

Township of Cavan Monaghan
Consolidated Financial Statements
For the year ended December 31, 2010

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For the year ended December 31, 2010

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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 2, 2011

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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, 2010, and the consolidated 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 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, 2010 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 2, 2011

**Township of Cavan Monaghan
Consolidated Statement of Financial Position**

December 31	2010	2009
Financial assets		
Cash and cash equivalents (Note 4)	\$ 5,871,227	\$ 5,520,019
Taxes receivable	1,033,523	1,310,962
Accounts receivable (Note 5)	1,256,182	1,460,718
Inventories for resale	3,103	2,367
	8,164,035	8,294,066
Liabilities		
Accounts payable and accrued liabilities	944,421	840,902
Accrued settlement costs	1,000,000	-
Employee benefits plan liability (Note 6)	700,403	609,120
Deferred revenue (Note 7)	763,512	893,349
Solid waste landfill closure and post-closure liabilities (Note 8)	386,000	429,000
	3,794,336	2,772,371
Net financial assets	4,369,699	5,521,695
Non-financial assets		
Tangible capital assets (Note 9)	27,540,118	25,105,288
Inventories of supplies	50,571	48,073
	27,590,689	25,153,361
Accumulated surplus (Note 10)	\$ 31,960,388	\$ 30,675,056

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 2010	2010	2009
	(Note 15)		
Revenue			
Taxation levied for own purposes	\$ 3,974,123	\$ 4,042,737	\$ 3,618,398
User charges, licenses and fines (Note 13)	1,023,500	1,284,781	1,460,149
Grants			
Government of Canada	1,347,466	189,967	422,616
Province of Ontario	848,133	924,467	1,688,799
Other municipalities	2,000	5,492	2,247
Other			
Developer contributions earned	459,940	404,987	26,466
Assets assumed from developer	-	1,658,726	-
Investment income	20,000	55,127	38,020
Penalties and interest on taxes	180,000	183,956	199,179
Casino revenues	3,200,000	3,338,024	3,440,229
Donations and other	25,000	47,068	32,858
	<u>11,080,162</u>	<u>12,135,332</u>	<u>10,928,961</u>
Expenses (Note 14)			
General government	1,459,926	3,124,812	1,384,334
Protection to persons and property	2,314,264	2,101,910	1,889,637
Transportation services	2,553,850	2,234,219	2,200,275
Environmental services	952,729	966,080	960,601
Recreation and cultural services	1,011,758	968,251	939,928
Planning and development	690,327	484,932	601,063
	<u>8,982,854</u>	<u>9,880,204</u>	<u>7,975,838</u>
Operating surplus	2,097,308	2,255,128	2,953,123
Repayment of BCF grant	-	231,127	-
Loss (gain) on disposal of tangible capital assets	-	738,669	(41,384)
Annual surplus	2,097,308	1,285,332	2,994,507
Accumulated surplus, beginning of year	30,675,056	30,675,056	27,680,549
Accumulated surplus, end of year (Note 10)	<u>\$ 32,772,364</u>	<u>\$ 31,960,388</u>	<u>\$ 30,675,056</u>

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

For the year ended December 31	Budget 2010	2010	2009
	(Note 15)		
Annual surplus	\$ 2,097,308	\$ 1,285,332	\$ 2,994,507
Acquisition of tangible capital assets	(3,616,089)	(4,591,284)	(2,159,299)
Amortization of tangible capital assets	1,375,935	1,375,935	1,369,814
Loss (gain) on disposal of tangible capital assets	-	738,669	(41,384)
Proceeds on sale of tangible capital assets	-	41,850	43,200
	(142,846)	(1,149,498)	2,206,838
Acquisition of prepaid expenses and inventory of supplies	-	(2,498)	(16,152)
Net change in net financial assets	(142,846)	(1,151,996)	2,190,686
Net financial assets, beginning of year	5,521,695	5,521,695	3,331,009
Net financial assets, end of year	\$ 5,378,849	\$ 4,369,699	\$ 5,521,695

Township of Cavan Monaghan
Consolidated Statement of Cash Flows

For the year ended December 31	2010	2009
Operating transactions		
Annual surplus	\$ 1,285,332	\$ 2,994,507
Items not involving cash		
Amortization	1,375,935	1,369,814
Loss (gain) on disposal of tangible capital assets	738,669	(41,384)
	3,399,936	4,322,937
Changes in non-cash operating balances		
Taxes receivable	277,439	(64,550)
Accounts receivable	204,536	(262,513)
Inventories for resale	(736)	1,244
Prepaid expenses and inventories of supplies	(2,498)	(16,152)
Accounts payable and accrued liabilities	103,519	(271,015)
Accrued settlement costs	1,000,000	-
Employee benefits plan liability	91,283	59,603
Deferred revenue	(129,837)	(470,062)
Solid waste closure and post closure liabilities	(43,000)	6,000
	4,900,642	3,305,492
Capital transactions		
Net acquisition of tangible capital assets	(4,591,284)	(2,159,299)
Proceeds on sale of tangible capital assets	41,850	43,200
	(4,549,434)	(2,116,099)
Net change in cash and cash equivalents	351,208	1,189,393
Cash and cash equivalents, beginning of year	5,520,019	4,330,626
Cash and cash equivalents, end of year	\$ 5,871,227	\$ 5,520,019

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Township of Cavan Monaghan Summary of Significant Accounting Policies

December 31, 2010

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, 2010

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, 2010

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, 2010

1. Taxation Raised on Behalf of Others

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

	<u>2010</u>	<u>2009</u>
School Boards	\$ 3,176,674	\$ 3,058,690
County of Peterborough	<u>3,109,050</u>	<u>3,027,410</u>
	<u>\$ 6,285,724</u>	<u>\$ 6,086,100</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>2010</u>	<u>2009</u>
Endowment	\$ 3,081	\$ 3,253
Baptie	<u>1,005</u>	<u>1,054</u>
	<u>\$ 4,086</u>	<u>\$ 4,307</u>

3. Restricted Assets

	<u>2010</u>	<u>2009</u>
Short-term investments (Note 4)	\$ 94,410	\$ 91,041
Due from (to) own municipality	<u>669,102</u>	<u>802,308</u>
	<u>\$ 763,512</u>	<u>\$ 893,349</u>
Consists of:		
Obligatory funds in deferred revenue (Note 7)	<u>\$ 763,512</u>	<u>\$ 893,349</u>

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

4. Cash and Cash Equivalents

	2010	2009
Unrestricted		
Unrestricted net cash	\$ 4,892,293	\$ 4,575,767
Unrestricted Money Market and Bond Funds (Market value - \$894,467)	884,524	853,211
Restricted		
Restricted Bond Fund (Market value - \$95,482)	94,410	91,041
	\$ 5,871,227	\$ 5,520,019

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, 2010 the Township had a remaining undrawn credit capacity of \$500,000.

5. Accounts Receivable

	2010	2009
Unrestricted		
Canada	\$ 239,971	\$ 43,650
Ontario	774,731	1,030,067
Other	241,480	387,001
	\$ 1,256,182	\$ 1,460,718

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

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 to 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 to age 70
- c) Council members elected for the first time in the 2010 election and going forward are no longer eligible for post-retirement non-pension benefits

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.

	2010	2009
Accrued liability, opening	\$ 609,120	\$ 549,517
Current year benefit cost	100,433	63,974
Benefit payments by employer	(9,150)	(4,371)
	700,403	609,120
Accrued liability, ending	700,403	609,120
Unamortized losses	290,997	-
	\$ 991,400	\$ 609,120
Accrued benefit obligation	\$ 991,400	\$ 609,120

The accrued benefit obligations for the Township's employee future benefit plans as at December 31, 2010 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 Board's best estimates of expected rates of:

	2010	2009
Expected future inflation rates	2.0%	1.3%
Discount on accrued benefit obligations	5.0%	5.0%
Health care cost escalation	7.0%	8.0%
Dental costs escalation	5.0%	5.0%

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

6. Employee Benefits Plan Liability (continued)

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 400,000 active and retired members and approximately 931 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, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 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. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

During the year ended December 31, 2010, the Township contributed \$103,552 (2009 - \$96,450) to the plan.

7. Deferred Revenue

Obligatory Reserve Funds	2010	2009
Development charges	\$ 412,574	\$ 666,054
Parkland	60,310	52,956
Federal Gas Tax	267,683	174,339
Community development	22,945	-
	\$ 763,512	\$ 893,349

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	\$ 666,054	\$ 174,339	\$ 52,956	\$ -	\$ 893,349
Restricted funds received	138,610	270,799	6,000	22,945	438,354
Interest earned	12,897	5,284	1,354	-	19,535
Revenue recognized during the year	(404,987)	(182,739)	-	-	(587,726)
Closing obligatory funds	\$ 412,574	\$ 267,683	\$ 60,310	\$ 22,945	\$ 763,512

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

8. Solid Waste Landfill Closure and Post-Closure Liability

As at December 31, 2010 the Township had one closed solid waste landfill site and one waste transfer station. 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 2035 to be \$503,000. The net present value using a discount rate of 5% and an inflation rate of 1.9% results in a liability of \$386,000 as at December 31, 2010 (2009 - \$429,000). 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 \$115,000 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, 2010

9. Tangible Capital Assets

									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 carrying amount 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, 2010

9. Tangible Capital Assets (continued)

									2009
	Land	Buildings	Equipment	Vehicles	Roads and Bridges	Water and other utility systems	Sewer	Work in Progress	Total
Cost									
Beginning of year	\$ 3,419,129	\$ 5,893,921	\$ 1,069,361	\$ 3,394,414	\$ 21,417,444	\$ 1,870,639	\$ 2,709,381	\$ 245,951	\$ 40,020,240
Additions	103,466	665,293	251,299	107,111	571,929	-	-	460,201	2,159,299
Disposals		-	(20,383)	(48,947)	-	-	-	-	(69,330)
Transfers	-	193,156	13,459	39,336	-	-	-	(245,951)	-
End of year	<u>\$ 3,522,595</u>	<u>\$ 6,752,370</u>	<u>\$ 1,313,736</u>	<u>\$ 3,491,914</u>	<u>\$ 21,989,373</u>	<u>\$ 1,870,639</u>	<u>\$ 2,709,381</u>	<u>\$ 460,201</u>	<u>\$ 42,110,209</u>
Accumulated amortization									
Beginning of year	\$ 199,660	\$ 1,344,408	\$ 466,669	\$ 1,214,493	\$ 11,327,143	\$ 594,723	\$ 555,525	-	\$ 15,702,621
Amortization	27,887	159,725	123,326	174,443	772,571	45,459	66,403	-	1,369,814
Disposals		-	(20,383)	(47,131)	-	-	-	-	(67,514)
End of year	<u>\$ 227,547</u>	<u>\$ 1,504,133</u>	<u>\$ 569,612</u>	<u>\$ 1,341,805</u>	<u>\$ 12,099,714</u>	<u>\$ 640,182</u>	<u>\$ 621,928</u>	<u>\$ -</u>	<u>\$ 17,004,921</u>
Net carrying amount	<u>\$ 3,295,048</u>	<u>\$ 5,248,237</u>	<u>\$ 744,124</u>	<u>\$ 2,150,109</u>	<u>\$ 9,889,659</u>	<u>\$ 1,230,457</u>	<u>\$ 2,087,453</u>	<u>\$ 460,201</u>	<u>\$ 25,105,288</u>

The net book value of tangible capital assets not being amortized because they are under construction is \$460,201.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

10. Accumulated Surplus

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

	2010	2009
Surplus		
General Fund		
General tax rates	\$ (19,955)	\$ (12,091)
BIA	10,957	8,868
Library	18,255	(2,131)
Area Rates	19,955	12,091
Invested in tangible capital assets	27,540,118	25,105,288
Unfunded		
Solid waste landfill	(271,000)	(364,000)
Employee future benefits	(700,403)	(609,120)
Unfinanced capital purchases	(1,387,011)	(1,077,046)
Total surplus	25,210,916	23,061,859
Reserve Funds		
Working funds	541,924	541,924
Emergency services	498,057	557,213
Transportation services	34,783	34,783
Waste disposal services	115,000	65,000
Parks and recreation services	97,392	79,617
Water and sewer operations	882,105	731,864
Planning and development	250,092	255,079
Future capital	4,209,787	5,252,425
Library expansion	35,866	44,542
Election services	-	17,462
Computer services	7,967	7,967
Policing costs stabilization	76,499	25,321
Total Reserve Funds	6,749,472	7,613,197
	\$ 31,960,388	\$ 30,675,056

Township of Cavan Monaghan Notes to Consolidated Financial Statements

December 31, 2010

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, 2010 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 4 years are as follows:

2011		\$ 1,393,930
2012		1,393,930
2013		1,393,930
2014		<u>929,287</u>
		<u>\$ 5,111,077</u>

13. User Charges, Licences and Fees

	2010	2009
General government user fees licenses and permits	\$ 7,547	\$ 4,589
Fire protection	91,270	114,445
Building permits and inspections	99,412	167,993
Roads and engineering user fees and recoveries	3,000	1,500
Water and sewer consumption	744,374	692,641
Waste management tipping fees and other	36,690	33,646
Recreation program/facility fees, rentals and registrations	186,816	187,792
Library user fees and fines	11,139	9,224
Police	9,560	8,191
Planning and zoning	71,399	209,826
Other	23,574	30,302
	<u>\$ 1,284,781</u>	<u>\$ 1,460,149</u>

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

14. Expenses by Object

	2010	2009
Salaries and benefits	\$ 2,716,717	\$ 2,608,673
Materials, supplies and services	1,991,140	1,728,027
Contracted services	1,903,522	2,028,993
Rent and financial expenses	10,780	14,327
Transfer to other entities	190,942	226,004
Amortization	1,375,935	1,369,814
Legal and settlement costs	-	-
	\$ 9,880,204	\$ 7,975,838

15. Budget Amounts

The Financial Plan (Budget) By-Law adopted by Council on May 3, 2010 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 represent the Financial Plan adopted by Council on May 3, 2010 with adjustments as follows:

	2010
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	3,616,089
	-
	-
Less:	
Budgeted transfers from accumulated surplus	(142,846)
Amortization	(1,375,935)
Budget surplus per statement of operations	\$ 2,097,308

16. Public Sector Salary Disclosure

For 2010 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	\$ 114,696

The amount above includes taxable benefits of \$964.

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

17. Fraserville Expansion Project

Following months of review, discussions and consideration of alternative approaches, Council has determined that it is not in the public interest, from either a financial or planning perspective, to pursue significant new service growth in Fraserville. It is the direction of Council that the proposed development of new employment and residential uses in Fraserville be abandoned and that the Fraserville Water and Wastewater Master Plan be allowed to lapse. As a result of this decision, Council has directed staff to direct growth to the existing serviced area and consider the expansion of the current water and wastewater treatment plants.

The Fraserville Water and Wastewater servicing project estimated costs from 2004 to 2010 are shown below. Total expenses for that period approximate \$5,953,000 which includes land acquisitions of \$882,000 and legal and settlement costs of approximately \$1,691,000. The costs incurred related to the Building Canada Fund are included under 2009 and 2010 contracted services.

	Contracted Services	Land Purchase	Total
2004	\$ 589,000	\$ -	\$ 589,000
2005	776,000	-	776,000
2006	736,000	-	736,000
2007	313,000	-	313,000
2008	262,000	174,000	436,000
2009	419,000	-	419,000
2010	285,000	708,000	993,000
2010 legal and settlement costs	1,691,000	-	1,691,000
	<u>\$ 5,071,000</u>	<u>\$ 882,000</u>	<u>\$ 5,953,000</u>

Township of Cavan Monaghan Notes to Consolidated Financial Statements

December 31, 2010

18. 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, 2010

18. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Recreation and Culture	Planning and Zoning	Water and Sewer	Casino and other general purpose revenues	2010 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
	<u>1,071,956</u>	<u>1,482,611</u>	<u>1,196,954</u>	<u>36,690</u>	<u>893,930</u>	<u>1,596,332</u>	<u>784,607</u>	<u>4,102,456</u>	<u>11,165,536</u>
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
	<u>3,124,812</u>	<u>2,101,910</u>	<u>2,234,219</u>	<u>210,981</u>	<u>968,251</u>	<u>484,932</u>	<u>755,099</u>	<u>-</u>	<u>9,880,204</u>
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

Township of Cavan Monaghan
Notes to Consolidated Financial Statements

December 31, 2010

18. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Environmental	Recreation and Culture	Planning and Zoning	Water and Sewer	Casino and other general purpose revenues	2009 Total
Revenue									
Taxation	\$ 694,307	\$ 1,243,857	\$ 875,034	\$ -	\$ 510,497	\$ 294,703	\$ -	\$ -	3,618,398
User charges, licenses and fines	4,403	127,135	1,500	33,646	222,652	378,172	692,641	-	1,460,149
Grants	42,480	3,263	939,365	-	70,181	4,246	231,127	823,000	2,113,662
Developer contributions	-	-	-	-	-	26,466	-	-	26,466
Investment income	38,020	-	-	-	-	-	-	-	38,020
Sale of land and capital assets	-	-	-	-	41,384	-	-	-	41,384
Penalties and interest on taxes	199,179	-	-	-	-	-	-	-	199,179
Casino revenue	-	-	-	-	-	-	-	3,440,229	3,440,229
Donations and other	-	-	-	-	32,858	-	-	-	32,858
	<u>978,389</u>	<u>1,374,255</u>	<u>1,815,899</u>	<u>33,646</u>	<u>877,572</u>	<u>703,587</u>	<u>923,768</u>	<u>4,263,229</u>	<u>10,970,345</u>
Expenses									
Salaries and benefits	765,559	398,398	514,897	104,682	494,338	306,924	23,875	-	2,608,673
Materials, supplies and services	241,624	259,749	588,450	37,713	365,949	94,600	139,942	-	1,728,027
Contracted services	75,877	1,078,228	184,530	146,756	4,887	199,525	339,190	-	2,028,993
Rent and financial expenses	14,189	159	-	(21)	-	-	-	-	14,327
Transfer to other entities	120,000	71,629	-	-	34,375	-	-	-	226,004
Amortization	167,086	80,533	912,398	-	31,758	-	178,039	-	1,369,814
	<u>1,384,335</u>	<u>1,888,696</u>	<u>2,200,275</u>	<u>289,130</u>	<u>931,307</u>	<u>601,049</u>	<u>681,046</u>	<u>-</u>	<u>7,975,838</u>
Transfers	(405,946)	(514,441)	(384,376)	(255,484)	(53,735)	102,538	242,722	1,268,722	-
Net surplus (deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,994,507	\$ 2,994,507

Cavan Monaghan Libraries
Financial Statements
For the year ended December 31, 2010
(Unaudited)

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Review Engagement Report

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

We have reviewed the statement of financial position of Cavan Monaghan Libraries as at December 31, 2010 and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Peterborough, Ontario
April 20, 2011

Cavan Monaghan Libraries
Statement of Financial Position
(Unaudited)

December 31	2010	2009
Financial assets		
Cash (Note 1)	\$ 36,843	\$ 45,717
Accounts receivable	10,544	3,336
	47,387	49,053
Liabilities		
Accounts payable and accrued liabilities	22,702	20,988
Deferred revenue	6,433	30,199
	29,135	51,187
Net financial assets (debt)	18,252	(2,134)
Non-financial assets		
Tangible capital assets (Note 4)	159,121	118,345
Accumulated surplus	\$ 177,373	\$ 116,211

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Cavan Monaghan Libraries
Statement of Operations and Accumulated Surplus
(Unaudited)

For the year ended December 31	Budget 2010	Actual 2010	Actual 2009
	(Note 3)		
Revenue			
Municipal contributions	\$ 234,529	\$ 234,529	\$ 225,130
Grants			
- Provincial	29,754	97,531	70,181
- Federal	7,225	7,225	-
User charges	8,200	11,139	9,224
Donations and other	-	9,496	1,581
	<u>279,708</u>	<u>359,920</u>	<u>306,116</u>
Expenses			
Amortization of capital assets	41,324	41,324	31,758
Insurance	10,610	10,528	10,299
IT expenses	4,900	4,066	4,236
Mileage and travel	2,500	1,341	1,786
Office expenses	22,700	25,494	20,006
Professional services	3,410	2,900	3,700
Programmer and materials	-	2,754	3,709
Supplies	3,350	4,059	2,938
Wages and benefits	201,438	206,292	190,269
	<u>290,232</u>	<u>298,758</u>	<u>268,701</u>
Annual surplus	(10,524)	61,162	37,415
Accumulated surplus, opening balance	<u>116,211</u>	<u>116,211</u>	<u>78,796</u>
Accumulated surplus, closing balance	<u>\$ 105,687</u>	<u>\$ 177,373</u>	<u>\$ 116,211</u>

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Cavan Monaghan Libraries
Statement of Change in Net Financial Assets
(Unaudited)

For the year ended December 31	Budget 2010	Actual 2010	Actual 2009
	(Note 3)		
Annual surplus	\$ (10,524)	\$ 61,162	\$ 37,415
Acquisition of tangible capital assets	(30,800)	(82,100)	(60,910)
Amortization of tangible capital assets	41,324	41,324	31,758
Net change in net assets (debt)	-	20,386	8,263
Net assets (debt), beginning of year	(2,134)	(2,134)	(10,397)
Net financial assets (debt), end of year	\$ (2,134)	\$ 18,252	\$ (2,134)

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Cavan Monaghan Libraries
Statement of Cash Flows
(Unaudited)

For the year ended December 31	2010	2009
Operating transactions		
Annual surplus	\$ 61,162	\$ 37,415
Item not involving cash		
Amortization	41,324	31,758
	<u>102,486</u>	<u>69,173</u>
Changes in non-cash operating balances		
Accounts receivable	(7,208)	16,348
Accounts payable and accrued liabilities	1,714	13,531
Deferred revenue	(23,766)	5,136
	<u>73,226</u>	<u>104,188</u>
Capital transactions		
Acquisition of tangible capital assets	(82,100)	(60,910)
Net change in cash	(8,874)	43,278
Cash, beginning of year	<u>45,717</u>	<u>2,439</u>
Cash, end of year	<u>\$ 36,843</u>	<u>\$ 45,717</u>

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

Cavan Monaghan Libraries
Summary of Significant Accounting Policies
(Unaudited)

December 31, 2010

Nature of Business

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

The 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 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
(Unaudited)

December 31, 2010

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 Libraries has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The 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
(Unaudited)

December 31, 2010

1. Cash

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

The Libraries also have authorized overdraft protection which bears interest at the business overdraft protection rate and is authorized to a maximum of \$10,000. At December 31, 2010 the Libraries had remaining undrawn credit capacity of \$10,000.

2. Financial Instruments

The Libraries' financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the 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 2010 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>2010</u>
Financial Plan (Budget) By-Law surplus for the year	\$ -
Add: Capital expenditures	30,800
Less: Amortization	<u>(41,324)</u>
Budget surplus per statement of operations	<u>\$ (10,524)</u>

Cavan Monaghan Libraries
Notes to the Financial Statements
(Unaudited)

December 31, 2010

4. Tangible Capital Assets

	2010			
	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

	2009			
	Books and periodicals	Furniture and equipment	Computers and software	Total
Cost, beginning of year	\$ 137,838	\$ 51,203	\$ 18,615	\$ 207,656
Additions	26,650	31,010	3,250	60,910
Disposals	(20,383)	-	-	(20,383)
Cost, end of year	144,105	82,213	21,865	248,183
Accumulated amortization, beginning of year	67,178	34,745	16,540	118,463
Amortization	23,480	5,488	2,790	31,758
Disposals	(20,383)	-	-	(20,383)
Accumulated amortization, end of year	70,275	40,233	19,330	129,838
Net carrying amount, end of year	\$ 73,830	\$ 41,980	\$ 2,535	\$ 118,345

Cavan Monaghan Libraries
Notes to the Financial Statements
(Unaudited)

December 31, 2010

5. Pension Agreement

OMERS provides pension services to more than 390,000 active and retired members and approximately 921 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, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 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. As a result, the Libraries does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2010 was \$7,089 (2009 - \$6,557).

**Township of Cavan Monaghan
Millbrook Business Improvement
Area Board
Financial Statements
For the year ended December 31, 2010**

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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, 2010, 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, 2010 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 6, 2011

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

December 31	2010	2009
Financial assets		
Cash	\$ 13,426	\$ 11,669
Liabilities		
Accounts payable and accrued liabilities	<u>2,468</u>	<u>2,801</u>
Net financial assets and accumulated surplus	\$ 10,958	\$ 8,868

On behalf of the Board:

_____ Director

_____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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

For the year ended December 31	Budget	2010	2009
Revenues			
Township of Cavan Monaghan			
- taxation	\$ 12,000	\$ 12,000	\$ 11,000
Donations and fundraising	4,000	8,572	4,286
Community grant	10,000	4,000	3,000
	<u>26,000</u>	<u>24,572</u>	<u>18,286</u>
Expenses			
Administration	2,800	549	81
Advertising	23,500	8,961	6,867
Donations/honorariums	400	240	-
Downtown beautification	-	3,686	5,774
Professional fees	2,100	1,830	1,550
Events:			
- BIA Dinner	-	1,551	1,185
- Fallfest/Scarecrow Festival	-	1,574	142
- Ladies night	-	1,231	1,674
- Maplefest	-	725	800
- Old Tyme Christmas	-	2,135	2,761
	<u>28,800</u>	<u>22,482</u>	<u>20,834</u>
Net revenue (expense)	(2,800)	2,090	(2,548)
Fund Balance, beginning of year	2,800	8,868	11,416
Fund Balance, end of year	\$ -	\$ 10,958	\$ 8,868

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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

<u>For the year ended December 31</u>	<u>2010</u>	<u>2009</u>
Annual surplus (deficit)	\$ 2,090	\$ (2,548)
Net change in net financial assets	2,090	(2,548)
Net financial assets, beginning of year	8,868	11,416
Net financial assets, end of year	\$ 10,958	\$ 8,868

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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

For the year ended December 31	2010	2009
Operating activities		
Net revenue (expense)	\$ 2,090	\$ (2,548)
Changes in non-cash working capital:		
Accounts payable	(333)	(2,594)
Increase (decrease) in cash flow	1,757	(5,142)
Cash, beginning of year	11,669	16,811
Cash, end of year	\$ 13,426	\$ 11,669

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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

December 31, 2010

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.

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

December 31, 2010

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.

**Township of Cavan Monaghan
Trust Funds
Financial Statements
For the year ended December 31, 2010**

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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, 2010, 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, 2010 and the results of its operations for the year then ended.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Peterborough, Ontario
May 2, 2011

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

December 31	Baptie Trust	Endowment Trust	Total 2010	Total 2009
Assets				
Cash and bank	\$ 1,005	\$ 3,081	\$ 4,086	\$ 4,307
Liabilities				
Due to Township	\$ -	\$ -	\$ -	\$ -
Fund Balances				
Capital	1,000	1,060	2,060	2,060
Income	5	2,021	2,026	2,247
	1,005	3,081	4,086	4,307
	\$ 1,005	\$ 3,081	\$ 4,086	\$ 4,307

Statement of Continuity

For the year ended December 31	Baptie Trust	Endowment Trust	Total 2010	Total 2009
Balance, beginning of year	\$ 1,054	\$ 3,253	\$ 4,307	\$ 4,477
Revenues				
Interest earned	6	18	24	20
Expenses				
Scholarships	55	190	245	190
Balance, end of year	\$ 1,005	\$ 3,081	\$ 4,086	\$ 4,307

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

December 31, 2010

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.
