

**The Corporation of the
Village of Westport
Consolidated Financial Statements
For the year ended December 31, 2010**

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The Corporation of the Village of Westport

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The Corporation of the Village of Westport

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Auditor's Report

**To the Members of Council,
Inhabitants and Ratepayers of
The Corporation of the Village of Westport**

Report on the Financial Statements

I have audited the accompanying financial statements of The Corporation of the Village of Westport, which comprise of the statement of financial position as at December 31, 2010 and the statements of operations, reserve funds and cash flow 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

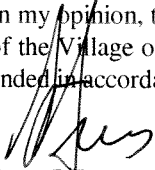
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts of disclosure in the financial statements. The procedures selected depend on the auditor's 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the Village of Westport as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Brent J. Burns
Chartered Accountant
Licensed Public Accountant

Gananoque, Ontario

May 10, 2011

The Corporation of the Village of Westport Consolidated Statement of Financial Position

| December 31 | 2010 | 2009 |
|--|---------------------|---------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 194,759 | \$ 311,198 |
| Accounts receivable | 111,462 | 159,962 |
| Taxes receivable | 112,338 | 140,922 |
| Long term investments (Note 4) | <u>340,164</u> | <u>340,164</u> |
| | <u>\$ 758,723</u> | <u>\$ 952,246</u> |
| Liabilities | | |
| Bank indebtedness | \$ 5,062 | \$ 131,445 |
| Accounts payable and accrued liabilities | 63,787 | 215,498 |
| Deferred revenues (Note 5) | 46,834 | 14,387 |
| Debt (Note 6) | <u>1,381,368</u> | <u>1,498,096</u> |
| | <u>1,497,051</u> | <u>1,859,426</u> |
| Net Debt | <u>(738,328)</u> | <u>(907,180)</u> |
| Non-financial Assets | | |
| Tangible capital assets (Schedule 1) | 10,198,373 | 10,445,462 |
| Prepaid expenses | <u>-</u> | <u>408</u> |
| | <u>10,198,373</u> | <u>10,445,870</u> |
| Accumulated Surplus (Note 7) | <u>\$ 9,460,045</u> | <u>\$ 9,538,690</u> |

**The Corporation of the Village of Westport
Consolidated Statement of Change in Net Debt**

| December 31 | 2010 Actual | 2009 Actual |
|---|------------------------|------------------------|
| Annual surplus (deficit) | \$ (78,645) | \$ 50,679 |
| Acquisition of tangible capital assets | (92,906) | (336,663) |
| Amortization of tangible capital assets | 339,995 | 338,899 |
| Other | 408 | (1,230) |
| Decrease in net debt | 168,852 | 51,685 |
| Net debt, beginning of year | (907,180) | (958,865) |
| Net debt, end of year | \$ (738,328) | \$ (907,180) |

**The Corporation of the Village of Westport
Consolidated Statement of Operations**

| December 31 | 2010 Budget | 2010 Actual | 2009 Actual |
|---|------------------------|------------------------|------------------------|
| Revenue | | | |
| Property taxes | \$ 535,325 | \$ 543,106 | \$ 520,708 |
| Government grants and transfers | 176,199 | 336,148 | 240,021 |
| User fees - water and wastewater | - | 407,018 | 330,984 |
| - other | 231,300 | 307,187 | 308,509 |
| Fees, permits, licensees and fines | - | 32,467 | 23,112 |
| Investment income | 12,150 | 15,605 | 13,202 |
| Miscellaneous revenues | 135,180 | 99,501 | 252,028 |
| Total revenues | 1,090,154 | 1,741,032 | 1,688,564 |
| Expenses | | | |
| General government | 345,256 | 415,267 | 373,818 |
| Protection to persons and property | 114,436 | 106,584 | 140,673 |
| Roadways and transportation | 147,264 | 241,311 | 209,495 |
| Environmental services | 123,600 | 679,221 | 567,226 |
| Recreation and culture | 299,200 | 352,004 | 341,319 |
| Planning and development | 63,404 | 25,290 | 5,354 |
| Total expenses | 1,093,160 | 1,819,677 | 1,637,885 |
| Annual surplus (deficit) | (3,006) | (78,645) | 50,679 |
| Accumulated surplus- beginning of year | 9,538,690 | 9,538,690 | 9,488,011 |
| Accumulated surplus – end of year | \$ 9,535,684 | \$ 9,460,045 | \$ 9,538,690 |

**The Corporation of the Village of Westport
Consolidated Statement of Cash Flow**

| December 31 | 2010 Actual | 2009 Actual |
|---|--------------------------|--------------------------|
| Operating transactions | | |
| Annual surplus (deficit) | \$ (78,645) | \$ 50,679 |
| Amortization | 339,995 | 338,899 |
| Other | <u>(42,180)</u> | <u>(131,472)</u> |
| Cash provided by operating transactions | <u>219,170</u> | 258,106 |
| Capital transactions | | |
| Cash used to acquire tangible capital assets | <u>(92,906)</u> | <u>(336,663)</u> |
| Financing transactions | | |
| Debt repayment | <u>(116,320)</u> | <u>(80,415)</u> |
| Increase (decrease) in cash and cash equivalents | 9,944 | (158,972) |
| Cash and cash equivalents – beginning of year | <u>179,753</u> | <u>338,725</u> |
| Cash and cash equivalents – end of year | \$ 189,697 | \$ 179,753 |
| Cash and cash equivalents include: | | |
| Cash and cash equivalents | \$ 194,759 | 311,198 |
| Bank indebtedness | <u>(5,062)</u> | <u>(131,445)</u> |
| | <u>\$ 189,697</u> | <u>\$ 179,753</u> |

The Corporation of the Village of Westport

Notes to Consolidated Financial Statements

December 31, 2010

1. Municipal Structure

The Corporation of the Village of Westport was established in 1904 and is responsible for services related to the following:

- Protection to persons and property, including Police, Conservation Authorities, Emergency Planning and Fire Protection.
- Transportation Services, including roadways, streetlights, and docks.
- Environmental Services, including the water supply system, sanitary sewer system, and solid waste management.
- Planning, including official plan administration
- Financial, including all debt issues and property tax policy.

2. Summary of Accounting Policies

The consolidated financial statements of the Village are the representation of management prepared in accordance with generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Village and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. This information explains the overall future revenue requirements and its ability to finance activities.

Effective January 1, 2009, the Village changed its accounting and financial reporting to conform to the revised guidelines in the Public Sector Accounting Handbook on financial reporting presentation (section PS 1200) and tangible capital accounting (PS 3150). Current year data is presented on the new basis. Prior year data has been restated on the same basis whenever possible, to be comparable with the current year data. The most significant change is the reporting of tangible capital assets for the first time, and the inclusion of the Consolidated Statement of Change in Net Debt.

(a) (i) Reporting Entity

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, Reserves, Reserve Funds, and changes in investment in tangible capital assets of the Village, the Water and Wastewater Systems, the Westport Library Board, the Rideau District Museum Board and the Westport/North Crosby Waste Management Board are proportionally consolidated.

(ii) Trust Funds

Trust Funds administered by the Village are not included in these consolidated financial statements. Trust Funds are disclosed separately in the Trust Funds Statement of Financial Activities and Fund Balances and the Trust Funds Statement of Financial Position.

The Corporation of the Village of Westport Notes to Consolidated Financial Statements

December 31, 2010

2. Summary of Accounting Policies (continued)

(b) Basis of Accounting

(i) Accrual Basis of Accounting

Expenditures and related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(ii) 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 Debt for the year.

(iii) Tangible Capital Assets

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

- Land improvements – 10, 20 and 25 years
- Buildings– 20, 25, 30 and 45 years
- Equipment – 15 years
- Roads – paved – 40 years
- Roads – gravel – 40 years
- Sidewalks – 25 years
- Vehicles – 20 years
- Water distribution system – 50 years
- Sewage collection system – 50 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available.

(iv) Pension and Employee Benefits

The Village accounts for its participation in the Ontario Municipal Employees Retirement System (“OMERS”), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits.

The Corporation of the Village of Westport

Notes to Consolidated Financial Statements

December 31, 2010

2. Summary of Accounting Policies (continued)

(v) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(vi) Landfill closure and post-closure liabilities

The Village accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

The landsite was closed on December 31, 2008. Post closure costs are expensed as incurred.

(vii) Revenue Recognition

Property tax billings are prepared by the Village based on an assessment roll prepared by Municipal Property Assessment Corporation, an agency of the Ontario government. Any supplementary billing adjustment made necessary by assessment appeals submitted by the ratepayers and changes to assessed value reflecting new construction will be recognized in the year they are determined.

User charges and fees are recognized as revenue in the year the goods and services are provided.

Government grants and transfers are recognized as revenue in the year in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligible criteria have been met, and reasonable estimates can be made. Receipts which are restricted by legislation of senior governments are reported as deferred revenues, until qualifying expenditures are incurred.

Investment income is reported in revenue in the period earned.

**The Corporation of the Village of Westport
Notes to Consolidated Financial Statements**

December 31, 2010

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

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

| | School Board | United Counties |
|-------------------------|-------------------------|----------------------------|
| Taxation | \$ 298,439 | \$ 286,453 |
| Grants in lieu of taxes | 426 | 1,414 |
| | 298,865 | 287,867 |
| Requisitions | (298,865) | (287,867) |
| | \$ - | \$ - |

4. Long Term Investments

Long term investments are comprised of:

| | 2010 | 2009 |
|---|-------------|-------------|
| Common Share of Rideau St. Lawrence Distribution Inc. | \$ 340,164 | \$ 340,164 |

Long term investments are recorded at cost. Investment income of \$12,891 is included in the Consolidated Statement of Operations.

5. Deferred Revenues

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

| | 2010 | 2009 |
|---------------------------|-------------|-------------|
| Obligatory Reserve Funds: | | |
| Park in Lieu | \$ 7,388 | \$ 7,388 |
| Other deferred revenue | 39,446 | 6,999 |
| | \$ 46,834 | \$ 14,387 |

The Corporation of the Village of Westport Notes to Consolidated Financial Statements

December 31, 2010

6. Debt

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

| | 2010 | 2009 |
|--|---------------------|--------------|
| (i) Long term bank loans incurred by the municipality including those incurred for municipal enterprises and outstanding at the end of the year amount to: | \$ 1,155,175 | \$ 1,241,056 |
| (ii) Solid waste site landfill closure and post closure liabilities | 226,193 | 257,040 |
| | \$ 1,381,368 | \$ 1,498,096 |

- b) The long term liabilities reported in (a) (i) of this note 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.

7. Accumulated Surplus

| | 2010 | 2009 |
|--|---------------------|--------------|
| Surplus – general revenue | 9,395,485 | 9,557,316 |
| Reserves (Schedule 2) | | |
| Village | 201,738 | 187,050 |
| Water and wastewater | 38,898 | 38,898 |
| Waste Management Board | 10,000 | 5,166 |
| Reserve fund – Harbour | 7,300 | 7,300 |
| Unfunded | | |
| Landfill site closure and post-closure liabilities | (193,376) | (257,040) |
| | \$ 9,460,045 | \$ 9,538,690 |

The Corporation of the Village of Westport

Notes to Consolidated Financial Statements

December 31, 2010

8. Expenditures by Object

The Consolidated Statement of Operations presents the consolidated expenditures by function. The following classifies those same expenditures by object:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|---------------------|---------------------|
| Salaries, wages and employee benefits | \$ 302,004 | \$ 329,716 |
| Operating materials and supplies | 671,283 | 624,700 |
| Contracted services | 415,438 | 272,242 |
| Rents and financial expenses | 34,367 | 11,407 |
| External transfers | 339,995 | 68,827 |
| Amortization | 56,580 | 266,629 |
| Interest on debt | | 64,364 |
| | <u>\$ 1,819,677</u> | <u>\$ 1,637,885</u> |
| Total expenditure by object | <u>\$ 1,819,677</u> | <u>\$ 1,637,885</u> |

9. Pension Contributions

The Village contributed \$ 9,776 (2009 - \$7,964) to OMERS on behalf of 3 employees for current services. Contributions by employees were a similar amount. The Village's contributions are included on the Consolidated Statement of Operations classified under the appropriate functional expenditure headings.

10. Trust Funds

Trust Funds administered by the Village, totaling \$ 515 (2009 - \$360), are presented in a separate financial statement of trust fund financial position, financial activities and fund balances. As such, balances are held in trust by the Village for the benefit of others and have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

11. Budget Amounts

The operating budget approved by the Village for 2010 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and therefore, may not be comparable with current year's actual expenditure amounts. As well, the Village does not budget activity within Reserves and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

The Corporation of the Village of Westport

Notes to Consolidated Financial Statements

December 31, 2010

13. Staff Salaries

This municipality is an employer subject to the Public Sector Salary Disclosure Act 1996. No employees were paid \$100,000 or more by the Village in 2010.

14. Segmented Information

The Village of Westport provides a wide range of services to its ratepayers, including police, fire, ambulance, and water. For management reporting purposes the Village's operations and activities are organized and reported by service.

Village services are provided by departments and their activities are reported by department. The services they provide are as follows:

Protection – For Persons and Property

The Fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. Building inspection and By-Law Enforcement ensure an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of the occupants

Planning and Development

The Planning and Development department provides a diverse bundle of services. It manages urban development for business interest, environmental concerns and heritage matters. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery service to citizens.

Roads and Water and Wastewater

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, and street lighting. The Water and Waste department consist of three distinct utilities – water, wastewater and solid waste disposal. The department provides drinking water to citizens of Westport, collecting and treating wastewater, and providing collection disposal and waste minimization programs. Their garbage collection operations are reported in the General Revenue Fund and are included in the Environmental Services segment.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

Schedule 1

**The Corporation of the Village of Westport
Schedule of Tangible Capital Assets**

For the year ended December 31, 2010

| | Opening Balance at Beginning of Year | Additions | Balance End of Year | Accumulated Amortization Beginning Of Year | Amortization | Accumulated Amortization End of Year | Net Carrying Amount End of Year |
|---------------------------|--|-----------|---------------------------|---|--------------|---|---|
| Land | \$ 9 | \$ - | \$ 9 | \$ - | \$ - | \$ - | \$ 9 |
| Land improvements | 285,215 | 26,705 | 311,920 | 29,061 | 15,952 | 45,013 | 266,907 |
| Buildings | 4,249,489 | 6,460 | 4,255,949 | 281,777 | 141,543 | 423,320 | 3,832,629 |
| Equipment | 96,876 | - | 96,876 | 30,779 | 8,484 | 39,263 | 57,613 |
| Roads – paved | 2,123,966 | - | 2,123,966 | 103,608 | 51,804 | 155,412 | 1,968,554 |
| Roads – gravel | 17,978 | - | 17,978 | 3,268 | 1,634 | 4,902 | 13,076 |
| Sidewalks | 1,392,300 | - | 1,392,300 | 107,100 | 53,550 | 160,650 | 1,231,650 |
| Vehicles | 241,996 | - | 241,996 | 69,012 | 12,600 | 81,612 | 160,384 |
| Water distribution system | 1,201,680 | 47,188 | 1,248,868 | 48,068 | 24,034 | 72,102 | 1,176,766 |
| Sewage collection system | 1,568,202 | 12,553 | 1,580,755 | 59,576 | 30,394 | 89,970 | 1,490,785 |
| | \$ 11,177,711 | \$ 92,906 | \$ 11,270,617 | \$ 732,249 | \$ 339,995 | \$ 1,072,244 | \$ 10,198,373 |

Schedule 2**The Corporation of the Village of Westport
Schedule of Reserves****For the year ended December 31, 2010**

| Reserves | Beginning Balance | Transfers To | Transfers From | Balance End of Year |
|-----------------------------------|------------------------------|-------------------------|---------------------------|------------------------------------|
| Reserve for Working Capital | \$ 83,950 | \$ 13,926 | \$ - | \$ 97,876 |
| Reserve for Roads | 20,000 | - | - | 20,000 |
| Reserve for Equipment Replacement | 76,100 | - | - | 76,100 |
| Reserve for Computer Software | 7,000 | - | - | 7,000 |
| Reserve for Water Operations | 13,078 | - | - | 13,078 |
| Reserve for Wastewater Operations | 25,820 | - | - | 25,820 |
| Reserve for Fire Hours | 762 | - | - | 762 |
| Reserve for Waste Management | 5,166 | 4,834 | - | 10,000 |
| | \$ 231,876 | \$ 18,760 | \$ - | \$ 250,636 |