

INDEPENDANT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the
CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN

We have audited the accompanying consolidated financial statements of **THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN**, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial (debt) assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN** as at December 31, 2010, and the results of its operations, change in net financial (debt) assets and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
 LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
 May 19, 2011

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
FINANCIAL ASSETS		
Unrestricted		
Cash	\$ 288,988	\$ 384,319
Taxes receivable (Note 3)	193,813	186,003
Accounts receivable	<u>485,721</u>	<u>1,286,667</u>
	<u>968,522</u>	<u>1,856,989</u>
 LIABILITIES		
Bank indebtedness (Note 4)	200,000	-
Accounts payable and accrued liabilities	365,361	1,275,734
Deferred revenue (Note 5)	43,819	165,617
Solid waste landfill closure and post closure liabilities (Note 6)	65,108	36,730
Net long-term liabilities (Note 7)	<u>58,534</u>	<u>101,247</u>
	<u>732,822</u>	<u>1,579,328</u>
 NET FINANCIAL ASSETS	 235,700	 277,661
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	<u>14,422,836</u>	<u>13,939,699</u>
 ACCUMULATED SURPLUS (Note 9)	 <u>\$ 14,658,536</u>	 <u>\$ 14,217,360</u>

(See accompanying notes and schedules)

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget <u>2010</u>	Actual <u>2010</u>	Actual <u>2009</u>
REVENUE			
Property taxation	\$ 1,427,362	\$ 1,442,804	\$ 1,242,613
Payment in lieu of taxes	20,000	20,054	19,614
Province of Ontario	1,650,043	1,647,430	2,107,670
Government of Canada	353,924	353,924	500,360
Licenses and permits	22,665	18,916	21,362
Penalties and interest	18,000	31,531	25,605
Rents	12,825	31,501	34,974
Fees, service charges	90,101	45,846	38,325
Investment income	500	10	737
Donations including tangible capital assets contibuted	82,376	48,500	502,679
Loss on disposal of capital assets	-	(161,017)	(159,040)
Sale of shoreline allowances	5,500	3	10,712
Gas tax funding and interest earned thereon	<u>236,244</u>	<u>199,365</u>	<u>-</u>
	<u>3,919,540</u>	<u>3,678,867</u>	<u>4,345,611</u>
EXPENSES			
General government	363,725	437,550	351,324
Protection to persons and property	317,514	331,888	315,640
Transportation services	711,224	1,356,483	1,020,471
Environmental services	201,128	211,053	174,222
Health services	17,242	15,857	14,822
Social and family services	666,200	666,201	737,476
Recreation and cultural services	130,345	174,683	152,051
Planning and development	47,898	43,976	40,711
	<u>2,455,276</u>	<u>3,237,691</u>	<u>2,806,717</u>
EXCESS OF REVENUE OVER EXPENSES	1,464,264	441,176	1,538,894
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>14,217,360</u>	<u>14,217,360</u>	<u>12,678,466</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 15,681,624</u>	<u>\$ 14,658,536</u>	<u>\$ 14,217,360</u>

(See accompanying notes and schedules)

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget <u>2010</u>	Actual <u>2010</u>	Actual <u>2009</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>1,464,264</u>	\$ <u>441,176</u>	\$ <u>1,538,894</u>
Acquisition of tangible capital assets	(1,443,584)	(1,362,967)	(2,242,075)
Proceeds on disposal of tangible capital assets	-	69,461	1,728
Amortization of tangible capital assets	-	649,352	623,453
Loss on sale of tangible capital assets	-	<u>161,017</u>	<u>159,040</u>
	<u>(1,443,584)</u>	<u>(483,137)</u>	<u>(1,457,854)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	20,680	(41,961)	81,040
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>277,661</u>	<u>277,661</u>	<u>196,621</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 298,341</u>	<u>\$ 235,700</u>	<u>\$ 277,661</u>

(See accompanying notes and schedules)

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 441,176	\$ 1,538,894
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	649,352	623,452
Loss (gain) on disposal of tangible capital assets	<u>161,017</u>	<u>159,040</u>
	1,251,545	2,321,386
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	(7,810)	68,232
Decrease (increase) in accounts receivable	800,946	(1,218,129)
Increase (decrease) in accounts payable and accrued liabilities	(910,370)	977,844
Increase (decrease) in deferred revenue	(121,799)	(108,898)
Increase in provision for landfill closure/post-closure	<u>28,377</u>	<u>8,716</u>
	<u>1,040,889</u>	<u>2,049,151</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(1,362,967)	(2,242,075)
Sale of tangible capital assets	<u>69,461</u>	<u>1,727</u>
	<u>(1,293,506)</u>	<u>(2,240,348)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Increase in bank indebtedness	200,000	-
Long-term liabilities repaid	<u>(42,714)</u>	<u>(52,087)</u>
	<u>157,286</u>	<u>(52,087)</u>
NET CHANGE IN CASH	(95,331)	(243,284)
CASH, BEGINNING OF YEAR	<u>384,319</u>	<u>627,603</u>
CASH, END OF YEAR	<u>\$ 288,988</u>	<u>\$ 384,319</u>

(See accompanying notes and schedules)

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2010
SCHEDULE 1

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Linear Assets</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>2010</u>	<u>2009</u>
COST:								
BALANCE, BEGINNING OF YEAR	\$ 43,942	\$ 191,360	\$ 1,893,509	\$ 15,142,193	\$ 527,101	\$ 1,077,329	\$ 18,875,434	\$ 17,431,628
Acquisition of tangible capital assets	-	124,995	1,565,404	108,594	-	5,083	1,804,076	1,800,967
Construction-in-progress	-	-	-	-	-	-	-	441,109
Disposal of tangible capital assets	-	-	(282,218)	-	-	-	(282,218)	(357,161)
BALANCE, END OF YEAR	<u>43,942</u>	<u>316,355</u>	<u>3,176,695</u>	<u>15,250,787</u>	<u>527,101</u>	<u>1,082,412</u>	<u>20,397,292</u>	<u>19,316,543</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	89,349	414,270	3,884,235	260,374	728,616	5,376,844	4,949,783
Annual amortization	-	18,366	56,599	475,710	24,723	73,954	649,352	623,455
Accumulated amortization on disposals	-	-	(51,740)	-	-	-	(51,740)	(196,394)
BALANCE, END OF YEAR	<u>-</u>	<u>107,715</u>	<u>419,129</u>	<u>4,359,945</u>	<u>285,097</u>	<u>802,570</u>	<u>5,974,456</u>	<u>5,376,844</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 43,942</u>	<u>\$ 208,640</u>	<u>\$ 2,757,566</u>	<u>\$ 10,890,842</u>	<u>\$ 242,004</u>	<u>\$ 279,842</u>	<u>\$ 14,422,836</u>	<u>\$ 13,939,699</u>
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 43,942</u>	<u>\$ 102,011</u>	<u>\$ 1,920,349</u>	<u>\$ 11,257,957</u>	<u>\$ 266,727</u>	<u>\$ 348,713</u>	<u>\$ 13,939,699</u>	

(See accompanying notes and schedules)

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

The Township of South Algonquin is an incorporated municipality in the Province of Ontario. The Township conducts its operations as described by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township of South Algonquin are the representations of management, prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Township are as follows:

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Township and are, therefore, accountable to the Township Council for the administration of their financial affairs and resources. Included with the municipality are the following:

South Algonquin Recreation Board
South Algonquin Public Library Board

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Landfill closure and post-closure liabilities

The Township is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

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 is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Land improvements	15-50
Buildings	20-60
Linear Assets	15-40
Machinery and equipment	5-20
Vehicles	5-25

Amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Natural Resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

NOTE 2 OPERATIONS OF SCHOOL BOARDS

During the year, requisitions were made by School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	<u>2010</u>	<u>2009</u>
Property taxes	\$ 474,701	\$ 417,073
Taxation from other governments	<u>2,316</u>	<u>2,730</u>
Amount requisitioned	<u>\$ 477,017</u>	<u>\$ 419,803</u>

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

NOTE 3 TAXES RECEIVABLE

	<u>2010</u>	<u>2009</u>
Current taxes	\$ 108,284	\$ 106,129
Prior year taxes	68,700	62,120
Penalties	<u>16,829</u>	<u>17,754</u>
	<u>\$ 193,813</u>	<u>\$ 186,003</u>

NOTE 4 BANK INDEBTEDNESS

The bank indebtedness consists of a temporary bank loan which was unsecured with interest at the Credit Union's prime lending rate plus one-half percent per annum.

NOTE 5 DEFERRED REVENUE

Deferred revenue at the end of the year consists of the following amounts for which funding has been received but the service has not yet been provided:

	<u>2010</u>	<u>2009</u>
Ministry of Health and Long-Term Care grant:		
Family Health Team Development	\$ 6,445	\$ 6,445
Gas tax funding	<u>37,374</u>	<u>159,172</u>
	<u>\$ 43,819</u>	<u>\$ 165,617</u>

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 6 SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Township operates two landfill sites and as a result is liable for the closure and post closure costs associated with each site. These financial statements recognize a liability for closure and post closure care to the extent that the solid waste landfill sites have been used to date. Specifically, usage is measured as cumulative capacity used versus total estimated capacity available. Furthermore, as costs are expected to be incurred in the future, expected closure and post closure costs have been discounted at 6% which is the Township's estimated long term borrowing rate. The following summarizes the Township's estimated closure and post closure costs and remaining capacity of the landfill sites at December 31, 2010:

	Airy Site	Madawaska Site	Total 2010	Total 2009
Expected total expenditures	\$ 170,900	\$ 95,198	\$ 266,098	\$ 266,098
Amount remaining to be recognized	<u>145,345</u>	<u>55,645</u>	<u>200,990</u>	<u>229,368</u>
Liability recognized to date	<u>\$ 25,555</u>	<u>\$ 39,553</u>	<u>\$ 65,108</u>	<u>\$ 36,730</u>
Landfill site's estimated remaining capacity in cubic metres	<u>45,978</u>	<u>13,429</u>		
Remaining useful life of sites (years)	<u>26</u>	<u>9</u>		
Years needed for post closure care	<u>10</u>	<u>10</u>		

The Township has set aside a reserve of \$55,000 (2009 - \$50,000) to finance the expected closure and post closure care liabilities.

NOTE 7 LONG-TERM LIABILITIES

(a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2010</u>	<u>2009</u>
Loan payable maturing in June 2012, due in monthly instalments of \$3,334 including interest at 5.51% per annum	\$ <u>58,534</u>	\$ <u>101,247</u>
	<u>\$ 58,534</u>	<u>\$ 101,247</u>

(b) Of the net long-term liabilities reported in (a) of this note all are payable from 2011 to 2012. The principal payments will be recovered from general taxation.

(c) 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.

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 7 LONG-TERM LIABILITIES (cont'd)

(d) Future repayments over the next five years on existing net long-term liabilities at December 31, 2010 are as follows:

2011	\$38,493
2012	\$20,041

NOTE 8 EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Tangible capital assets (Schedule 1)	\$ 20,397,292	\$ 19,316,543
Accumulated amortization (Schedule 1)	(5,974,456)	(5,376,844)
Long-term liabilities (Note 7)	<u>(58,534)</u>	<u>(101,247)</u>
	<u>\$ 14,364,302</u>	<u>\$ 13,838,452</u>

NOTE 9 MUNICIPAL FUND BALANCES AT END OF YEAR

	<u>2010</u>	<u>2009</u>
Internally restricted reserves		
Working capital	\$ 86,726	\$ 18,805
Recreation capital expenditure	2,000	13,660
Medical Centre capital expenditure	10,803	9,334
Waste Disposal Reserve	55,000	50,000
Waste collection	10,000	5,000
Multi purpose building	-	113,015
Municipal I.D. system	15,469	70,583
Ambulance Bay addition	60,000	15,000
Public Works	18,000	-
Fire Services	78,630	23,631
Library	<u>18,500</u>	<u>18,500</u>
	355,128	337,528
Unrestricted surplus	4,214	78,110
Provision for landfill closure and post-closure costs	(65,108)	(36,730)
Equity in tangible capital assets (Note 8)	<u>14,364,302</u>	<u>13,838,452</u>
	<u>\$ 14,658,536</u>	<u>\$ 14,217,360</u>

NOTE 10 CONTRIBUTIONS TO UNCONSOLIDATED ENTITIES

Contributions were made to these entities as follows:

	<u>2010</u>	<u>2009</u>
Renfrew County and District Health Unit	\$ 15,819	\$ 14,822
District of Nipissing Social Services Board	576,930	649,135
East Nipissing Home for the Aged	<u>89,271</u>	<u>88,341</u>
	<u>\$ 682,020</u>	<u>\$ 752,298</u>

THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 11 CONTRACTUAL OBLIGATION

Policing

The municipality has a contract with the Province of Ontario for policing services. The contract for 2010 was \$166,360 (2009 - \$158,134)

NOTE 12 FINANCIAL INSTRUMENTS

The Township's financial instruments consist of cash, taxes receivable, accounts receivable, accounts payable and accrued liabilities, due to school boards and net long-term liabilities.

Risk

It is management's opinion that the Township is not exposed to significant interest, currency or credit risks arising from its financial instruments.

Fair market value

Except for the following, the fair value of the Township's financial instruments approximates their carrying value due to their short term nature. It is not practicable to determine the fair value of net long-term liabilities. The terms and conditions of these liabilities are disclosed in Note 8 to the financial statements.

NOTE 13 BUDGET FIGURES

Budget established for capital projects are based on project-oriented basis, the cost of which may be carried out over one or more years. Although they may not be directly comparable with current year actual amounts, they have been reflected on the Consolidated Statement of Net Financial Assets. Budget figures are unaudited.

NOTE 14 PENSION AGREEMENT

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) on behalf of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS during the year was \$25,589 (2009 - \$22,712) for current services and is included as an expenditure on the Consolidated Statement of Operations.

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THE CORPORATION OF THE TOWNSHIP OF SOUTH ALGONQUIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

NOTE 15 EXPENSES BY OBJECT

The consolidated statement of operations reports expenses for the Township by function. The following is a summary of expenses by object.

	<u>Budget</u>	<u>2010</u>	<u>2009</u>
Salaries, wages and benefits	\$ 866,717	\$ 877,051	\$ 621,970
Material and supplies and contracted services	862,570	936,948	771,681
Rentals and financial rentals and financial expenses	20,647	39,277	33,119
Taxation adjustments and vacancy rebates	16,900	24,666	(4,519)
Transfers to unconsolidated boards	683,442	682,020	752,298
Provision for landfill closure and post closure cost	5,000	28,377	8,716
Amortization of tangible capital assets	-	649,352	598,069
	<u>\$ 2,455,276</u>	<u>\$ 3,237,691</u>	<u>\$ 2,781,334</u>