

The Municipality of North Grenville
Financial Statements
For the year ended December 31, 2007

Auditor's Report

**To the Members of Council,
Inhabitants and Ratepayers of
The Municipality of North Grenville**

I have audited the Statement of Financial Position of the Municipality of North Grenville as at December 31, 2007 and the Statements of Financial Activities and Changes in Financial Position. These financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Municipality of North Grenville as at December 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles disclosed in Note 1 to the financial statements.

Brent J. Burns
Chartered Accountant
Licensed Public Accountant

Gananoque, Ontario

May 15, 2008

**The Municipality of North Grenville
Statement of Financial Position**

December 31	2007	2006
Financial Assets		
Cash	\$ 7,059,697	\$ 7,262,328
Investments	3,995	3,995
Taxes receivable	1,783,414	1,589,226
Accounts receivable	<u>1,354,533</u>	<u>1,615,837</u>
Total Assets	\$ 10,201,639	\$ 10,471,386
Liabilities		
Temporary loans	\$ 572,004	\$ 572,004
Accounts payable and accrued liabilities	1,529,613	1,374,061
Deferred revenues (Note 3)	2,737,792	2,546,905
Post employment benefits (Note 4)	<u>186,552</u>	<u>170,288</u>
	<u>5,025,961</u>	<u>4,663,258</u>
Long term debt (Note 5)	<u>3,865,962</u>	<u>4,121,823</u>
Tangible Capital Lease Liability (Note 6)	<u>12,197,334</u>	<u>13,068,885</u>
Municipal Position		
Operating Fund	2,184,733	1,732,995
Capital Fund	(362,153)	(362,153)
Reserves (Note 8)	1,329,908	1,329,908
Reserve Funds (Note 8)	<u>2,209,741</u>	<u>3,277,666</u>
Fund balances	5,362,229	5,978,416
Amounts to be recovered (Note 7)	<u>(16,249,847)</u>	<u>(17,360,996)</u>
Municipal Position	<u>(10,887,618)</u>	<u>(11,382,580)</u>
Total Liabilities and Municipal Position	\$ 10,201,639	\$ 10,471,386

**The Municipality of North Grenville
Statement of Financial Activities**

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenues			
Net taxation and user charges			
Taxation for municipal purposes	\$ 6,860,282	\$ 6,895,072	\$ 6,274,681
Payments in lieu of taxation	128,400	107,223	74,825
Provincial and Federal grants	2,501,678	2,305,499	2,322,788
Revenues from other municipalities	563,510	678,311	-
User fees and service charges	3,164,050	3,233,049	3,126,520
Licences and permits	370,000	427,947	602,776
Fines and penalties	277,000	287,328	314,736
Investment income	107,000	155,676	134,873
Sale of land	-	201,181	384,558
Other income	413,800	214,929	150,305
Revenue from Obligatory Reserve Funds	513,000	723,601	515,903
Total Revenues	\$ 14,898,720	\$ 15,219,816	\$ 13,901,965

**The Municipality of North Grenville
Statement of Financial Activities**

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Expenditures:			
Current operations			
General government	\$ 1,532,650	\$ 1,580,328	\$ 1,456,316
Protection to persons and property	2,928,643	2,961,736	2,742,178
Transportation services	1,897,950	1,905,681	1,655,520
Environmental services	2,210,845	2,339,295	1,882,571
Health services	152,270	155,076	80,000
Recreation and cultural services	2,672,907	2,720,725	1,989,440
Planning and development	409,705	377,282	211,503
	<u>11,804,970</u>	<u>12,040,123</u>	<u>10,017,528</u>
Capital			
General government	20,100	-	39,527
Protection to persons and property	86,000	32,481	62,862
Transportation services	2,343,400	1,920,358	1,201,754
Environmental services	2,744,770	1,420,580	536,433
Recreation and cultural services	584,000	260,967	388,550
Planning and development	97,000	13,571	2,846
	<u>5,875,270</u>	<u>3,647,957</u>	<u>2,231,972</u>
Total Expenditures	<u>17,680,240</u>	<u>15,688,080</u>	<u>12,249,500</u>
Net Revenue (Expense)	<u>\$ (2,781,520)</u>	<u>\$ (468,264)</u>	<u>\$ 1,652,465</u>

**The Municipality of North Grenville
Statement of Changes in Financial Position**

For the year ended December 31	2007	2006
Operations:		
Net Revenue (expense)	<u>\$ (468,264)</u>	<u>\$ 1,652,465</u>
Sources and Uses		
(Increase) decrease in taxes receivable	(194,188)	184,200
Decrease in accounts receivable	261,304	743,101
Increase in accounts payable	135,044	81,512
Increase in deferred revenues	82,085	173,295
Increase in prepaid expenses	-	33,673
Increase in post-employment benefits	<u>16,264</u>	<u>20,828</u>
	<u>300,509</u>	<u>1,236,609</u>
Net increase (decrease) in cash from operations	<u>(167,755)</u>	<u>2,889,074</u>
Financing:		
Increase (decrease) in cash from financing	<u>(34,876)</u>	<u>2,354,869</u>
Net changes in cash and cash equivalents	<u>(202,631)</u>	<u>5,243,943</u>
Opening cash and equivalents	<u>6,690,324</u>	<u>1,446,381</u>
Closing cash and equivalent	<u>\$ 6,487,693</u>	<u>\$ 6,690,324</u>
Cash and equivalents comprise of:		
Cash	\$ 7,059,697	\$ 7,262,328
Temporary loan	<u>(572,004)</u>	<u>(572,004)</u>
	<u>\$ 6,487,693</u>	<u>\$ 6,690,324</u>

The Municipality of North Grenville

Notes to Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies

The financial statements of the Municipality of North Grenville are the representation of management prepared in accordance with accounting policies prescribed by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. 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 judgments.

(a) Basis of Accounting

(i) Accrual Accounting

Sources of financing and expenditures are reported on the accrual basis of accounting.

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 the receipt of goods or services and the creation of a legal obligation to pay.

(ii) Capital Assets

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

(iii) 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 period. Actual results could differ from those estimates.

2. Operations of School Boards and the United Counties of Leeds and Grenville

The taxation, other revenues and expenditures of the School Boards and the Counties of Leeds and Grenville are comprised of the following:

	School Board	United Counties	Total
Taxation	\$ 4,115,592	\$ 4,866,137	\$ 8,981,729
Grants in lieu of taxes	6,686	43,505	50,191
	4,122,278	4,909,642	9,031,920
Requisitions	(4,22,278)	(4,909,642)	(9,031,920)
	\$ -	\$ -	\$ -

**The Municipality of North Grenville
Notes to Financial Statements**

December 31, 2007

3. Deferred Revenues

Included in Deferred Revenues are Reserve Funds noted below the use of which, together with any earnings, is restricted by legislation. These amounts will be recognized as revenue in the period in which a related expenditure is made.

	2007	2006
Obligatory Reserve Funds:		
Development charges	\$ 2,452,659	\$ 2,447,462
Parkland	89,778	99,443
	2,542,437	2,546,905
Other deferred revenues	195,355	-
	\$ 2,737,792	\$ 2,546,905

4. Post Employment Benefits

	2007	2006
Accrued vacation pay	\$ 59,944	\$ 52,208
Sick day accrual	117,585	109,057
Sick leave credits	9,023	9,023
	\$ 186,552	\$ 170,288

Under the sick leave benefit plan the former Township of Oxford-on-Rideau, unused sick leave was accumulated. The employees of the former Township who became employees of the new Municipality, are entitled to a cash payment, based on sick leave amounts due at December 31, 1998, only when they leave the new municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$ 9,023 at the end of the year. An amount of \$ 14,101 has been provided for this past service liability and is included in Reserves on the Statement of Financial Position.

**The Municipality of North Grenville
Notes to Financial Statements**

December 31, 2007

5. Long term debt

The balance of long term debt issued in the name of the Municipality is comprised of:

	2007	2006
Bank loans	\$ 3,763,099	\$ 4,060,890
Debentures	102,863	60,933
	\$ 3,865,962	\$ 4,121,823

These long term liabilities have been approved by by-law. Annual principal and interest payments required to service this debt are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

6. Tangible Capital Lease Liability

The Municipality has entered into a capital lease for the construction of the North Grenville Community Complex. The monthly lease payments are interest only until 2009. Beginning in 2010, blended payments of principal and interest will be made until 2034 when a balloon payment of \$1,500,000 is due. Future lease payments under these capital lease obligations and the present value of future lease payments are as follows:

2008	\$ 628,330
2009	\$ 4,323,730
2010	\$ 523,730
2011	\$ 523,730
2012	\$ 523,730
2013 – 2034	<u>\$ 13,058,599</u>
 Total future payments to affect acquisition	 \$ 19,581,849
 Interest component of future payments to affect acquisitions (5.75%)	 <u>\$ (7,384,515)</u>
 Present value of future lease payments	 <u>\$ 12,197,334</u>

7. Amounts to be recovered

	2007	2006
Post employment benefits	\$ 186,551	\$ 170,288
Long term liabilities	3,865,962	4,121,823
Capital lease liability	12,197,334	13,068,885
	\$ 16,249,847	\$17,360,996

**The Municipality of North Grenville
Notes to Financial Statements**

December 31, 2007

8. Reserves and Discretionary Reserve Funds

The total balance of Reserves and Reserve Funds is made up of the following:

Reserves set aside for specific purposes by council:

	2007	2006
Working capital	\$ 254,029	\$ 254,029
Capital expenditures	178,238	178,238
Sick leave	14,101	14,101
Economic development	10,000	10,000
Lot levies	23,489	23,489
General Government	39,805	39,805
Public Works	402,313	402,313
Recreation	135,100	135,100
Planning	78,245	78,245
Property and Protection	7,088	7,088
Environment	116,982	116,982
Water and sewer	70,518	70,518
	\$ 1,329,908	\$ 1,329,908

Discretionary Reserve Funds set aside for specific purposes:

	2007	2006
Capital expenditures	\$ 107,653	\$ 103,237
Recreation and culture	95,965	94,899
Hydro assets	825,660	1,511,385
Working funds	1,741	1,669
Fire	253,114	268,084
Planning	77,056	73,895
Water and sewer	566,144	734,712
Waste disposal	150,000	220,000
Gas tax rebate	132,408	269,785
	\$ 2,209,741	\$ 3,277,666

9. Pension Agreements

The Municipality of North Grenville makes contributions to the Ontario Municipal Employees Retirement Fund (O.M.E.R.S.), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined contribution plan which specifies the annual amount of contributions to be made.

Contributions in the amount of \$ 330,478 were made for 2007 for current service.

The Municipality of North Grenville Notes to Financial Statements

December 31, 2007

10. Trust Funds

Trust funds of \$ 88,523 and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Financial Position and Statement of Continuity.

11. Public Sector Disclosure

The Municipality of North Grenville is an employer subject to the Public Sector Salary disclosure Act 1996. No employees were paid in excess of \$ 100,000 or more by the Municipality in 2007.

12. Financial Instruments

The fair value of the municipality's financial instruments that are comprised of cash, taxes receivable, accounts receivable, other current assets, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

The fair value of long-term liabilities is based on rates currently available to the municipality with similar terms and maturities and approximates its carrying value.

Unless otherwise noted, it is management's opinion that the municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**The Municipality of North Grenville
Schedule of Current Fund Operations**

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Net taxation and user charges			
Taxation for municipal purposes	\$ 6,860,282	\$ 6,895,072	\$ 6,274,681
Payment in lieu of taxation	128,400	107,223	74,825
Provincial and Federal Grants	1,692,678	1,822,501	1,744,005
User fees and service charges	3,164,050	3,223,049	3,126,520
Licences and permits	370,000	427,947	602,776
Fines and penalties	277,200	287,328	314,736
Investment income	107,000	155,676	134,873
Sale of land	-	201,181	384,558
Other income	406,120	154,716	34,452
Revenue from obligatory reserve funds	-	-	281,812
	13,005,730	13,274,693	12,973,238
Current operations:			
General government	1,532,650	1,580,328	1,456,316
Protection to persons and property	2,928,643	2,961,736	2,742,178
Transportation services	1,897,950	1,905,681	1,655,520
Environmental services	2,210,845	2,339,295	1,882,571
Health Services	152,270	155,076	80,000
Recreation and cultural services	2,045,907	2,093,976	1,989,440
Planning and development	409,705	377,282	211,503
	11,177,970	11,413,374	10,017,528
Net Revenues	1,827,760	1,861,319	2,955,710
Financing and transfers:			
Debt principal repayments	(938,500)	(899,474)	(968,187)
Transfers (to) from reserve and reserve funds	450,000	521,465	(377,342)
Transfers to capital operations	(1,339,260)	(1,031,572)	(227,438)
Net financing and transfers	(1,827,760)	(1,409,581)	(1,572,967)
Change in operating fund	-	451,738	1,382,743
Surplus - beginning of year	1,732,995	1,732,995	350,252
Surplus - end of year	\$ 1,732,995	\$ 2,184,733	\$ 1,732,995

**The Municipality of North Grenville
Schedule of Capital Fund Operations**

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenues:			
Grants	\$ 809,000	\$ 482,998	\$ 578,783
Revenue from Obligatory Reserve Funds	1,366,600	723,601	234,091
Revenue from other municipalities	563,510	678,311	-
Other	-	-	3,000
	<u>2,739,110</u>	<u>1,884,910</u>	<u>815,874</u>
Expenditures:			
General government	20,100	-	39,527
Protection to persons and property	86,000	32,481	62,862
Transportation services	2,343,400	1,920,358	1,201,754
Environment and health services	2,744,770	1,420,580	536,433
Recreation and cultural services	584,000	260,967	388,550
Planning and development	97,000	13,571	2,846
	<u>5,875,270</u>	<u>3,647,957</u>	<u>2,231,972</u>
Net Expenditures	<u>(3,136,160)</u>	<u>(1,763,047)</u>	<u>(1,416,098)</u>
Financing and transfers:			
Transfers from operating fund	1,339,260	1,031,572	227,438
Transfer from reserve and reserve funds	1,796,900	731,475	1,011,130
Proceeds of long-term debt	-	-	3,230,000
	<u>3,136,160</u>	<u>1,763,047</u>	<u>4,468,568</u>
Change in Capital Fund balance	-	-	3,052,470
Opening Capital Fund balance	<u>(362,153)</u>	<u>(362,153)</u>	<u>(3,414,623)</u>
Closing Capital Fund balance	<u>\$ (362,153)</u>	<u>\$ (362,153)</u>	<u>\$ (362,153)</u>

**The Municipality of North Grenville
Schedule of Reserves and Reserve Funds**

For the year ended December 31	2007 Budget	2007 Actual	2006 Actual
Revenues:			
Investment Income	\$ -	\$ 125,878	\$ 120,756
Transfers to capital fund	(3,163,500)	(731,475)	(1,011,130)
Net transfers (to) from revenue fund	<u>(450,000)</u>	<u>(480,652)</u>	<u>377,342</u>
	<u>(3,613,500)</u>	<u>1,212,127</u>	<u>(633,788)</u>
Change in reserve fund balance	(3,613,500)	(1,086,249)	(513,032)
Opening balance	<u>4,625,898</u>	<u>4,625,898</u>	<u>5,138,930</u>
Closing balance	<u>\$ 1,012,398</u>	<u>\$ 3,539,649</u>	<u>\$ 4,625,898</u>