
TOWNSHIP OF SOUTH GLENGARRY

FINANCIAL REPORT

December 31, 2009

TOWNSHIP OF SOUTH GLENGARRY

December 31, 2009

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**Craig
Keen
Despatie
Markell
LLP**

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Township of South Glengarry as at December 31, 2009, and the consolidated statements of financial activities, changes in net financial assets 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 Township of South Glengarry as at December 31, 2009 and the results of its operations and changes in its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Craig Keen Despatie Markell LLP



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September 30, 2010

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TOWNSHIP OF SOUTH GLENGARRY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

	2009	2008
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 1,222,943	\$ 4,059,987
Taxes receivable	3,633,141	3,261,958
Accounts receivable	2,040,574	2,026,059
	6,896,658	9,348,004
 Liabilities		
Accounts payable	1,458,501	1,405,906
Accrued interest on municipal debt	2,008	2,609
Deferred revenue - obligatory reserve funds (Note 3)	288,075	414,359
Net municipal debt (Note 4)	574,961	788,465
Accrued landfill closure and post closure costs (Note 5)	1,090,385	1,058,800
	3,413,930	3,670,139
Net Financial Assets	3,482,728	5,677,865
 Non-Financial Assets		
Tangible capital assets	53,041,000	49,464,312
Inventory	10,370	5,136
	53,051,370	49,469,448
Accumulated Surplus	\$ 56,534,098	\$ 55,147,313

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2009

	BUDGET 2009	ACTUAL 2009	ACTUAL 2008
REVENUE			
Taxation (Note 1(a)(iii))	\$ 5,813,812	\$ 5,851,958	\$ 5,639,512
Taxation from other governments	99,520	83,474	100,631
Fees and service charges	1,932,223	1,886,234	2,098,529
Grants	4,760,814	4,758,039	5,556,419
Investment income	551,000	469,542	594,884
Other	-	138,313	21,477
	13,157,369	13,187,560	14,011,452
EXPENDITURE			
General government	1,357,648	1,040,374	1,522,380
Protection to persons and property	1,446,063	1,811,170	1,174,619
Transportation services	3,022,218	4,653,422	4,874,315
Environmental services	2,092,099	2,615,318	2,559,603
Health services	(202,750)	29,755	29,679
Social and family services	-	3,323	54,516
Recreation and cultural services	1,090,050	1,447,216	1,402,282
Planning and development	226,310	200,197	210,814
	9,031,638	11,800,775	11,828,208
ANNUAL SURPLUS	4,125,731	1,386,785	2,183,244
ACCUMULATED SURPLUS, beginning of year	55,147,313	55,147,313	52,964,069
ACCUMULATED SURPLUS, end of year	\$ 59,273,044	\$ 56,534,098	\$ 55,147,313

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2009

	BUDGET 2009	ACTUAL 2009	ACTUAL 2008
Annual surplus	\$ 4,125,731	\$ 1,386,785	\$ 2,183,244
Amortization of tangible assets	-	2,517,083	2,155,450
Acquisition of tangible capital assets	-	(9,311,762)	(4,976,561)
Proceeds on sale of tangible capital assets	-	28,336	100,000
Gain on sale of tangible capital assets	-	(11,313)	(21,477)
Transfers of capital assets from WIP to tangible capital assets	-	3,200,967	-
Change in inventory	-	(5,233)	3,624
Increase in net financial assets	-	(2,195,137)	(555,720)
Net financial assets, beginning of year	5,677,865	5,677,865	6,233,585
Net financial assets, end of year	\$ 5,677,865	\$ 3,482,728	\$ 5,677,865

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	2009	2008
CASH USED IN OPERATING ACTIVITIES		
Net surplus for the year	\$ 1,386,785	\$ 2,183,244
Items not affecting cash		
Amortization expense	2,517,083	2,155,450
Gain on sale of tangible capital assets	(11,313)	(21,477)
Changes in non cash working capital balances		
Taxes receivable	(371,183)	615,606
Accounts receivable	(14,515)	(381,552)
Inventory	(5,234)	3,624
Accounts payable	52,596	55,809
Accrued interest on municipal debt	(601)	(534)
Deferred revenue - obligatory reserve funds	(126,284)	(188,290)
Landfill closure and post closure costs	31,585	31,585
	3,458,919	4,453,465
CASH USED IN FINANCING ACTIVITIES		
Decrease in net municipal debt	(213,504)	(195,400)
CASH USED IN INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	28,336	100,000
Acquisition of tangible capital assets	(9,311,762)	(4,976,561)
Transfer of WIP to tangible capital assets	3,200,967	800,346
	(6,082,459)	(4,076,215)
(DECREASE) INCREASE IN CASH AND EQUIVALENT	(2,837,044)	181,850
CASH AND EQUIVALENT, beginning of year	4,059,987	3,878,137
CASH AND EQUIVALENT, end of year	\$ 1,222,943	\$ 4,059,987
REPRESENTED BY :		
Cash	\$ 1,222,943	\$ 4,059,987

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2009

	Land	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	WIP	2009	2008
Cost											
Balance, beginning of year	\$ 1,075,726	\$ 4,775,246	\$ 3,202,376	\$ 1,118,787	\$ 20,636,142	\$ 30,725,824	\$ 12,045,936	\$ 8,289,969	\$ 3,200,967	\$ 85,070,973	\$ 80,586,231
Additions during the year	160,200	2,808,582	369,406	120,601	175,592	5,299,193	-	301,131	77,057	9,311,762	4,976,361
Disposals during the year	-	-	240,840	10,000	-	500,791	-	23,164	3,200,967	3,975,762	491,819
Balance, end of year	1,235,926	7,583,828	3,330,942	1,229,388	20,811,734	35,524,226	12,045,936	8,567,936	77,057	90,406,973	85,070,973
Accumulated Amortization											
Balance, beginning of year	-	2,294,844	2,030,421	659,577	7,500,528	16,876,400	1,809,918	4,434,971	-	35,606,659	33,871,816
Amortization during the year	-	295,618	169,418	96,677	544,988	1,122,033	125,890	162,459	-	2,517,083	2,155,450
Amortization on disposals	-	-	240,840	10,000	-	483,765	-	23,164	-	757,769	420,605
Balance, end of year	-	2,590,462	1,958,999	746,254	8,045,516	17,514,668	1,935,808	4,574,266	-	37,365,973	35,606,661
Net book value	\$ 1,235,926	\$ 4,993,366	\$ 1,371,943	\$ 483,134	\$ 12,766,218	\$ 18,009,558	\$ 10,110,128	\$ 3,993,670	\$ 77,057	\$ 53,041,000	\$ 49,464,312

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2009

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	2009	2008
Cost							
Balance, beginning of year	\$ 1,255,876	\$ 3,173,496	\$ 41,681,870	\$ 33,148,831	\$ 2,609,933	\$ 81,870,006	\$ 77,385,264
Additions during the year	328,831	900,087	6,244,663	175,592	1,585,532	9,234,705	4,976,561
Disposals during the year	-	-	774,795	-	-	774,795	491,819
Assets in service, end of year	1,584,707	4,073,583	47,151,738	33,324,423	4,195,465	90,329,916	81,870,006
Assets under construction	-	-	8,710	17,730	50,617	77,057	3,200,967
All assets, end of year	1,584,707	4,073,583	47,143,028	33,342,153	4,246,082	90,406,973	85,070,973
Accumulated Amortization							
Balance, beginning of year	208,997	1,366,915	23,091,679	9,424,205	1,514,863	35,606,659	33,871,816
Amortization during the year	26,524	151,646	1,434,346	681,833	222,734	2,517,083	2,155,450
Amortization on disposals	-	-	757,769	-	-	757,769	420,605
Balance, end of year	235,521	1,518,561	23,768,256	10,106,038	1,737,597	37,365,973	35,606,661
Net book value	\$ 1,349,186	\$ 2,555,022	\$ 23,374,772	\$ 23,236,115	\$ 2,508,485	\$ 53,041,000	\$ 49,464,312

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2009

	2009	2008
Surpluses		
Invested in tangible capital assets	\$ 52,466,039	\$ 48,675,847
Operating deficit	(29,313)	(29,313)
Water and sewer	44,909	90,707
Street lights	(2,553)	15,402
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(2,008)	(2,609)
Accrued landfill closure and post closure	(1,090,385)	(1,058,800)
Total operating surplus	51,386,689	47,691,234
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
. for working capital	1,111,679	1,850,582
. for hospital commitments	379,550	303,640
. for capital	562,772	1,859,240
. for fire	1,004,300	705,900
. for sewer and water	292,908	221,908
. for planning	45,000	45,000
. for roads	928,400	1,656,520
. for recreation and culture	419,493	412,011
. for other	403,307	401,278
Total reserves	5,147,409	7,456,079
ACCUMULATED SURPLUS	\$ 56,534,098	\$ 55,147,313

See Accompanying Notes

TOWNSHIP OF SOUTH GLENGARRY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township of South Glengarry are the representations of management prepared in accordance with Canadian generally accepted accounting policies prescribed by the Public Sector Accounting 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.

(b) Basis of Accounting

(i) 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.

(ii) Deferred revenue

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

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

(c) Financial Instruments

(i) Fair value of financial instruments

CICA 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. This standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on the classification, fair value or cost based measures are used. The standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains, and losses on financial instruments are recognized in net income or comprehensive income.

(i) Cash is classified as "held for trading". It is measured at fair value and any gains or losses resulting from the re-measurement at the end of each period are recognized in net income.

(ii) Taxes receivable and accounts receivable are classified as "loans and receivables". They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

(iii) Accounts payable, accrued interest on municipal debt, deferred revenue, and net municipal debt are classified as "financial liabilities". They are recorded at their cost which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

The carrying amounts, of the aforementioned assets and liabilities in (i), (ii), and (iii), approximate fair values due to the immediate and short-term maturities of these financial instruments. The carrying value of long-term debt is based on the quoted market prices for the same and similar debt instruments.

(ii) Concentration of credit risk

The corporation does not believe it is subject to any significant concentration of credit risk. Cash is held in credit-worthy financial institutions. Taxes and accounts receivable are the result of taxation or services to corporations, public sector organizations and individuals geographically concentrated within Eastern Ontario.

(d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Non-financial assets (Continued)

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 to 40 years
Buildings	20 to 50 years
Machinery and equipment	3 to 10 years
Vehicles	5 to 20 years
Water and waste plants and networks	
underground networks	50 to 100 years
sewage treatment plants	50 to 75 years
water pumping stations and reservoirs	50 to 75 years
flood stations and other infrastructure	50 to 75 years
Transportation	
roads	7 to 50 years
bridges and structures	25 to 75 years

One half of the annual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Active landfills are amortized annually based on the remaining estimated useful life. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

The Township has a capitalization threshold of \$25,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pool of assets are desktop computer systems, vehicles, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventory

Inventory held for consumption are recorded at the lower of cost or replacement cost.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. CHANGE IN SIGNIFICANT ACCOUNTING POLICY

The corporation adopted PSAB section 3150, tangible capital assets, retroactively effective January 1, 2009. The adoption requires that the corporations' tangible capital assets be recorded and presented on the financial statements and amortized over their estimated useful lives. The changes to the 2008 comparative financial statements are as follows:

	January 1, 2008 balance, as originally stated	Adjustments	January 1, 2008 balance, as restated
Tangible capital assets	\$ -	\$ 46,714,415	\$ 46,714,415
Invested in tangible capital assets	-	46,714,415	46,714,415
	2008 balances, as originally stated	Adjustments	2008 balances, as restated
Acquisition of tangible capital assets	\$ -	\$ 4,976,561	\$ 4,976,561
Capital expenditures	5,429,695	(5,429,695)	-
Operating expenditures	8,319,486	1,353,272	9,672,758
Amortization of tangible capital assets	-	2,155,450	2,155,450
Changes in amounts to be recovered:			
Municipal debt principal repayments	195,399	(195,399)	-
Accrued landfill closure and post closure costs	(31,585)	31,585	-
Retirement benefits and accrued interest	534	(534)	-

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:

	2009	2008
Parkland	\$ 6,529	\$ 128,896
Development charges	281,177	279,248
Federal gas tax rebate	369	6,215
	\$ 288,075	\$ 414,359

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. MUNICIPAL DEBT

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

	2009	2008
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises.	\$ 856,721	\$ 1,081,639
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals.	(281,760)	(293,174)
Municipal debt at the end of the year	\$ 574,961	\$ 788,465

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

2010	\$ 220,020
2011	234,653
2012	120,288
	\$ 574,961

(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	574,960
	\$ 574,960

(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, 2009 is \$281,760 and is not recorded on the Consolidated Statement of Financial Position.

TOWNSHIP OF SOUTH GLENGARRY
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. 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 \$1,090,385 (2008 - 1,058,800). being accrued at the end of the current fiscal year. These costs are to be recovered from future taxation revenue and reserves.

6. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2009	ACTUAL 2009	ACTUAL 2008
Wages and benefits	\$ 2,721,210	\$ 2,691,321	\$ 2,642,446
Interest on municipal debt	45,229	44,616	58,031
Materials and services	4,245,701	4,537,952	5,470,140
Contracted services	1,435,900	1,387,816	920,539
Insurance and other financial costs	170,600	207,132	212,433
Third party transfers	412,998	414,856	369,169
Amortization	-	2,517,082	2,155,450
	\$ 9,031,638	\$ 11,800,775	\$ 11,828,208

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 2009 in the amount of \$196,982.

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, 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 \$379,550 has been placed into a reserve.