

Township of Cavan Monaghan
Consolidated Financial Statements
For the year ended December 31, 2011

Township of Cavan Monaghan
Consolidated Financial Statements
For the year ended December 31, 2011

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MANAGEMENT REPORT


Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of the Township of Cavan Monaghan are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are attached to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

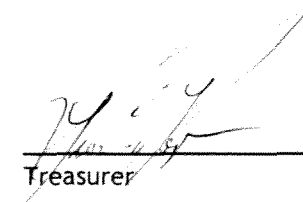
Township management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Township meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's financial statements.


Chief Administrative Officer

May 22, 2012


Treasurer

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Millbrook, Ontario L0A 1G0
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Independent Auditor's Report

To the Members of Council of the
Township of Cavan Monaghan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Township of Cavan Monaghan, which comprise of the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, change in net financial 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 financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated 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 auditors' judgment, 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 Township of Cavan Monaghan'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 Township of Cavan Monaghan'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 for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Township of Cavan Monaghan as at December 31, 2011 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

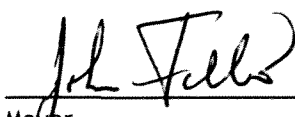
Peterborough, Ontario
May 22, 2012

Township of Cavan Monaghan
Consolidated Statement of Financial Position

December 31	2011	2010
Financial assets		
Cash and cash equivalents (Note 4)	\$ 6,606,301	\$ 5,871,227
Taxes receivable	666,265	1,033,523
Accounts receivable (Note 5)	1,530,804	1,256,182
Inventories for resale	2,367	3,103
	<u>8,805,737</u>	<u>8,164,035</u>
Liabilities		
Accounts payable and accrued liabilities	1,219,054	944,421
Accrued settlement costs	-	1,000,000
Employee benefits plan liability (Note 6)	504,061	700,403
Deferred revenue (Note 7)	665,663	763,512
Solid waste landfill closure and post-closure liabilities (Note 8)	212,000	386,000
	<u>2,600,778</u>	<u>3,794,336</u>
Net financial assets	<u>6,204,959</u>	<u>4,369,699</u>
Non-financial assets		
Tangible capital assets (Note 9)	27,546,467	27,540,118
Inventories of supplies	59,480	50,571
	<u>27,605,947</u>	<u>27,590,689</u>
Accumulated surplus (Note 10)	<u>\$ 33,810,906</u>	<u>\$ 31,960,388</u>
Contingent liabilities (Note 11)		
Commitments (Note 12)		



Chief Administrative Officer



Mayor

Township of Cavan Monaghan
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2011	2011	2010
	(Note 15)		
Revenue			
Taxation levied for own purposes	\$ 4,315,972	\$ 4,261,777	\$ 4,042,737
User charges, licenses and fines (Note 13)	1,023,345	1,279,894	1,284,781
Grants			
Government of Canada	270,799	437,427	189,967
Province of Ontario	892,233	962,730	924,467
Other municipalities	2,000	4,035	5,492
Other			
Developer contributions earned	153,950	67,700	404,987
Assets assumed from developer	-	-	1,658,726
Investment income	20,000	86,951	55,127
Penalties and interest on taxes	180,000	145,850	183,956
Casino revenues	3,200,000	3,300,074	3,338,024
Donations and other	25,000	33,895	47,068
	<u>10,083,299</u>	<u>10,580,333</u>	<u>12,135,332</u>
Expenses (Note 14)			
General government	1,461,876	1,112,478	3,124,812
Protection to persons and property	2,411,491	2,260,191	2,101,910
Transportation services	2,916,557	2,687,587	2,234,219
Environmental services	1,007,971	1,158,764	966,080
Recreation and cultural services	1,015,324	937,042	968,251
Planning and development	826,955	560,117	484,932
	<u>9,640,174</u>	<u>8,716,179</u>	<u>9,880,204</u>
Operating surplus	443,125	1,864,154	2,255,128
Repayment of BCF grant	-	-	231,127
Loss on disposal of tangible capital assets	-	13,636	738,669
Annual surplus	443,125	1,850,518	1,285,332
Accumulated surplus, beginning of year	31,960,388	31,960,388	30,675,056
Accumulated surplus, end of year (Note 10)	<u>\$ 32,403,513</u>	<u>\$ 33,810,906</u>	<u>\$ 31,960,388</u>

Township of Cavan Monaghan
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2011	2011	2010
	(Note 15)		
Annual surplus	\$ 443,125	\$ 1,850,518	\$ 1,285,332
Acquisition of tangible capital assets	(2,344,393)	(1,705,070)	(4,591,284)
Amortization of tangible capital assets	1,680,999	1,685,085	1,375,935
Loss on disposal of tangible capital assets	-	13,636	738,669
Proceeds on sale of tangible capital assets	-	-	41,850
	(220,269)	1,844,169	(1,149,498)
Acquisition of prepaid expenses and inventory of supplies	-	(8,909)	(2,498)
Net change in net financial assets	(220,269)	1,835,260	(1,151,996)
Net financial assets, beginning of year	4,369,699	4,369,699	5,521,695
Net financial assets, end of year	\$ 4,149,430	\$ 6,204,959	\$ 4,369,699

Township of Cavan Monaghan

Consolidated Statement of Cash Flows

For the year ended December 31	2011	2010
Operating transactions		
Annual surplus	\$ 1,850,518	\$ 1,285,332
Items not involving cash		
Amortization	1,685,085	1,375,935
Loss on disposal of tangible capital assets	13,636	738,669
	<u>3,549,239</u>	<u>3,399,936</u>
Changes in non-cash operating balances		
Taxes receivable	367,258	277,439
Accounts receivable	(274,622)	204,536
Inventories for resale	736	(736)
Prepaid expenses and inventories of supplies	(8,909)	(2,498)
Accounts payable and accrued liabilities	274,633	103,519
Accrued settlement costs	(1,000,000)	1,000,000
Employee benefits plan liability	(196,342)	91,283
Deferred revenue	(97,849)	(129,837)
Solid waste closure and post closure liabilities	(174,000)	(43,000)
	<u>2,440,144</u>	<u>4,900,642</u>
Capital transactions		
Net acquisition of tangible capital assets	(1,705,070)	(4,591,284)
Proceeds on sale of tangible capital assets	-	41,850
	<u>(1,705,070)</u>	<u>(4,549,434)</u>
Net change in cash and cash equivalents	735,074	351,208
Cash and cash equivalents, beginning of year	<u>5,871,227</u>	<u>5,520,019</u>
Cash and cash equivalents, end of year	<u>\$ 6,606,301</u>	<u>\$ 5,871,227</u>

Township of Cavan Monaghan

Summary of Significant Accounting Policies

December 31, 2011

Nature of Business The Township of Cavan Monaghan is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

Basis of Accounting The consolidated 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 creation of a legal obligation to pay.

Basis of Consolidation The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Township. The following entities have been consolidated:

Township of Cavan Monaghan Public Libraries	100%
Millbrook Business Improvement Area	100%

All inter-entity transactions and balances have been eliminated.

Trust Funds Trust funds held in trust by the Township, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are disclosed separately in Note 2.

Cash and Cash Equivalents Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents. Composition of the balance and restricted amounts are disclosed in Note 4.

Taxation Raised on Behalf of Others The Township collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements, but are disclosed separately in Note 1.

Township of Cavan Monaghan

Summary of Significant Accounting Policies

December 31, 2011

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Building and improvements	40 to 75 years
Roads and sidewalks	7 to 50 years
Machinery and equipment	3 to 25 years
Water infrastructure	30 to 50 years
Sewer infrastructure	75 to 80 years
Vehicles	10 to 25 years or per km
Information technology infrastructure	4 to 10 years

Employee Benefit Plans

The Township accrues its obligations under employee benefit plans and the related costs. The cost of future benefits is determined actuarially using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. (see Note 6).

The Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Township has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Township records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Township of Cavan Monaghan

Summary of Significant Accounting Policies

December 31, 2011

Deferred Revenue	Under PSAB accounting principles, obligatory reserve funds and any other externally restricted financing amounts must be reported as deferred revenue. Only the amount earned by qualifying expenditures in the current year is reflected as revenue in the Consolidated Statement of Financial Activities.
Use of Estimates	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. The principal estimates used in the preparation of these financial statements are the determination of the liability for post-retirement benefits, solid waste landfill closure and post closure costs, and fair value disclosures. Actual results could differ from management's best estimates as additional information becomes available in the future.
Financial Instruments	The Township utilizes various financial instruments. 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 fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

1. Taxation Raised on Behalf of Others

The following amounts raised on behalf of others are not included in these financial statements.

	<u>2011</u>	<u>2010</u>
School Boards	\$ 3,135,124	\$ 3,176,674
County of Peterborough	<u>3,085,305</u>	<u>3,109,050</u>
	<u>\$ 6,220,429</u>	<u>\$ 6,285,724</u>

2. Trust Funds

Trust funds administered by the municipality have not been included in the Consolidated Statement of Financial Position nor have operations been included in the Consolidated Statement of Financial Activities. Separate schedules of the trust funds have been prepared. A summary of the balances is as follows:

	<u>2011</u>	<u>2010</u>
Endowment	\$ 3,112	\$ 3,081
Baptie	<u>1,015</u>	<u>1,005</u>
	<u>\$ 4,127</u>	<u>\$ 4,086</u>

3. Restricted Assets

	<u>2011</u>	<u>2010</u>
Short-term investments (Note 4)	\$ 97,787	\$ 94,410
Due from own municipality	<u>567,876</u>	<u>669,102</u>
	<u>\$ 665,663</u>	<u>\$ 763,512</u>

Consists of:

Obligatory funds in deferred revenue (Note 7)	<u>\$ 665,663</u>	<u>\$ 763,512</u>
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Township of Cavan Monaghan

Notes to Consolidated Financial Statements

December 31, 2011

4. Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
Unrestricted		
Unrestricted net cash	\$ 5,586,185	\$ 4,892,293
Unrestricted Money Market and Bond Funds (Market value - \$931,645)	922,329	884,524
Restricted		
Restricted Bond Fund (Market value - \$99,486)	<u>97,787</u>	<u>94,410</u>
	<u>\$ 6,606,301</u>	<u>\$ 5,871,227</u>

Bank balances are held at one chartered bank and earn interest at prime less 2%. Investments, both restricted and unrestricted, are comprised of money market funds and bond funds through the "ONE" Public Sector Group of Funds.

The Township also has an authorized line of credit with a chartered bank. The line of credit bears interest at the banks prime rate and is authorized to a maximum of \$500,000. At December 31, 2011 the Township had a remaining undrawn credit capacity of \$500,000.

5. Accounts Receivable

	<u>2011</u>	<u>2010</u>
Unrestricted		
Canada	\$ 240,901	\$ 239,971
Ontario	940,806	774,731
Other	<u>349,097</u>	<u>241,480</u>
	<u>\$ 1,530,804</u>	<u>\$ 1,256,182</u>

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

6. Employee Benefits Plan Liability

Retirement Life Insurance and Health Care Benefits

In October of 2005 council approved a motion to provide health and dental benefits to the following two groups of individuals for life:

- a) Full-time non collective agreement employees who have completed 25 years of service
- b) Council members who have completed two terms of service, and are at least 55 years of age

In February 2010 council approved an amendment to health and dental benefits to the two groups as follows:

- a) The years of service for full-time non collective agreement employees was reduced from 25 years to 20 years for those hired on or after February 17, 2010
- b) Full-time non collective agreement employees hired on or after February 17, 2010 are entitled to receive post-retirement health and dental benefits from the Township-managed benefit plan to age 65
- c) Full-time non collective agreement employees hired on or after February 17, 2010 are entitled to receive post-retirement health and dental benefits from the self-administered plan to age 70
- d) Council members elected for the first time in the 2010 election and going forward are no longer eligible for post-retirement non-pension benefits

In February 2011 council approved an amendment to health and dental benefits for past council members as follows:

- a) Council members who have completed two terms of service, and are at least 55 years of age are no longer eligible for post-retirement non-pension benefits.

The amendment eliminated all post-retirement non-pension benefits for both current and past council members.

The Township records estimated liabilities for accrued employee benefits in the year they are earned. The benefit costs and liabilities recorded are based on an actuarial valuation prepared by an independent firm. The most recent actuarial valuation was performed as of January 1, 2010 with an update for the amendment passed by council on February 1, 2010. The amendment was made effective as of August 1, 2011.

	2011	2010
Accrued liability, opening	\$ 700,403	\$ 609,120
Current year benefit cost	(184,342)	100,433
Benefit payments by employer	(12,000)	(9,150)
Accrued liability, ending	504,061	700,403
Unamortized losses	168,320	290,997
Accrued benefit obligation	\$ 672,381	\$ 991,400

Township of Cavan Monaghan

Notes to Consolidated Financial Statements

December 31, 2011

6. Employee Benefits Plan Liability (continued)

The accrued benefit obligations for the Township's employee future benefit plans as at December 31, 2011 are based on actuarial valuations for accounting purposes. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Township's best estimates of expected rates of:

	2011	2010
Expected future inflation rates	2.0%	2.0%
Discount on accrued benefit obligations	5.0%	5.0%
Health care cost escalation	6.0%	7.0%
Dental costs escalation	5.0%	5.0%

Ontario Municipal Employees Retirement System

Certain employees of the Township are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. OMERS provides pension services to more than 419,007 active and retired members and approximately 947 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date.

The most recent actuarial valuation of the Plan was conducted at December 31, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,548 million in respect of benefits accrued for service with actuarial assets at that date of \$57,258 million indicating an actuarial deficit of \$7,290 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The Township does not recognize any share of the OMERS pension surplus or deficit.

During the year ended December 31, 2011, the Township contributed \$125,956 (2010 - \$103,552) to the plan.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

7. Deferred Revenue

Obligatory Reserve Funds	2011	2010
Development charges	\$ 443,769	\$ 412,574
Parkland	69,360	60,310
Federal Gas Tax	142,384	267,683
Community development	10,150	22,945
	<u>\$ 665,663</u>	<u>\$ 763,512</u>

The net change during the year in the deferred revenue balances is made up as follows:

	Development Charges Act	Federal Gas Tax	Parkland	Community Development	Total
Opening obligatory funds	\$ 412,574	\$ 267,683	\$ 60,310	\$ 22,945	\$ 763,512
Restricted funds received	88,656	270,799	7,500	10,150	377,105
Interest earned	10,239	4,902	1,550	-	16,691
Revenue recognized during the year	(67,700)	(401,000)	-	(22,945)	(491,645)
Closing obligatory funds	<u>\$ 443,769</u>	<u>\$ 142,384</u>	<u>\$ 69,360</u>	<u>\$ 10,150</u>	<u>\$ 665,663</u>

8. Solid Waste Landfill Closure and Post-Closure Liability

As at December 31, 2011 the Township had one waste transfer station in full operation and one closed solid waste landfill site. Post closure costs for the solid waste landfill site includes monitoring and consulting for the next 25 years.

Management has obtained input from an engineering firm and has estimated the total costs until the year 2036 to be \$292,420. The net present value using a discount rate of 3.7% and an inflation rate of 1.9% results in a liability of \$212,000 as at December 31, 2011 (2010 - \$386,000). The full liability has been recognized because all site capacity has been used. Change from the prior year is due to changes in management estimates for monitoring costs and discount rates.

The Township has established a reserve of \$125,000 in respect of this liability. The remaining landfill closure and post-closure liability will be funded from future taxation.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

9. Tangible Capital Assets

December 31, 2011

	Land	Buildings	Equipment	Vehicles	Roads and Bridges	Water and other utility systems	Sewer	Work in Progress	Total
Cost									
Beginning of year	\$ 3,738,061	\$ 7,309,654	\$ 1,444,783	\$ 3,624,755	\$ 24,510,392	\$ 2,013,757	\$ 2,979,425	\$ 42,018	\$ 45,662,845
Additions	25,491	461,520	105,985	48,539	926,524	-	-	137,011	1,705,070
Disposals		(66,821)	(27,514)	-	(29,742)	-	-	-	(124,077)
Transfers	-	20,301	-	-	21,717	-	-	(42,018)	-
End of year	<u>\$ 3,763,552</u>	<u>\$ 7,724,654</u>	<u>\$ 1,523,254</u>	<u>\$ 3,673,294</u>	<u>\$ 25,428,891</u>	<u>\$ 2,013,757</u>	<u>\$ 2,979,425</u>	<u>\$ 137,011</u>	<u>\$ 47,243,838</u>
Accumulated amortization									
Beginning of year	\$ 252,350	\$ 1,670,908	\$ 679,194	\$ 1,238,407	\$ 12,876,387	\$ 702,398	\$ 703,083	\$ -	\$ 18,122,727
Amortization	22,088	194,507	142,402	170,642	1,063,908	37,387	54,151	-	1,685,085
Disposals	-	(57,157)	(27,514)	-	(25,770)	-	-	-	(110,441)
End of year	<u>\$ 274,438</u>	<u>\$ 1,808,258</u>	<u>\$ 794,082</u>	<u>\$ 1,409,049</u>	<u>\$ 13,914,525</u>	<u>\$ 739,785</u>	<u>\$ 757,234</u>	<u>\$ -</u>	<u>\$ 19,697,371</u>
Net carrying amount	<u>\$ 3,489,114</u>	<u>\$ 5,916,396</u>	<u>\$ 729,172</u>	<u>\$ 2,264,245</u>	<u>\$ 11,514,366</u>	<u>\$ 1,273,972</u>	<u>\$ 2,222,191</u>	<u>\$ 137,011</u>	<u>\$ 27,546,467</u>

The net carrying amount of tangible capital assets not being amortized because they are under construction is \$137,011.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

9. Tangible Capital Assets (continued)

December 31, 2010

	Land	Buildings	Equipment	Vehicles	Roads and Bridges	Water and other utility systems	Sewer	Work in Progress	Total
Cost									
Beginning of year	\$ 3,522,595	\$ 6,752,370	\$ 1,313,736	\$ 3,491,914	\$ 21,989,373	\$ 1,870,639	\$ 2,709,381	\$ 460,201	\$ 42,110,209
Additions	215,466	557,284	150,194	471,216	2,815,470	143,118	270,044	310,481	4,933,273
Disposals	-	-	(19,147)	(338,375)	(319,201)	-	-	(703,914)	(1,380,637)
Transfers	-	-	-	-	24,750	-	-	(24,750)	-
End of year	<u>\$ 3,738,061</u>	<u>\$ 7,309,654</u>	<u>\$ 1,444,783</u>	<u>\$ 3,624,755</u>	<u>\$ 24,510,392</u>	<u>\$ 2,013,757</u>	<u>\$ 2,979,425</u>	<u>\$ 42,018</u>	<u>\$ 45,662,845</u>
Accumulated amortization									
Beginning of year	\$ 227,547	\$ 1,504,133	\$ 569,612	\$ 1,341,805	\$ 12,099,714	\$ 640,182	\$ 621,928	\$ -	\$ 17,004,921
Amortization	24,803	166,775	128,729	165,407	798,683	37,387	54,151	-	1,375,935
Disposals	-	-	(19,147)	(268,805)	(312,166)	-	-	-	(600,118)
Transfers	-	-	-	-	290,156	24,829	27,004	-	341,989
End of year	<u>\$ 252,350</u>	<u>\$ 1,670,908</u>	<u>\$ 679,194</u>	<u>\$ 1,238,407</u>	<u>\$ 12,876,387</u>	<u>\$ 702,398</u>	<u>\$ 703,083</u>	<u>\$ -</u>	<u>\$ 18,122,727</u>
Net carrying amount	<u>\$ 3,485,711</u>	<u>\$ 5,638,746</u>	<u>\$ 765,589</u>	<u>\$ 2,386,348</u>	<u>\$ 11,634,005</u>	<u>\$ 1,311,359</u>	<u>\$ 2,276,342</u>	<u>\$ 42,018</u>	<u>\$ 27,540,118</u>

The net book value of tangible capital assets not being amortized because they are under construction is \$42,018.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

10. Accumulated Surplus

Accumulated surplus consists of individual fund/surplus (deficit) and reserves as follows:

	<u>2011</u>	<u>2010</u>
Surplus		
General Fund		
General tax rates	\$ (10,830)	\$ (19,955)
BIA **	7,929	10,957
Library **	52,252	18,255
Area Rates	10,830	19,955
Invested in tangible capital assets	27,546,467	27,540,118
Unfunded		
Solid waste landfill (net of \$125,000 reserve fund)	(87,000)	(271,000)
Employee future benefits	(504,061)	(700,403)
Unfinanced capital purchases	(1,387,011)	(1,387,011)
Total surplus	<u>25,628,576</u>	<u>25,210,916</u>
 Reserve Funds		
Working funds	1,984,168	541,924
Emergency services	421,252	498,057
Transportation services	34,783	34,783
Waste disposal services	125,000	115,000
Parks and recreation services	97,392	97,392
Water and sewer operations	937,362	882,105
Planning and development	238,405	250,092
Future capital	4,167,457	4,209,787
Library expansion	5,728	35,866
Election services	7,000	-
Computer services	38,967	7,967
Policing costs stabilization	124,816	76,499
Total Reserve Funds	<u>8,182,330</u>	<u>6,749,472</u>
	<u>\$ 33,810,906</u>	<u>\$ 31,960,388</u>

** The general fund surplus for the BIA and Library excludes the investment in tangible capital assets and, as there are no other non-financial assets, is equal to the respective net financial assets. This surplus represents the cumulative unspent portion of the general operating grants of these organizations.

Township of Cavan Monaghan

Notes to Consolidated Financial Statements

December 31, 2011

11. Contingent Liabilities

The nature of the Township's activities are such that there is usually litigation pending or in progress at any time. With respect to claims at December 31, 2011 management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful they are not expected to have a material adverse effect on the Township's financial position.

12. Commitments

The Township is committed to police services provided by the Ontario Provincial Police (OPP) expiring August 2014. Contractual commitments for the next 3 years are as follows:

2012	\$ 1,456,033
2013	1,456,033
2014	<u>970,689</u>
	<u>\$ 3,882,755</u>

13. User Charges, Licences and Fees

	2011	2010
General government user fees licenses and permits	\$ 13,630	\$ 7,547
Fire protection	45,332	91,270
Building permits and inspections	111,400	99,412
Roads and engineering user fees and recoveries	-	3,000
Water and sewer consumption	847,150	744,374
Waste management tipping fees and other	41,238	36,690
Recreation program/facility fees, rentals and registrations	167,025	186,816
Library user fees and fines	11,412	11,139
Police	7,350	9,560
Planning and zoning	23,207	71,399
Other	12,150	23,574
	<u>\$ 1,279,894</u>	<u>\$ 1,284,781</u>

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

14. Expenses by Object

	2011	2010
Salaries and benefits	\$ 2,598,999	\$ 2,716,717
Materials, supplies and services	2,243,503	1,991,140
Contracted services	1,998,364	1,903,522
Rent and financial expenses	9,367	10,780
Transfer to other entities	180,861	190,942
Amortization	1,685,085	1,375,935
Legal and settlement costs	-	1,691,168
	<u>\$ 8,716,179</u>	<u>\$ 9,880,204</u>

15. Budget Amounts

The Financial Plan (Budget) By-Law adopted by Council on May 14, 2011 was prepared based on the Municipal Act Section 289, Regulation 284/09. This requires the Township to prepare the annual budget by excluding amortization expense, post-employment benefit expenses, and solid waste landfill closure and post-closure expenses. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense in accordance with the provisions of the Municipal Act. As a result, the budget figures presented in the statements of operations and change in net financial assets require adjustments to reflect Public Sector Accounting Standards (PSAB) as follows:

	2011
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	2,341,298
Less:	
Budgeted transfers from accumulated surplus	(213,088)
Amortization	<u>(1,685,085)</u>
Budget surplus per statement of operations	<u>\$ 443,125</u>

16. Public Sector Salary Disclosure

For 2011 the following employee was paid a salary as defined in the Public Sector Salary Disclosure Act of \$100,000 or more:

Name	Position	Salary Paid
Yvette Hurley	CAO	\$ 118,176

The amount above includes taxable benefits of \$1,041.

The above employee has waived the salary increase that was offered for the 2012 year.

Township of Cavan Monaghan

Notes to Consolidated Financial Statements

December 31, 2011

17. Segmented Information

The Township is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, public housing, police, fire and water. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Environmental

Environmental services consists of providing waste disposal curbside pick-up to citizens.

Planning and Zoning

This department provides a number of services including planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Protection to Persons and Property

Protection is comprised of police services, fire protection and ambulance services. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, emergency preparedness, training and education. The members of the fire department consist of volunteers plus a full time Deputy Fire Chief and a full time Fire Chief. The ambulance service transports the injured to the hospital and provides emergency medical care to those in distress. The ambulance service is a County program which fees are included in the county levy.

Recreation and Cultural

This service area provides services meant to improve the health and development of the Township's citizens. Recreational programs and cultural programs like skating lessons, moms and tots programs, senior hockey groups and home schooling programs are provided at arenas and community centres. Also, the Township provides library services to assist with its citizens' informational needs.

Transportation

Transportation is responsible for the maintenance and construction of roads, road safety devices, signs, bridges, sidewalks, street lighting, traffic lighting and crossing guard services within the Township.

General Government

Included in general government are the revenues and expenses that relate to the operations of the Township itself. Departments like Finance, CAO, Clerks, and Council are all included in the general government segment.

Casino and Other General Purpose Revenue

This represents revenues from the Casino and other non-specific revenues such as the Ontario Municipal Partnership grant. These funds are used to stabilize tax rates and are transferred to the various other segments as required. Any remaining surplus is transferred into reserves.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2011

17. Segmented Information (continued)

For the year ended December 31, 2011

	General Government		Protection		Transportation		Environmental		Recreation and Culture		Planning and Zoning		Water and Sewer		Casino and other general purpose revenues		Total
Revenue																	
Taxation	\$	708,540	\$	1,605,672	\$	1,098,110	\$	-	\$	490,595	\$	358,860	\$	-	\$	-	4,261,777
User charges, licenses and fines		13,709		53,181		-		41,238		190,010		134,606		847,150		-	1,279,894
Grants		4,035		5,410		423,945		-		83,069		1,500		40,233		846,000	1,404,192
Developer Contributions												67,700					67,700
Investment income		86,951		-		-		-		-		-		-		-	86,951
Sale of land and capital assets		-		-		-		-		(13,636)		-		-		-	(13,636)
Penalties and interest on taxes		145,850		-		-		-		-		-		-		-	145,850
Casino revenue		-		-		-		-		-		-		-		3,300,074	3,300,074
Donations and other		-		-		-		-		33,895		-		-		-	33,895
		959,085		1,664,263		1,522,055		41,238		783,933		562,666		887,383		4,146,074	10,566,697
Expenses																	
Salaries and benefits		539,293		435,123		604,809		105,926		538,080		329,199		46,569		-	2,598,999
Materials, supplies and services		192,878		291,567		692,549		(77,003)		330,916		179,692		632,904		-	2,243,503
Contracted services		102,584		1,354,969		198,495		117,556		7,692		49,825		167,243		-	1,998,364
Rent and financial expenses		9,367		-		-		-		-		-		-		-	9,367
Transfer to other entities		107,285		74,386		-		-		8,831		-		(9,641)		-	180,861
Amortization		161,071		104,146		1,191,734		-		51,523		1,401		175,210		-	1,685,085
		1,112,478		2,260,191		2,687,587		146,479		937,042		560,117		1,012,285		-	8,716,179
Transfers		(153,393)		(595,928)		(1,165,532)		(105,241)		(153,109)		2,549		(124,902)		2,295,556	-
Net surplus (deficit)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,850,518	\$ 1,850,518

Township of Cavan Monaghan

Notes to Consolidated Financial Statements

December 31, 2011

17. Segmented Information (continued)

For the year ended December 31, 2010

	General Government		Protection		Transportation		Environmental		Recreation and Culture		Planning and Zoning		Water and Sewer		Casino and other general purpose revenues		Total
Revenue																	
Taxation	\$	802,779	\$	1,373,451	\$	1,011,214	\$	-	\$	560,614	\$	294,679	\$	-	\$	-	4,042,737
User charges, licenses and fines		7,547		106,112		3,000		36,690		216,247		170,811		744,374		-	1,284,781
Grants		22,547		3,048		182,740		-		104,756		(228,957)		40,233		764,432	888,799
Developer contributions		-		-		-		-		-		2,063,713		-		-	2,063,713
Investment income		55,127		-		-		-		-		-		-		-	55,127
Sale of land and capital assets		-		-		-		-		(34,755)		(703,914)		-		-	(738,669)
Penalties and interest on taxes		183,956		-		-		-		-		-		-		-	183,956
Casino revenue		-		-		-		-		-		-		-		3,338,024	3,338,024
Donations and other		-		-		-		-		47,068		-		-		-	47,068
		1,071,956		1,482,611		1,196,954		36,690		893,930		1,596,332		784,607		4,102,456	11,165,536
Expenses																	
Salaries and benefits		808,137		413,497		535,447		112,991		514,415		292,881		39,349		-	2,716,717
Materials, supplies and services		1,944,635		254,647		579,177		(13,817)		391,335		146,017		380,314		-	3,682,308
Contracted services		83,603		1,267,399		203,580		111,807		3,468		46,034		187,631		-	1,903,522
Rent and financial expenses		11,214		(1,558)		-		-		-		-		1,124		-	10,780
Transfer to other entities		120,000		71,641		-		-		10,175		-		(10,874)		-	190,942
Amortization		157,223		96,284		916,015		-		48,858		-		157,555		-	1,375,935
		3,124,812		2,101,910		2,234,219		210,981		968,251		484,932		755,099		-	9,880,204
Transfers		(2,052,856)		(619,299)		(1,037,265)		(174,291)		(74,321)		1,111,400		29,508		2,817,124	-
Net surplus (deficit)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	1,285,332	\$ 1,285,332

Cavan Monaghan Libraries
Financial Statements
For the year ended December 31, 2011

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Independent Auditor's Report

To the Members of the Board, Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Report on the Financial Statements

We have audited the accompanying financial statements of the Cavan Monaghan Libraries, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and accumulated surplus, change in net financial 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cavan Monaghan Libraries preparation and fair presentation of the 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 Cavan Monaghan Libraries 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Cavan Monaghan Libraries as at December 31, 2011 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting principles.

Other Matter

The financial statements as at December 31, 2010 and for the year then ended were reported under a Review Engagement Report dated April 20, 2011.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Peterborough, Ontario
May 22, 2012

Cavan Monaghan Libraries
Statement of Financial Position

December 31	2011	2010
		(Unaudited)
Financial assets		
Cash and bank (Note 1)	\$ 77,008	\$ 36,843
Accounts receivable	16,293	10,544
	<u>93,301</u>	<u>47,387</u>
Liabilities		
Accounts payable and accrued liabilities	35,850	22,702
Deferred revenue	5,200	6,433
	<u>41,050</u>	<u>29,135</u>
Net financial assets	<u>52,251</u>	<u>18,252</u>
Non-financial assets		
Tangible capital assets (Note 4)	148,382	159,121
Accumulated surplus	<u>\$ 200,633</u>	<u>\$ 177,373</u>

Cavan Monaghan Libraries
Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2011 (Note 3)	Actual 2011	Actual 2010 (Unaudited)
Revenue			
Municipal contributions	\$ 260,064	\$ 260,064	\$ 234,529
Grants			
- Provincial	30,754	25,554	86,743
- Federal	7,225	37,215	18,013
User charges	8,400	10,455	11,139
Donations and other	-	1,473	9,496
	<u>306,443</u>	<u>334,761</u>	<u>359,920</u>
Expenses			
Amortization of tangible capital assets	41,627	43,990	41,324
Insurance	10,610	10,589	10,528
IT expenses	4,900	4,670	5,236
Mileage and travel	1,500	1,389	1,341
Office expenses	21,905	17,485	21,769
Professional services	2,910	3,103	3,352
Programmer and materials	-	-	2,754
Supplies	3,500	2,956	4,059
Wages and benefits	230,518	227,319	208,395
	<u>317,470</u>	<u>311,501</u>	<u>298,758</u>
Annual surplus	(11,027)	23,260	61,162
Accumulated surplus, opening balance	<u>177,373</u>	<u>177,373</u>	<u>116,211</u>
Accumulated surplus, closing balance	<u>\$ 166,346</u>	<u>\$ 200,633</u>	<u>\$ 177,373</u>

Cavan Monaghan Libraries
Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2011	Actual 2011	Actual 2010
	(Note 3)		(Unaudited)
Annual surplus	\$ (11,027)	\$ 23,260	\$ 61,162
Acquisition of tangible capital assets	(30,600)	(33,251)	(82,100)
Amortization of tangible capital assets	41,324	43,990	41,324
Net change in net assets (debt)	(303)	33,999	20,386
Net assets (debt), beginning of year	18,252	18,252	(2,134)
Net financial assets (debt), end of year	\$ 17,949	\$ 52,251	\$ 18,252

Cavan Monaghan Libraries
Statement of Cash Flows

For the year ended December 31	2011	2010
		(Unaudited)
Operating transactions		
Annual surplus	\$ 23,260	\$ 61,162
Item not involving cash		
Amortization	43,990	41,324
	67,250	102,486
Changes in non-cash operating balances		
Accounts receivable	(5,749)	(7,208)
Accounts payable and accrued liabilities	13,148	1,714
Deferred revenue	(1,233)	(23,766)
	73,416	73,226
Capital transactions		
Acquisition of tangible capital assets	(33,251)	(82,100)
Net change in cash	40,165	(8,874)
Cash and bank, beginning of year	36,843	45,717
Cash and bank, end of year	\$ 77,008	\$ 36,843

Cavan Monaghan Libraries

Summary of Significant Accounting Policies

December 31, 2011

Nature of Business

Cavan Monaghan Libraries is an unincorporated non-profit organization. The Cavan Monaghan Libraries are dedicated to working with its staff, members and clients to provide efficient service to meet the needs of the community.

The Cavan Monaghan Libraries house a new and up-to-date collection of over 25,000 books and other items to serve the Township of Cavan Monaghan, and has a reciprocal borrowing agreement with the neighbouring Otonabee-South-Monaghan Township.

The Cavan Monaghan Libraries is a registered charity and, as such, is exempt from income tax.

Management Responsibility

The financial statements of Cavan Monaghan Libraries are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

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 creation of a legal obligation to pay.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Books and periodicals	7 years
Furniture and equipment	10 years
Computers and software	3 years

Cavan Monaghan Libraries Summary of Significant Accounting Policies

December 31, 2011

Pension Agreement

Cavan Monaghan Libraries is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Cavan Monaghan Libraries has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Cavan Monaghan Libraries records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Cavan Monaghan Libraries
Notes to the Financial Statements

December 31, 2011

1. Cash and Bank

The Libraries bank account is held at a chartered bank and earns a nominal amount of interest.

The Libraries also has authorized overdraft protection which bears interest at the business overdraft protection rate and is authorized to a maximum of \$10,000. At December 31, 2011 the Libraries had remaining undrawn credit capacity of \$10,000.

2. Financial Instruments

The Cavan Monaghan Libraries' financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Cavan Monaghan Libraries are not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

3. Budget Amounts

The Financial Plan (Budget) By-Law adopted by the Library Board for 2011 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). Certain amounts have been reclassified to conform to PSAB accounting presentation for comparison to the actual results. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the Financial Plan adopted by the Board with adjustments as follows:

	<u>2011</u>
Financial Plan (Budget) By-Law surplus for the year	\$ -
Add: Capital expenditures	30,600
Less: Amortization	<u>(43,989)</u>
Budget (deficit) per statement of operations	<u>\$ (13,389)</u>

Cavan Monaghan Libraries
Notes to the Financial Statements

December 31, 2011

4. Tangible Capital Assets

2011

	Books and periodicals	Furniture and equipment	Computers and software	Total
Cost, beginning of year	\$ 164,671	\$ 107,701	\$ 38,764	\$ 311,136
Additions	31,918	1,333	-	33,251
Disposals	(27,514)	-	-	(27,514)
Cost, end of year	169,075	109,034	38,764	316,873
Accumulated amortization, beginning of year	77,356	48,264	26,395	152,015
Amortization	28,056	6,696	9,238	43,990
Disposals	(27,514)	-	-	(27,514)
Accumulated amortization, end of year	77,898	54,960	35,633	168,491
Net carrying amount, end of year	\$ 91,177	\$ 54,074	\$ 3,131	\$ 148,382

2010
(Unaudited)

	Books and periodicals	Furniture and equipment	Computers and software	Total
Cost, beginning of year	\$ 144,105	\$ 82,213	\$ 21,865	\$ 248,183
Additions	39,713	25,488	16,899	82,100
Disposals	(19,147)	-	-	(19,147)
Cost, end of year	164,671	107,701	38,764	311,136
Accumulated amortization, beginning of year	70,275	40,233	19,330	129,838
Amortization	26,228	8,031	7,065	41,324
Disposals	(19,147)	-	-	(19,147)
Accumulated amortization, end of year	77,356	48,264	26,395	152,015
Net carrying amount, end of year	\$ 87,315	\$ 59,437	\$ 12,369	\$ 159,121

December 31, 2011

5. Pension Agreement

OMERS provides pension services to more than 419,000 active and retired members and approximately 947 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,548 million in respect of benefits accrued for service with actuarial assets at that date of \$57,258 million indicating an actuarial deficit of \$7,290 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The Libraries does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2011 was \$9,908 (2010 - \$7,089).

6. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

**Township of Cavan Monaghan
Millbrook Business Improvement
Area Board
Financial Statements
For the year ended December 31, 2011**

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Independent Auditor's Report

To the Members of the Millbrook Business Improvement Area Board, Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Report on the Financial Statements

We have audited the accompanying financial statements of the Millbrook Business Improvement Area Board of the Township of Cavan Monaghan, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and accumulated surplus, net financial 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Millbrook Business Improvement Area Board of the Township of Cavan Monaghan's preparation and fair presentation of the 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 Millbrook Business Improvement Area Board of the Township of Cavan Monaghan'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 financial statements.

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

Basis for Qualified Opinion

In common with many non-profit organizations, the Millbrook Business Improvement Area Board of the Township of Cavan Monaghan derives revenue from donations and cash receipts the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues other than grants, excess of revenue over expense, assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements of Millbrook Business Improvement Area Board of the Township of Cavan Monaghan for the year ended December 31, 2011 are prepared, in all material respects, in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Peterborough, Ontario
May 22, 2012

**Township of Cavan Monaghan
Millbrook Business Improvement Area Board
Statement of Financial Position**

December 31	2011	2010
Financial assets		
Cash (Note 2)	\$ 9,730	\$ 13,426
Liabilities		
Accounts payable and accrued liabilities	<u>1,800</u>	<u>2,468</u>
Net financial assets	7,930	10,958
Non-financial assets		
Tangible capital assets (Note 3)	<u>8,192</u>	<u>-</u>
Accumulated surplus	\$ 16,122	\$ 10,958

**Township of Cavan Monaghan
Millbrook Business Improvement Area Board
Statement of Financial Activities**

For the year ended December 31	Budget	2011	2010
Revenues			
Township of Cavan Monaghan			
- taxation	\$ 13,000	\$ 13,000	\$ 12,000
Donations and fundraising	8,000	21,880	8,572
Community grant	5,000	4,000	4,000
	<u>26,000</u>	<u>38,880</u>	<u>24,572</u>
Expenses			
Administration	8,450	3,168	549
Advertising	20,750	15,849	8,961
Amortization	-	772	-
Contracted Services	-	1,000	-
Donations/honorariums	500	755	240
Downtown beautification	-	3,318	3,686
Professional fees	-	2,028	1,830
Events:			
- BIA Dinner	-	1,337	1,551
- Fallfest/Scarecrow Festival	-	2,668	1,574
- Ladies night	-	957	1,231
- Maplefest	-	-	725
- Old Tyme Christmas	-	1,864	2,135
	<u>29,700</u>	<u>33,716</u>	<u>22,482</u>
Net revenue (expense)	(3,700)	5,164	2,090
Accumulated surplus, beginning of year	3,700	10,958	8,868
Accumulated surplus, end of year	\$ -	\$ 16,122	\$ 10,958

**Township of Cavan Monaghan
Millbrook Business Improvement Area Board
Statement of Change in Net Financial Assets**

For the year ended December 31	2011	2010
Annual surplus (deficit)	\$ 5,164	\$ 2,090
Acquisition of tangible capital assets	(8,964)	-
Amortization of tangible capital assets	772	-
Net change in net financial assets	(3,028)	2,090
Net financial assets, beginning of year	10,958	8,868
Net financial assets, end of year	\$ 7,930	\$ 10,958

**Township of Cavan Monaghan
Millbrook Business Improvement Area Board
Statement of Cash Flows**

For the year ended December 31	2011	2010
Operating activities		
Net revenue (expense)	\$ 5,164	\$ 2,090
Item not involving cash:		
Amortization	772	-
	<u>5,936</u>	<u>2,090</u>
Changes in non-cash working capital:		
Accounts payable	(668)	(333)
	<u>5,268</u>	<u>1,757</u>
Investing activities		
Purchase of tangible capital assets	(8,964)	-
	<u>(3,696)</u>	<u>1,757</u>
Increase (decrease) in cash flow	(3,696)	1,757
Cash, beginning of year	13,426	11,669
Cash, end of year	\$ 9,730	\$ 13,426

**Township of Cavan Monaghan
Millbrook Business Improvement Area Board
Summary of Significant Accounting Policies**

December 31, 2011

Nature of Business	The Board is controlled by Council representing the Township of Cavan Monaghan, with the goal of promoting the downtown business area.	
Management Responsibility	The financial statements of the Board are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.	
Basis of 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 receipt of goods or services and the creation of a legal obligation to pay.	
Tangible Capital Assets	Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the purchase. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:	
	Signs	4 years
	Benches	20 years

**Township of Cavan Monaghan
Millbrook Business Improvement Area Board
Note to the Financial Statements**

December 31, 2011

1. Financial Instruments

The Board's only financial instruments are cash and accounts payable and accrued liabilities. It is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these financial instruments approximates their carrying value.

2. Cash

Bank balances are held at one chartered bank and earn interest at a nominal rate.

3. Tangible Capital Assets

	2011	2010
Cost, beginning of year	\$ -	\$ -
Additions	8,964	-
Disposals	-	-
Cost, end of year	8,964	-
Accumulated amortization, beginning of year	-	-
Amortization	772	-
Disposals	-	-
Accumulated amortization, end of year	772	-
Net carrying amount, end of year	\$ 8,192	\$ -

Township of Cavan Monaghan
Trust Funds
Financial Statements
For the year ended December 31, 2011

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Independent Auditor's Report

**To the Members of the Council, Inhabitants and Ratepayers of the Township
of Cavan Monaghan**

Report on the Financial Statements

We have audited the accompanying financial statements of the Trust Funds of the Township of Cavan Monaghan, which comprise of the statement of financial position as at December 31, 2011, and the statement of continuity for the year then ended, and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust Funds of the Township of Cavan Monaghan's preparation and fair presentation of the 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 Trust Funds of the Township of Cavan Monaghan'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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Township of Cavan Monaghan as at December 31, 2011 and the results of its operations for the year then ended.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Peterborough, Ontario
May 22, 2012

**Township of Cavan Monaghan
Trust Funds
Statement of Financial Position**

December 31	Baptie Trust	Endowment Trust	Total 2011	Total 2010
Assets				
Cash and bank	\$ 1,015	\$ 3,112	\$ 4,127	\$ 4,086
Liabilities				
Due to Township	\$ -	\$ -	\$ -	\$ -
Fund Balances				
Capital	1,000	1,060	2,060	2,060
Income	15	2,052	2,067	2,026
	1,015	3,112	4,127	4,086
	\$ 1,015	\$ 3,112	\$ 4,127	\$ 4,086

Statement of Continuity

For the year ended December 31	Baptie Trust	Endowment Trust	Total 2011	Total 2010
Balance, beginning of year	\$ 1,020	\$ 3,271	\$ 4,291	\$ 4,307
Revenues				
Interest earned	10	31	41	24
Expenses				
Scholarships	15	190	205	245
Balance, end of year	\$ 1,015	\$ 3,112	\$ 4,127	\$ 4,086

**Township of Cavan Monaghan
Trust Funds
Notes to the Financial Statements**

December 31, 2011

1. Basis of 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; expenses 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.
