the Reserve for Working Capital as authorized by Council. Had this change not been made the balance would have shown the general reduction of taxation balance of \$(128,103).

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

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

	2008	2007
Net municipal debt	\$ 788,465	\$ 983,865
Accrued interest on municipal debt	2,609	3,143
Accrued landfill closure and post-closure	1,058,800	1,027,215
	\$ 1,849,874	\$ 2,014,223

# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

### 7. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
Wages and benefits	\$ 2,728,572	\$ 2,642,446	\$ 2,539,991
Interest on municipal debt	58,565	58,031	130,083
Materials and services	2,488,087	3,065,680	3,323,738
Contracted services	2,381,100	1,971,727	940,008
Insurance and other financial costs	240,990	212,433	222,486
Third party transfers	356,752	369,169	261,962
	<b>\$ 8,254,066</b>	<b>\$ 8,319,486</b>	<b>\$ 7,418,268</b>

### 8. 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 2008 in the amount of \$196,982.

### 9. TRUST FUNDS

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

### 10. 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.

### 11. TANGIBLE CAPITAL ASSETS

The Township will be adopting PSAB 3150, "Accounting for Tangible Capital Assets" effective January 1, 2009. Administration has commenced the process by establishing guidelines and identifying and valuing specific tangible capital assets.

### 12. COMMITMENTS

The Township has committed to provide funding to the Cornwall Community Hospital in the amount of \$379,555 of which \$303,640 has been placed into a reserve.



# CORPORATION OF THE TOWNSHIP OF SOUTH GLENGARRY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

### 13. 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.