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**TOWNSHIP OF SOUTH STORMONT**

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**FINANCIAL STATEMENTS**

**December 31, 2014**

# TOWNSHIP OF SOUTH STORMONT

December 31, 2014

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Township of South Stormont, which comprise the statement of financial position as at December 31, 2014, and the 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.

### *Administration's Responsibility for the Financial Statements*

Administration 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 administration 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' 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 auditors consider 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 financial statements present fairly, in all material respects, the financial position of the Township of South Stormont as at December 31, 2014 and the results of its operations and changes in its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

**Craig Keen Despatie Markell LLP**

Cornwall, Ontario  
May 13, 2015

**Chartered Professional Accountants**  
Licensed Public Accountants

**TOWNSHIP OF SOUTH STORMONT**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2014

	<b>2014</b>	<b>2013</b>
<b>NET FINANCIAL LIABILITIES</b>		
<b>ASSETS</b>		
Cash	\$ 6,168,305	\$ 6,283,786
Taxes receivable	1,428,593	1,701,737
Accounts receivable	2,095,358	1,838,634
Other assets	345,431	345,431
	<b>10,037,687</b>	<b>10,169,588</b>
<b>LIABILITIES</b>		
Accounts payable	2,653,945	2,332,643
Accrued interest on municipal debt	74,918	66,593
Deferred revenue - obligatory reserve funds (Note 2)	320,925	364,705
Municipal debt (Note 4)	8,613,494	8,637,804
Accrued landfill closure and post closure costs (Note 5)	700,000	678,125
	<b>12,363,282</b>	<b>12,079,870</b>
<b>NET FINANCIAL LIABILITIES</b>	<b>(2,325,595)</b>	<b>(1,910,282)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	56,152,573	54,203,983
Inventory	224,883	218,527
	<b>56,377,456</b>	<b>54,422,510</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 54,051,861</b>	<b>\$ 52,512,228</b>

See Accompanying Notes



**TOWNSHIP OF SOUTH STORMONT**  
**STATEMENT OF FINANCIAL ACTIVITIES**

For the year ended December 31, 2014

	BUDGET 2014 (Unaudited)	ACTUAL 2014	ACTUAL 2013
<b>REVENUE</b>			
Taxation (Note 1(a)(iii))	\$ 5,098,871	\$ 5,181,767	\$ 4,800,996
Taxation from other governments	480,037	478,504	477,128
Fees and service charges	3,692,711	4,175,206	3,862,761
Grants	1,122,662	1,056,999	1,197,397
Rents	329,356	343,240	329,029
Investment income	388,600	380,312	402,396
Donations	15,500	12,812	31,824
	11,127,737	11,628,840	11,101,531
<b>EXPENDITURES</b>			
General government	1,326,974	1,248,849	1,219,596
Protection to persons and property	1,325,230	1,079,814	953,197
Transportation services	2,963,917	2,700,995	2,816,674
Environmental services	4,390,950	4,513,573	4,107,936
Social and family services	14,628	10,885	19,754
Recreation and cultural services	1,018,445	1,014,152	919,122
Planning and development	568,964	473,912	488,987
	11,609,108	11,042,180	10,525,266
<b>OTHER REVENUE RELATED TO CAPITAL</b>			
Deferred revenue earned (Note 2)	524,200	452,632	385,747
Grants	677,441	609,663	224,311
Loss on disposal of tangible capital assets	-	(109,322)	(97,936)
	1,201,641	952,973	512,122
<b>NET SURPLUS FOR THE YEAR</b>	720,270	1,539,633	1,088,387
<b>ACCUMULATED SURPLUS, beginning of year</b>	52,512,228	52,512,228	51,423,841
<b>ACCUMULATED SURPLUS, end of year</b>	\$ 53,232,498	\$ 54,051,861	\$ 52,512,228

See Accompanying Notes



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

For the year ended December 31, 2014

	BUDGET 2014 (Unaudited)	ACTUAL 2014	ACTUAL 2013
Net surplus for the year	\$ 720,270	\$ <b>1,539,633</b>	\$ 1,088,387
Amortization of tangible assets	2,349,751	<b>2,351,903</b>	2,189,788
Acquisition of tangible capital assets	(3,980,227)	<b>(6,691,555)</b>	(2,600,488)
Proceeds on disposal of tangible capital assets	-	<b>25,168</b>	31,540
Loss on disposal of tangible capital assets	-	<b>109,322</b>	97,936
Transfers of capital assets from WIP to tangible capital assets	-	<b>2,256,570</b>	31,098
Change in inventory	-	<b>(6,354)</b>	(41,225)
(Increase) decrease in net financial liabilities	(910,206)	<b>(415,313)</b>	797,036
Net financial liabilities, beginning of year	(1,910,282)	<b>(1,910,282)</b>	(2,707,318)
Net financial liabilities, end of year	\$ (2,820,488)	\$ <b>(2,325,595)</b>	\$ (1,910,282)

See Accompanying Notes



# TOWNSHIP OF SOUTH STORMONT

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	2014	2013
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net surplus for the year	\$ 1,539,633	\$ 1,088,387
Items not affecting cash or equivalent		
Amortization expense	2,351,903	2,189,788
Loss on disposal of tangible capital assets	109,322	97,936
Changes in non-cash working capital balances		
Taxes receivable	273,144	(230,015)
Accounts receivable	(256,724)	337,621
Other assets	-	(3,188)
Accounts payable	321,303	200,088
Accrued interest on municipal debt	8,325	(2,082)
Deferred revenue - obligatory reserve funds	(43,781)	5,198
Accrued landfill closure and post closure costs	21,875	21,875
Inventory	(6,354)	(41,225)
	<b>4,318,646</b>	<b>3,664,383</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of municipal debt	(574,310)	(580,214)
Proceeds from the issue of municipal debt	550,000	66,900
	<b>(24,310)</b>	<b>(513,314)</b>
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Proceeds on disposal of tangible capital assets	25,168	31,540
Acquisition of tangible capital assets	(6,691,555)	(2,600,488)
Transfer of WIP to tangible capital assets	2,256,570	31,098
	<b>(4,409,817)</b>	<b>(2,537,850)</b>
<b>(DECREASE) INCREASE IN CASH AND EQUIVALENT</b>	<b>(115,481)</b>	<b>613,219</b>
<b>CASH AND EQUIVALENT, beginning of year</b>	<b>6,283,786</b>	<b>5,670,567</b>
<b>CASH AND EQUIVALENT, end of year</b>	<b>\$ 6,168,305</b>	<b>\$ 6,283,786</b>
<b>REPRESENTED BY :</b>		
Cash	<b>\$ 6,168,305</b>	<b>\$ 6,283,786</b>

See Accompanying Notes



# TOWNSHIP OF SOUTH STORMONT

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2014

	Land and Land Improvements	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	Assets Under Construction	2014	2013
<b>Cost</b>											
Balance, beginning of year	\$ 2,814,262	\$ 9,874,314	\$ 5,004,375	\$ 2,860,547	\$ 28,494,104	\$ 22,413,317	\$ 15,949,007	\$ 5,184,444	\$ 2,359,088	\$ 94,953,458	\$ 93,068,134
Additions during the year	241,845	1,535,800	552,179	74,820	315,180	2,687,188	1,016,100	220,452	47,991	6,691,555	2,600,488
Disposals during the year	34,465	53,188	38,335	-	-	471,892	39,987	34,041	2,256,570	2,928,478	715,164
<b>Balance, end of year</b>	<b>3,021,642</b>	<b>11,356,926</b>	<b>5,518,219</b>	<b>2,935,367</b>	<b>28,809,284</b>	<b>24,628,613</b>	<b>16,925,120</b>	<b>5,370,855</b>	<b>150,509</b>	<b>98,716,535</b>	<b>94,953,458</b>
<b>Accumulated Amortization</b>											
Balance, beginning of year	1,094,059	2,710,837	2,407,695	1,845,328	16,800,834	11,071,495	3,675,143	1,144,084	-	40,749,475	39,114,276
Amortization during the year	67,102	263,683	295,986	122,764	644,090	658,304	224,437	75,537	-	2,351,903	2,189,788
Amortization on disposals	5,755	43,799	38,335	-	-	394,665	31,032	23,830	-	537,416	554,589
<b>Balance, end of year</b>	<b>1,155,406</b>	<b>2,930,721</b>	<b>2,665,346</b>	<b>1,968,092</b>	<b>17,444,924</b>	<b>11,335,134</b>	<b>3,868,548</b>	<b>1,195,791</b>	<b>-</b>	<b>42,563,962</b>	<b>40,749,475</b>
<b>Net book value</b>	<b>\$ 1,866,236</b>	<b>\$ 8,426,205</b>	<b>\$ 2,852,873</b>	<b>\$ 967,275</b>	<b>\$ 11,364,360</b>	<b>\$ 13,293,479</b>	<b>\$ 13,056,572</b>	<b>\$ 4,175,064</b>	<b>\$ 150,509</b>	<b>\$ 56,152,573</b>	<b>\$ 54,203,983</b>

See Accompanying Notes





**TOWNSHIP OF SOUTH STORMONT**

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2014

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2014	2013
<b>Cost</b>								
Balance, beginning of year	\$ 5,018,528	\$ 4,894,954	\$ 31,149,968	\$ 46,010,871	\$ 5,403,345	\$ 116,705	\$ 92,594,371	\$ 91,581,196
Additions during the year	1,468,196	41,552	3,231,342	1,576,294	313,819	12,359	6,643,562	1,697,241
Disposals during the year	-	-	544,268	39,987	87,653	-	671,908	684,066
Assets in service, end of year	6,486,724	4,936,506	33,837,042	47,547,178	5,629,511	129,064	98,566,025	92,594,371
Assets under construction	-	44,924	29,139	75,352	-	1,095	150,510	2,359,087
Balance, end of year	6,486,724	4,981,430	33,866,181	47,622,530	5,629,511	130,159	98,716,535	94,953,458
<b>Accumulated Amortization</b>								
Balance, beginning of year	480,630	2,568,775	14,032,585	21,213,153	2,360,967	93,365	40,749,475	39,114,276
Amortization during the year	114,104	182,108	895,457	977,097	171,067	12,070	2,351,903	2,189,788
Amortization on disposals	-	-	456,830	31,032	49,554	-	537,416	554,589
Balance, end of year	594,734	2,750,883	14,471,212	22,159,218	2,482,480	105,435	42,563,962	40,749,475
<b>Net book value</b>	<b>\$ 5,891,990</b>	<b>\$ 2,230,547</b>	<b>\$ 19,394,969</b>	<b>\$ 25,463,312</b>	<b>\$ 3,147,031</b>	<b>\$ 24,724</b>	<b>\$ 56,152,573</b>	<b>\$ 54,203,983</b>

See Accompanying Notes



**TOWNSHIP OF SOUTH STORMONT**  
**SCHEDULE OF ACCUMULATED SURPLUS**

For the year ended December 31, 2014

	2014	2013
<b>(Deficits) Surpluses</b>		
Operating surplus	\$ -	\$ -
Water and sewer surplus	56,369	295,652
Land inventory for sale surplus	67,987	67,987
(Unfunded capital outlay) Unexpended capital financing	(667,220)	762,861
Unfunded liabilities to be recovered from future revenues (Note 6)		
Accrued interest on municipal debt	(74,918)	(66,593)
Accrued landfill closure and post closure	(700,000)	(678,125)
<b>Total (deficit) surplus</b>	<b>(1,317,782)</b>	381,782
<b>Reserves and reserve funds</b>		
<b>Reserves set aside for specific purposes by Council:</b>		
. for working capital	1,264,598	705,526
. for elections	-	43,746
. for fire	1,016,190	891,000
. for water and sewer	4,018,672	3,492,977
. for recreation	210,498	105,448
. for tax rate stabilization	-	131,017
. for other	650,135	599,811
<b>Total reserves</b>	<b>7,160,093</b>	5,969,525
<b>Reserve funds set aside for specific purpose by legislation, regulation or agreement:</b>		
. for water and sewer	496,121	483,517
. for senior support	16,035	8,222
. for library	8,353	8,922
<b>Total reserve funds</b>	<b>520,509</b>	500,661
<b>Total reserves and reserve funds</b>	<b>7,680,602</b>	6,470,186
<b>Invested in tangible capital assets</b>		
Tangible capital assets	56,152,573	54,203,983
Less: related debt	8,463,532	8,543,723
<b>Total invested in tangible capital assets</b>	<b>47,689,041</b>	45,660,260
<b>ACCUMULATED SURPLUS</b>	<b>\$ 54,051,861</b>	<b>\$ 52,512,228</b>

See Accompanying Notes



**TOWNSHIP OF SOUTH STORMONT**

**SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS**

For the year ended December 31, 2014

	(Deficits) Surpluses	Reserves	Invested in Tangible Capital Assets	2014	2013
<b>Balance, beginning of year</b>	<b>\$ 381,782</b>	<b>\$ 6,470,186</b>	<b>\$ 45,660,260</b>	<b>\$ 52,512,228</b>	<b>\$ 51,423,841</b>
Surplus for the year	3,878,398	13,138	(2,351,903)	1,539,633	1,088,387
Reserve funds used for operations	330,006	(330,006)	-	-	-
Funds transferred to reserves	(1,527,284)	1,527,284	-	-	-
Current year funds used for tangible capital assets	(4,434,985)	-	4,434,985	-	-
Disposal of tangible capital assets	134,492	-	(134,492)	-	-
Repayment of municipal debt related to capital	(630,191)	-	630,191	-	-
Proceeds from the issue of municipal debt	550,000	-	(550,000)	-	-
<b>Change in accumulated surplus</b>	<b>(1,699,564)</b>	<b>1,210,416</b>	<b>2,028,781</b>	<b>1,539,633</b>	<b>1,088,387</b>
<b>Balance, end of year</b>	<b>\$ (1,317,782)</b>	<b>\$ 7,680,602</b>	<b>\$ 47,689,041</b>	<b>\$ 54,051,861</b>	<b>\$ 52,512,228</b>

See Accompanying Notes



# TOWNSHIP OF SOUTH STORMONT

## SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2014

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2014	2013
<b>REVENUE</b>								
Taxation	\$ 750,384	\$ 718,137	\$ 2,141,811	\$ 602,098	\$ 700,742	\$ 268,595	\$ 5,181,767	\$ 4,800,996
Taxation from								
other governments	38,113	71,369	212,855	59,834	69,640	26,693	478,504	477,128
Fees and service charges	104,029	160,128	14,250	3,336,886	368,919	190,994	4,175,206	3,862,761
Grants	918,361	23,711	51,749	46,480	-	16,698	1,056,999	1,197,397
Rents	325,048	-	-	-	18,192	-	343,240	329,029
Investment income	351,237	-	-	29,075	-	-	380,312	402,396
Other	-	12,812	-	-	-	-	12,812	31,824
	2,487,172	914,788	2,207,810	4,014,539	1,069,661	476,287	11,628,840	11,101,531
<b>EXPENSES</b>								
Wages and benefits	541,987	488,130	720,296	326,282	383,240	113,316	2,573,251	2,361,633
Interest on municipal debt	98,195	4,183	1,088	169,724	-	109,700	382,890	434,488
Materials and services	342,694	225,570	868,359	1,796,464	427,631	207,548	3,868,266	3,761,292
Contracted services	9,344	65,166	164,125	1,145,464	1,063	31,278	1,416,440	1,323,269
Insurance and financial costs	142,526	25,314	51,675	85,712	42,037	-	347,264	348,988
Third party transfers	-	89,343	-	12,823	-	-	102,166	105,808
Amortization	114,103	182,108	895,452	977,104	171,066	12,070	2,351,903	2,189,788
	1,248,849	1,079,814	2,700,995	4,513,573	1,025,037	473,912	11,042,180	10,525,266
<b>OTHER REVENUE RELATED TO CAPITAL</b>								
Deferred revenue earned	-	-	452,632	-	-	-	452,632	385,747
Grants	-	-	329,190	258,239	22,234	-	609,663	224,311
Loss on disposal of tangible capital assets	-	-	(84,540)	(8,955)	(15,827)	-	(109,322)	(97,936)
	-	-	697,282	249,284	6,407	-	952,973	512,122
<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>								
	\$ 1,238,323	\$ (165,026)	\$ 204,097	\$ (249,750)	\$ 51,031	\$ 2,375	\$ 1,539,633	\$ 1,088,387

See Accompanying Notes



# TOWNSHIP OF SOUTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of South Stormont are prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

#### (a) Basis of consolidation

##### (i) Consolidated entities

These 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 Township which results in consolidated interest income and expenditures during the year.

These 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

Trust funds and their related operations administered by the Township are not consolidated.

#### (b) Fund accounting

Funds within the financial statements consists of the operating fund, capital fund and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

#### (c) Taxation and related revenue

Property tax billings are issued by the Township based on assessment rolls prepared by the Municipal Property Assessment Corporation (MPAC) and collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Stormont, Dundas and Glengarry, provincial education taxes on behalf of the Province of Ontario, payment in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legislation.

**TOWNSHIP OF SOUTH STORMONT**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Taxation and related revenue (continued)**

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

**(d) Government grants**

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

**(e) Government transfers**

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

**(f) Fees and service charges**

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but not are limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

**(g) Investment income**

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

**(h) Cash and cash equivalents**

Cash and cash equivalents is defined as cash on hand and cash on deposit.

**(i) Reserve funds**

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective fund when approved.

**(j) Deferred revenue**

Deferred revenue represents government transfers that have been received for specific purposes, but the respective expenditure has not been incurred to date. These amounts will be recognized as revenues in the year the expenditures are incurred.

# TOWNSHIP OF SOUTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(k) Landfill closure costs**

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

**(l) Employee benefits**

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Township's policy. The Township accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), as a defined benefit plan.

**(m) Amounts to be recovered from future revenues**

Amounts to be recovered from future revenues represents the outstanding principal portion of unmatured long-term liabilities for expenditures, accrued interest on long-term liabilities and future employment benefits payable that will be financed through future revenues of the Township and is reported on the Statement of Financial Position.

**(n) 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.

**(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	5 to 40 years
Buildings	10 to 40 years
Machinery and equipment	5 to 30 years
Vehicles	6 to 24 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
underground networks	50 to 100 years
sewage treatment plants	40 years
water pumping stations and reservoirs	40 years
other infrastructure	50 to 75 years
Transportation	
roads	7 to 40 years
bridges and structures	5 to 75 years

No amortization is charged in the year of acquisition. Assets under construction are not amortized until the year following the asset being available for productive use.

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.

# TOWNSHIP OF SOUTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Non-financial assets (continued)

The Township has a capitalization threshold of \$5,000 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 pooled assets are desktop computer systems and street lights.

#### (ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

#### (iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### (iv) Inventory

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

#### (o) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration 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 expenditures during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, and the estimated landfill closure and post closure costs. Actual results could differ from these estimates.

### 2. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards 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 transactions in the obligatory reserve funds are summarized as follows:

	<b>Federal Gas Tax</b>	<b>Parkland</b>	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 304,599	\$ 60,106	\$ 364,705	\$ 359,507
Grants received	375,591	25,550	401,141	384,051
Interest and other	5,810	1,901	7,711	6,894
Deferred revenue earned	(452,632)	-	(452,632)	(385,747)
Balance, end of year	\$ 233,368	\$ 87,557	\$ 320,925	\$ 364,705



**TOWNSHIP OF SOUTH STORMONT**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2014

**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 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 \$56,940 (2013 - \$56,940).

**4. MUNICIPAL DEBT**

	2014	2013
Term loan, interest at 2.71%, repayable in blended semi-annual payments of \$145,247, due July 2036	\$ 4,790,344	\$ 4,947,812
Term loan, interest at 5.58%, repayable in blended monthly payments of \$15,709, due November 2017	506,330	661,848
Term loan, interest at 2.69%, repayable in blended semi-annual payments of \$31,548, due September 2024	550,000	-
Vehicle loan, interest at 0%, repayable in monthly payments of \$518, due May 2014	-	2,592
Vehicle loan, interest at 0%, repayable in monthly payments of \$630, due June 2014	-	3,780
Bank term loan, interest at 4.75%, repayable in blended monthly payments of \$3,515, due June 2014	-	20,802
Bank term loan, interest at 3.52%, repayable in blended semi-annual payments of \$9,235, due December 2020	99,117	113,712
Bank term loan, interest at 2.04%, repayable in blended semi-annual payments of \$2,380, due December 2015	4,668	9,216
Bank term loan, interest at 3.52%, repayable in blended semi-annual payments of \$122,357, due November 2026	2,378,427	2,535,268
Tile drain loans, interest at 6%, repayable over a ten year period in blended payments ranging between \$1,060 and \$6,793, maturity dates ranging from 2015 to 2023	284,608	342,774
Internal loans from reserve funds	134,646	248,690
	<b>8,748,140</b>	8,886,494
Less: Internal loans from reserve funds	<b>(134,646)</b>	(248,690)
<b>Municipal debt, end of the year</b>	<b>\$ 8,613,494</b>	<b>\$ 8,637,804</b>

**TOWNSHIP OF SOUTH STORMONT**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2014

**4. MUNICIPAL DEBT (Continued)**

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

	2015		\$	<b>649,241</b>
	2016			<b>656,299</b>
	2017			<b>661,562</b>
	2018			<b>489,271</b>
	2019			<b>467,704</b>
	Thereafter			<b>5,689,417</b>
				<b>\$ 8,613,494</b>

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

	2015 to 2019		2020 to 2024
General municipal revenues	\$ 1,265,210	\$	1,797,863
Benefiting landowners	1,793,513	\$	3,891,554
	\$ 3,058,723	\$	5,689,417

(c) The Township is contingently liable for municipal debt with respect to tile drainage. The total amount outstanding as at December 31, 2014 is \$284,608 (2013 - \$342,774).

**5. ACCRUED LANDFILL CLOSURE AND POST CLOSURE LIABILITY**

The Township operates two solid waste landfill sites of which one is closed. The estimated remaining useful life for the operational site is less than ten years, while the second landfill site was closed in 2003 and is currently under the Ministry monitoring process.

Under Canadian public sector accounting standards the estimated cost of closing the operational landfill site and the cost of post-closure care for both sites 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 \$700,000 (2013 - \$678,125) being accrued at the end of the current fiscal year. During the year \$21,875 (2013 - \$21,875) was amortized and charged to Financial Activities - Environmental Services.

**TOWNSHIP OF SOUTH STORMONT**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2014

**6. LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES**

Amounts to be recovered from future taxation and local improvement charges are as follows:

	2014	2013
Municipal debt	\$ 8,748,140	\$ 8,886,494
Accrued interest on municipal debt	74,918	66,593
Accrued landfill closure and post-closure	700,000	678,125
	<b>\$ 9,523,058</b>	<b>\$ 9,631,212</b>

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 3,763,073	\$ 3,489,257
Benefiting landowners	5,759,985	6,141,955
	<b>\$ 9,523,058</b>	<b>\$ 9,631,212</b>

**7. OPERATING EXPENDITURES BY OBJECT**

Operating expenditures are summarized as follows:

	BUDGET 2014 (Unaudited)	ACTUAL 2014	ACTUAL 2013
Wages and benefits	\$ 2,377,075	\$ 2,573,251	\$ 2,361,633
Interest on municipal debt	349,175	382,890	434,488
Materials and services	3,443,922	3,868,266	3,761,292
Contracted services	2,643,200	1,416,440	1,323,269
Insurance and financial costs	338,085	347,264	348,988
Transfers to external parties	107,900	102,166	105,808
Amortization	2,349,751	2,351,903	2,189,788
	<b>\$ 11,609,108</b>	<b>\$ 11,042,180</b>	<b>\$ 10,525,266</b>

**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 contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates pay. Employers and employee contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The employer amount contributed to OMERS for 2014 was \$150,695 (2013 - \$146,478) for current service and is included as an expenditure on the statement of financial activities.

# TOWNSHIP OF SOUTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 9. SEGMENTED INFORMATION

The Township is responsible for providing a range of services to its citizens. For management reporting purposes the Township's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Township and expanded disclosure by object has been reflected in the schedule of segmented disclosure.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the Township. Administration as a segment includes operating and maintaining municipal owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services

Protection services includes fire protection, conservation authority, protective inspection and control, and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Township. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Township.

(d) Environmental services

Environmental services includes waste collection, disposal and recycling services, the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Township.

(e) Health and recreation

Health and recreation provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and arenas.

(f) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

# TOWNSHIP OF SOUTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 10. 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.

### 11. OPERATING AND WATERWORKS AND SEWER OPERATIONS SURPLUSES AND DEFICITS

The operating surplus for the fiscal year ending December 31, 2014 was \$584,068 (2013 - \$419,024) which was transferred to the working capital reserves pursuant to Resolution No. 348/2014.

The water and sewer operations are made up of six local areas, the respective (deficits) surpluses for the fiscal year ending December 31, 2014 are transferred to or funded by the respective local area surplus/deficit. There was a total operating deficit of \$239,282 (2013 - \$140,481) for the year.

	BUDGET 2014 (Unaudited)	ACTUAL 2014	ACTUAL 2013
Surplus for the year	\$ 720,270	\$ <b>1,539,633</b>	\$ 1,088,387
Funds transferred to reserves	(719,675)	<b>(943,212)</b>	(1,025,070)
Reserve funds used for operations	326,540	<b>330,006</b>	865,872
Reserve fund interest	-	<b>(13,138)</b>	(14,506)
Change in accrued landfill costs	21,875	<b>21,875</b>	21,875
Acquisition of tangible capital assets	(5,669,123)	<b>(4,434,985)</b>	(2,569,390)
Annual amortization expense	2,349,751	<b>2,351,903</b>	2,189,788
Loss on disposal of tangible capital assets	-	<b>109,322</b>	97,936
Proceeds on disposal of tangible capital assets	-	<b>25,168</b>	31,540
Change in accrued interest on municipal debt	-	<b>8,325</b>	(2,082)
Change in unexpended capital financing	1,047,017	<b>1,430,080</b>	134,663
Principal payments on municipal debt	(677,391)	<b>(630,191)</b>	(540,470)
Proceeds from municipal debt	2,212,740	<b>550,000</b>	-
Operating (deficit) surplus for the year	(387,996)	<b>344,786</b>	278,543
Transfer from water and sewer reserves	387,996	<b>239,282</b>	140,481
Transfer to capital expenditures reserve	-	<b>(584,068)</b>	(419,024)
	\$ -	\$ -	\$ -

# TOWNSHIP OF SOUTH STORMONT

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2014

### FINANCIAL ACTIVITIES (000's)

	2014	2013	2012	2011	2010
<b>Revenue</b>					
Taxation	\$ 5,182	\$ 4,801	\$ 4,627	\$ 4,202	\$ 4,032
Taxation from other governments	479	477	477	504	462
Fees and service charges	4,175	3,863	4,172	5,333	3,951
Government grants	1,057	1,197	1,285	1,099	2,239
Rents	343	329	303	240	172
Investment income	380	401	378	303	263
Donations	13	32	2	3	100
	<b>11,629</b>	<b>11,100</b>	<b>11,244</b>	<b>11,684</b>	<b>11,219</b>
<b>Expenditures</b>					
General government	1,249	1,220	1,124	1,124	852
Protection to persons and property	1,080	953	958	924	918
Transportation services	2,701	2,817	2,819	2,910	2,693
Environmental	4,514	4,108	4,658	4,591	4,435
Social and family services	11	20	23	45	16
Recreation and cultural services	1,014	919	956	1,205	1,204
Planning and development	474	489	507	587	643
	<b>11,043</b>	<b>10,526</b>	<b>11,045</b>	<b>11,386</b>	<b>10,761</b>
<b>Other revenue related to capital</b>					
Deferred revenue earned	453	386	357	304	329
Grants	610	224	1,011	917	1,785
(Loss) gain on disposal of tangible capital assets	(109)	(98)	(213)	120	(117)
	<b>954</b>	<b>512</b>	<b>1,155</b>	<b>1,341</b>	<b>1,997</b>
<b>Net surplus</b>	<b>\$ 1,540</b>	<b>\$ 1,086</b>	<b>\$ 1,354</b>	<b>\$ 1,639</b>	<b>\$ 2,455</b>

### PROPERTY TAXES BILLED (000's)

	2014	2013	2012	2011	2010
Own purposes	\$ 5,660	\$ 5,278	\$ 5,103	\$ 4,705	\$ 4,493
Upper tier municipality	7,549	7,222	7,116	6,727	6,200
School boards	3,519	3,331	3,401	3,386	3,489
	<b>\$ 16,728</b>	<b>\$ 15,831</b>	<b>\$ 15,620</b>	<b>\$ 14,818</b>	<b>\$ 14,182</b>

# TOWNSHIP OF SOUTH STORMONT

## FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2014

### TAXABLE ASSESSMENT (000's)

	2014	2013	2012	2011	2010
Residential and farm	\$ 1,053,491	\$ 980,783	\$ 901,912	\$ 849,484	\$ 798,183
Commercial and industrial	117,931	114,467	109,756	104,474	100,176
Exempt	1,171,422	1,095,250	1,011,668	953,958	898,359
	34,012	32,406	31,375	30,202	25,680
	\$ 1,205,434	\$ 1,127,656	\$ 1,043,043	\$ 984,160	\$ 924,039
Commercial and industrial	10.07%	10.45%	10.85%	10.95%	11.15%

### FINANCIAL INDICATORS

	2014	2013	2012	2011	2010
<b>Tax arrears</b>					
Percentage of current levy	25 %	32 %	29 %	32 %	33 %
Percentage of total levy	9 %	11 %	9 %	10 %	11 %
<b>Net long-term debt</b>	\$ 8,463,534	\$ 8,543,719	\$ 9,084,193	\$ 9,771,223	\$ 7,049,667
<b>Long-term debt charges</b>	\$ 893,727	\$ 513,313	\$ 707,320	\$ 775,265	\$ 713,797
<b>Sustainability</b>					
Financial assets to liabilities	0.81	0.84	0.60	0.53	0.31
Financial assets to liabilities excluding long-term debt	2.68	2.95	2.36	2.01	0.89
Long-term debt to tangible capital assets	15.07 %	15.76 %	16.84 %	18.09 %	12.83 %
<b>Flexibility</b>					
Debt charges to operating revenue	7.69 %	4.62 %	6.29 %	6.64 %	6.36 %
Total operating revenue to taxable assessment	0.96 %	0.98 %	1.08 %	1.19 %	1.21 %
<b>Vulnerability</b>					
Operating grants to operating revenue	9.09 %	10.78 %	11.43 %	9.77 %	19.16 %
Total grants to total revenues	16.70 %	15.43 %	21.04 %	17.98 %	32.65 %
<b>Reserve Coverage</b>					
Reserves	7,680,602	6,470,186	5,661,849	5,602,392	5,208,891
Reserves to operating expenditures	69.55 %	61.47 %	51.26 %	49.20 %	48.41 %
Reserves to working capital	1.16	0.92	0.84	0.94	2.85