
TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

TOWNSHIP OF SOUTH STORMONT

December 31, 2010

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INDEPENDENT AUDITORS' REPORT

**Craig
Keen
Despatie
Markell
LLP**

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

We have audited the consolidated financial statements of the Township of South Stormont, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of financial activities, change in net financial liabilities 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 prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants for local municipalities and its local boards 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.

Auditors' 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 an audit to obtain reasonable assurance whether the financial statements are free of 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' judgement, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the 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, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township of South Stormont as at December 31, 2010 and the results of its operations and changes in its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants for local municipalities and its local boards.

Craig Keen Despatie Markell LLP



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Licensed Public Accountants

Cornwall, Ontario
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TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2010

	2010	2009
NET FINANCIAL LIABILITIES		
Assets		
Cash	\$ 1,486,121	\$ 1,504,832
Taxes receivable	1,493,120	1,498,337
Accounts receivable	1,968,774	1,684,612
Other assets	263,240	263,240
	5,211,255	4,951,021
 Liabilities		
Temporary borrowings	350,000	-
Accounts payable	2,373,532	2,658,215
Accrued interest on municipal debt	73,651	75,871
Deferred revenue - obligatory reserve funds (Note 2)	267,026	233,989
Retirement benefits payable (Note 3)	42,637	43,560
Net municipal debt (Note 4)	7,548,928	7,731,061
Accrued landfill closure and post closure costs (Note 5)	612,500	590,625
	11,268,274	11,333,321
Net Financial Liabilities	(6,057,019)	(6,382,300)
 Non-Financial Assets		
Tangible capital assets	55,021,113	52,979,619
Inventory	81,130	88,742
	55,102,243	53,068,361
Accumulated Surplus	\$ 49,045,224	\$ 46,686,061

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2010

	BUDGET 2010	ACTUAL 2010	ACTUAL 2009
REVENUE			
Taxation (Note 1(a)(iii))	\$ 3,820,142	\$ 4,031,504	\$ 3,775,179
Taxation from other governments	462,460	461,748	461,095
Fees and service charges	4,194,383	3,950,966	3,495,967
Grants	6,097,256	4,353,488	2,145,360
Rents	-	172,118	7,002
Investment income	289,500	262,683	298,681
(Loss) gain on disposal of tangible capital assets	-	(112,442)	45,712
Donations	100,000	100,400	-
	14,963,741	13,220,465	10,228,996
EXPENDITURE			
General government	939,498	950,174	788,268
Protection to persons and property	807,743	918,254	872,943
Transportation services	1,723,691	2,693,455	2,621,445
Environmental services	3,034,685	4,435,565	4,087,293
Social and family services	3,656	16,308	10,836
Recreation and cultural services	1,041,061	1,204,161	1,211,449
Planning and development	991,201	643,385	414,767
	8,541,535	10,861,302	10,007,001
ANNUAL SURPLUS	6,422,206	2,359,163	221,995
ACCUMULATED SURPLUS, beginning of year	46,686,061	46,686,061	46,464,066
ACCUMULATED SURPLUS, end of year	\$ 53,108,267	\$ 49,045,224	\$ 46,686,061

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL
LIABILITIES

For the year ended December 31, 2010

	BUDGET 2010	ACTUAL 2010	ACTUAL 2009
Annual surplus	\$ 6,422,206	\$ 2,359,163	\$ 221,995
Amortization of tangible assets	-	2,516,501	2,455,566
Acquisition of tangible capital assets	-	(4,721,555)	(7,218,069)
Proceeds on sale of tangible capital assets	-	51,117	293,500
Loss (gain) on disposal of tangible capital assets	-	112,442	(45,712)
Transfers of capital assets from WIP to tangible capital assets	-	-	335,269
Change in inventory	-	7,613	(23,178)
Increase (decrease) in net financial liabilities	6,422,206	325,281	(3,980,629)
Net financial liabilities, beginning of year	(6,382,300)	(6,382,300)	(2,401,671)
Net financial liabilities, end of year	\$ 39,906	\$ (6,057,019)	\$ (6,382,300)

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	2010	2009
CASH FROM OPERATING ACTIVITIES		
Net surplus for the year	\$ 2,359,163	\$ 221,995
Items not affecting cash or equivalent		
Amortization expense	2,516,501	2,455,566
Loss (gain) on disposal of tangible capital assets	117,450	(45,712)
Changes in non-cash working capital balances		
Taxes receivable	5,216	229,013
Accounts receivable	(284,162)	(606,301)
Other assets	-	(263,240)
Inventory	7,612	(23,179)
Accounts payable	(289,689)	1,161,406
Accrued interest on municipal debt	(2,219)	(2,152)
Deferred revenue - obligatory reserve funds	33,036	91,658
Retirement benefits payable	(923)	-
Accrued landfill closure and post closure costs	21,875	21,875
	4,483,860	3,240,929
CASH FROM (USED IN) FINANCING ACTIVITIES		
Repayment in municipal debt	(182,133)	119,521
Proceeds from the issue of municipal debt	-	68,910
	(182,133)	188,431
CASH USED IN INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	51,117	293,500
Acquisition of tangible capital assets	(5,683,850)	(7,218,069)
Transfer of WIP to tangible capital assets	962,295	335,269
	(4,670,438)	(6,589,300)
DECREASE IN CASH AND EQUIVALENT	(368,711)	(3,159,940)
CASH AND EQUIVALENT, beginning of year	1,504,832	4,664,772
CASH AND EQUIVALENT, end of year	\$ 1,136,121	\$ 1,504,832
REPRESENTED BY :		
Cash	\$ 1,486,121	\$ 1,504,832
Temporary borrowings	(350,000)	-
	\$ 1,136,121	\$ 1,504,832

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2010

	Land and Land Improvements	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	WIP	2010	2009
Cost											
Balance, beginning of year	\$ 2,629,853	\$ 4,613,594	\$ 4,006,803	\$ 2,454,982	\$ 27,932,228	\$ 21,113,413	\$ 13,360,946	\$ 4,996,091	\$ 4,669,868	\$ 85,777,778	\$ 79,737,170
Additions during the year	50,337	439,863	309,826	41,721	200,318	1,271,068	602,809	33,815	1,771,798	4,721,555	7,218,069
Disposals during the year	1,105	-	-	-	-	557,121	-	-	-	558,226	1,177,461
Balance, end of year	2,679,085	5,053,457	4,316,629	2,496,703	28,132,546	21,827,360	13,963,755	5,029,906	6,441,666	89,941,107	85,777,778
Accumulated Amortization											
Balance, beginning of year	872,198	2,388,930	2,016,530	1,409,685	13,015,848	9,387,681	2,804,902	902,385	-	32,798,159	30,936,996
Amortization during the year	59,410	153,115	239,907	129,066	1,047,399	620,533	200,224	66,847	-	2,516,501	2,455,566
Amortization on disposals	-	-	-	-	-	394,666	-	-	-	394,666	594,403
Balance, end of year	931,608	2,542,045	2,256,437	1,538,751	14,063,247	9,613,548	3,005,126	969,232	-	34,919,994	32,798,159
Net book value	\$ 1,747,477	\$ 2,511,412	\$ 2,060,192	\$ 957,952	\$ 14,069,299	\$ 12,213,812	\$ 10,958,629	\$ 4,060,674	\$ 6,441,666	\$ 55,021,113	\$ 52,979,619

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2010

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2010	2009
Cost								
Balance, beginning of year	\$ 696,257	\$ 3,917,795	\$ 29,393,865	\$ 42,036,263	\$ 4,827,163	\$ 236,566	\$ 81,107,909	\$ 79,238,357
Additions during the year	10,651	329,535	1,322,333	803,607	483,632	-	2,949,758	2,711,744
Disposals during the year	1,105	-	557,121	-	-	-	558,226	842,192
Assets in service, end of year	705,803	4,247,330	30,159,077	42,839,870	5,310,795	236,566	83,499,441	81,107,909
Assets under construction	4,459,121	7,540	8,955	1,958,043	-	8,007	6,441,666	4,669,869
All assets, end of year	5,164,924	4,254,870	30,168,032	44,797,913	5,310,795	244,573	89,941,107	85,777,778
Accumulated Amortization								
Balance, beginning of year	279,728	2,053,261	12,289,623	15,983,239	2,134,383	57,925	32,798,159	30,936,997
Amortization during the year	12,550	162,976	871,831	1,292,581	165,973	10,590	2,516,501	2,455,566
Amortization on disposals	-	-	394,666	-	-	-	394,666	594,404
Balance, end of year	292,278	2,216,237	12,766,788	17,275,820	2,300,356	68,515	34,919,994	32,798,159
Net book value	\$ 4,872,646	\$ 2,038,633	\$ 17,401,244	\$ 27,522,093	\$ 3,010,439	\$ 176,058	\$ 55,021,113	\$ 52,979,619

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2010

	2010	2009
Surpluses		
Invested in tangible capital assets	\$ 47,971,445	\$ 45,726,364
Operating deficit	40,200	216,474
Water and sewer deficit	(182,656)	(28,739)
Unfunded capital projects	(3,263,868)	(3,021,842)
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(73,651)	(75,871)
Retirement benefits payable	(42,637)	(43,560)
Accrued landfill closure and post closure	(612,500)	(590,625)
Total operating surplus	43,836,333	42,182,201
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
. for working capital	136,029	137,229
. for future infrastructure	60,000	60,000
. for elections	-	43,007
. for fire	356,601	510,431
. for water and sewer	3,109,858	2,665,613
. for planning/CBO	821	821
. for roads	300,000	300,000
. for recreation	20,050	50
. for tax rate stabilization	120,454	-
. for other	592,238	249,923
Total reserves	4,696,051	3,967,074
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
. for water and sewer	459,911	454,472
. for Farran park	34,313	39,099
. for senior support	578	25,177
. for recreation	8,186	8,186
. for library	9,437	9,437
. for other	415	415
Total reserve funds	512,840	536,786
Total reserves and reserve funds	5,208,891	4,503,860
ACCUMULATED SURPLUS	\$ 49,045,224	\$ 46,686,061

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township of South Stormont are the representations of management prepared in accordance with Canadian generally accepted accounting policies prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) Basis of Consolidation

(i) Consolidated Entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, and reserve funds and reserves and include the activities of all committees of Council and the following local boards:

There are no local boards.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of any funds of the municipality which results in consolidated interest income and expenditures during the year.

These consolidated financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Township and intergovernmental transactions and balances are not eliminated.

There are no government business enterprises.

(ii) Non-Consolidated Entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the United Counties of Stormont, Dundas and Glengarry are not reflected in the municipal fund balances of these financial statements.

(iv) Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Balance Sheet and Statement of Continuity.

(b) Basis of Accounting

(i) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Deferred revenue

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

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial Instruments

(i) Fair value of financial instruments

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

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

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

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

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

(ii) Concentration of credit risk

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

(d) Non-financial assets

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

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Tangible capital assets

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

Land improvements	15 years
Buildings	10 to 50 years
Machinery and equipment	10 years
Vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
underground networks	50 to 100 years
sewage treatment plants	50 to 75 years
water pumping stations and reservoirs	50 to 75 years
flood stations and other infrastructure	50 to 75 years
Transportation	
roads	10 to 50 years
bridges and structures	25 to 75 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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

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

(ii) Inventory

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

2. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of "PSAB" is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	2010	2009
Parkland	\$ 98,027	\$ 128,369
Federal gas tax rebate	168,999	105,620
	\$ 267,026	\$ 233,989

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

3. RETIREMENT BENEFITS

The Township provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board Act the Township has elected to be a Schedule 1 employer and remits payments to the WSIB as required to fund disability payments. There is no liability recorded in these financial statements with respects to any WSIB liability. The Workplace Safety and Insurance Board has evaluated the estimated liability for future benefits costs and administrative loading to be \$43,560 (2009 - \$43,560).

4. MUNICIPAL DEBT

	2010	2009
Term loan, interest at 2.71%, repayable in blended semi-annual payments of \$145,247, due July 2036	\$ 5,395,562	\$ 5,536,955
Term loan, interest at 5.58%, repayable in blended monthly payments of \$15,709, due November 2017	1,079,671	1,204,143
Vehicle loan, interest at 0%, repayable in monthly payments of \$518, due May 2014	21,256	27,478
Vehicle loan, interest at 0%, repayable in monthly payments of \$630, due June 2014	26,462	34,022
Bank term loan, interest at 4.75%, repayable in blended monthly payments of \$3,515, due June 2014	135,772	170,602
Bank term loan, interest at 3.52%, repayable in blended semi-annual payments of \$9,235, due December 2015	154,561	-
Bank term loan, interest at 2.04%, repayable in blended semi-annual payments of \$2,380, due December 2015	22,164	-
Bank term loan, interest at 5.55%, repayable in blended monthly payments of \$6,643, due November 2013	214,219	280,055
Tile drain loans, interest at 10%, repayable over a ten year period in blended payments ranging between \$400 and \$7,000, maturity dates ranging from 2011 to 2020	499,261	477,806
Municipal debt, end of the year	\$ 7,548,928	\$ 7,731,061

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

2011	\$ 448,056
2012	462,099
2013	475,007
2014	483,119
2015	399,762
Thereafter	5,280,885
	\$ 7,548,928

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. MUNICIPAL DEBT (Continued)

(b) Of the net municipal debt reported in (a) of this note, principal payments are payable from the following sources as follows:

	2011 to 2015	2016 to 2020
General municipal revenues	\$ 574,434	\$ -
Benefiting landowners	1,693,609	5,280,885
	\$ 2,268,043	\$ 5,280,885

(c) Long-term liabilities issued on or after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

5. ACCRUED LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Municipality operates two solid waste landfill sites of which one is closed. The estimated remaining useful lives range between twelve and fifteen years. Under "PSAB" the estimated cost of closing the landfill sites and the cost of post closure care must be determined and amortized as a charge to operations over the life of the landfill sites. The total estimated closure and post closure costs for both sites is \$888,000 with \$612,500 (2009 - \$590,625) being accrued at the end of the current fiscal year. During the year \$21,875 (2009 - \$21,875) was amortized and charged to Current Operations - Environment.

6. LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

Unfunded liabilities are to be recovered from future revenues as follows:

	2010	2009
Future taxation revenue	\$ 655,137	\$ 634,185
Local improvement charges	73,651	75,871
	\$ 728,788	\$ 710,056

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

7. EXPENDITURES BY OBJECT

Operating expenditures are summarized as follows:

	BUDGET 2010	ACTUAL 2010	ACTUAL 2009
Salaries and benefits	\$ 1,937,112	\$ 2,186,431	\$ 2,112,779
Interest on long-term debt	182,590	431,931	418,117
Materials and services	3,834,208	4,062,545	3,541,925
Contracts and sub-contracts	2,113,553	1,231,299	1,130,357
Rents and financial expenses	395,191	338,998	269,425
Transfers to external parties	78,881	93,597	78,832
Amortization expense	-	2,516,501	2,455,566
	\$ 8,541,535	\$ 10,861,302	\$ 10,007,001

8. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer retirement plan. The plan is a defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions were required on account of current services in 2010 in the amount of \$105,175.

9. BUDGET FIGURES

Budgets established for Capital, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

10. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's financial statement presentation.