

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FINANCIAL STATEMENTS

December 31, 2019

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Corporation of the Township of South Stormont (the "Township"), which comprise the statement of financial position as at December 31, 2019, and the statements of financial activities, changes in net financial assets, cash flows and related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cornwall, Ontario
August 12, 2020

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants



CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	2019	2018
NET FINANCIAL ASSETS		
ASSETS		
Cash	\$ 11,051,832	\$ 8,204,926
Taxes receivable	1,741,056	1,789,620
Accounts receivable	3,278,497	3,193,197
Land held for resale	348,595	348,595
	16,419,980	13,536,338
LIABILITIES		
Accounts payable	2,868,315	2,512,218
Accrued interest on municipal debt	73,681	73,681
Deferred revenue, obligatory reserve funds (Note 2)	974,006	580,523
Future employment benefits payable (Note 3)	66,404	66,404
Accrued landfill closure and post-closure costs (Note 4)	704,892	541,300
Municipal debt (Note 5)	8,021,479	8,282,797
	12,708,777	12,056,923
NET FINANCIAL ASSETS	3,711,203	1,479,415
NON-FINANCIAL ASSETS		
Tangible capital assets	58,103,231	58,047,822
Inventory	409,897	287,074
Prepaid expenses	76,546	49,266
	58,589,674	58,384,162
ACCUMULATED SURPLUS	\$ 62,300,877	\$ 59,863,577

SUBSEQUENT EVENT (Note 14)

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2019

	(Note 9) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
REVENUES			
Taxation	\$ 7,644,412	\$ 7,722,637	\$ 7,077,079
Fees and service charges	4,974,555	5,206,317	5,195,544
Grants	1,104,918	1,834,855	1,073,490
Rents	470,075	522,369	489,049
Investment income	399,800	592,294	512,788
Donations and other	8,500	35,558	65,354
	14,602,260	15,914,030	14,413,304
EXPENSES			
General government	2,120,900	1,790,770	1,944,038
Protection to persons and property	1,690,797	1,628,749	1,683,380
Transportation services	3,549,827	3,728,061	3,272,679
Environmental services	5,756,557	5,946,942	5,140,378
Health and recreation	1,476,046	1,359,723	1,399,292
Planning and development	468,846	436,104	555,336
	15,062,973	14,890,349	13,995,103
SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(460,713)	1,023,681	418,201
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	397,708	437,708	401,864
Grants	1,211,760	970,177	1,173,659
Gain (loss) on disposal of tangible capital assets	-	5,734	(17,876)
	1,609,468	1,413,619	1,557,647
SURPLUS FOR THE YEAR	1,148,755	2,437,300	1,975,848
ACCUMULATED SURPLUS, beginning of year	59,863,577	59,863,577	57,887,729
ACCUMULATED SURPLUS, end of year	\$ 61,012,332	\$ 62,300,877	\$ 59,863,577

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2019

	(Note 9) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Surplus for the year	\$ 1,148,755	\$ 2,437,300	\$ 1,975,848
Amortization of tangible capital assets	2,871,186	3,047,191	2,578,468
Acquisition of tangible capital assets	(4,165,488)	(3,107,138)	(3,596,966)
Proceeds on disposal of tangible capital assets	-	10,272	54,575
(Gain) loss on disposal of tangible capital assets	-	(5,734)	17,876
Change in inventory	-	(122,823)	(97,095)
Change in prepaid expenses	-	(27,280)	(6,087)
Increase (decrease) in net financial assets	(145,547)	2,231,788	926,619
Net financial assets, beginning of year	1,479,415	1,479,415	552,796
Net financial assets, end of year	\$ 1,333,868	\$ 3,711,203	\$ 1,479,415

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 2,437,300	\$ 1,975,848
Items not affecting cash		
Amortization of tangible capital assets	3,047,191	2,578,468
(Gain) loss on disposal of tangible capital assets	(5,734)	17,876
Changes in non-cash working capital balances		
Taxes receivable	48,564	82,731
Accounts receivable	(85,300)	(477,375)
Inventory	(122,823)	(97,095)
Prepaid expenses	(27,280)	(6,087)
Accounts payable	356,097	(214,555)
Accrued interest on municipal debt	-	2,232
Future employment benefits payable	-	16,329
Deferred revenue - obligatory reserve funds	393,483	25,075
Accrued landfill closure and post-closure costs	163,592	-
	6,205,090	3,903,447
CASH USED IN FINANCING ACTIVITIES		
Proceeds from the issue of municipal debt	314,900	12,700
Repayment of municipal debt	(576,218)	(555,173)
	(261,318)	(542,473)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	10,272	54,575
Acquisition of tangible capital assets	(3,107,138)	(3,596,966)
	(3,096,866)	(3,542,391)
INCREASE (DECREASE) IN CASH	2,846,906	(181,417)
CASH, beginning of year	8,204,926	8,386,343
CASH, end of year	\$ 11,051,832	\$ 8,204,926

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019

	Land and Land Improvements	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and waste water	Bridges	Assets under Construction	2019	2018
Cost											
Balance, beginning of year	\$ 3,735,202	\$ 14,111,143	\$ 5,676,897	\$ 2,731,573	\$ 29,542,769	\$ 28,463,454	\$ 17,031,300	\$ 5,529,320	\$ 1,808,943	\$ 108,630,601	\$ 105,483,951
Additions during the year	117,490	204,644	75,810	181,350	562,993	1,524,943	338,406	-	101,502	3,107,138	3,596,966
Disposals during the year	-	-	(29,696)	(48,257)	-	-	-	(31,636)	-	(109,589)	(450,316)
Transfers	-	-	185,155	(185,155)	-	611,062	-	193,948	(805,010)	-	-
Balance, end of year	3,852,692	14,315,787	5,908,166	2,679,511	30,105,762	30,599,459	17,369,706	5,691,632	1,105,435	111,628,150	108,630,601
Accumulated Amortization											
Balance, beginning of year	1,445,860	4,195,517	2,984,878	1,839,219	20,033,435	13,973,669	4,603,188	1,507,013	-	50,582,779	48,382,176
Amortization during the year	24,832	372,601	340,617	151,299	915,966	910,088	253,429	78,359	-	3,047,191	2,578,468
Amortization on disposals	-	-	(29,696)	(47,106)	-	-	-	(28,249)	-	(105,051)	(377,865)
Balance, end of year	1,470,692	4,568,118	3,295,799	1,943,412	20,949,401	14,883,757	4,856,617	1,557,123	-	53,524,919	50,582,779
Net book value	\$ 2,382,000	\$ 9,747,669	\$ 2,612,367	\$ 736,099	\$ 9,156,361	\$ 15,715,702	\$ 12,513,089	\$ 4,134,509	\$ 1,105,435	\$ 58,103,231	\$ 58,047,822

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2019	2018
Cost								
Balance, beginning of year	\$ 6,504,784	\$ 7,072,842	\$ 37,411,665	\$ 48,408,722	\$ 6,583,604	\$ 840,041	\$106,821,658	\$104,639,567
Additions during the year	155,178	90,652	2,392,572	901,399	204,475	66,370	3,810,646	1,731,775
Disposals during the year	-	(29,696)	(79,893)	-	-	-	(109,589)	(450,316)
Assets in service, end of year	6,659,962	7,133,798	39,724,344	49,310,121	6,788,079	906,411	110,522,715	106,821,658
Assets under construction	-	11,796	210,712	701,582	151,164	30,181	1,105,435	1,808,943
Balance, end of year	6,659,962	7,145,594	39,935,056	50,011,703	6,939,243	936,592	111,628,150	108,630,601
Accumulated Amortization								
Balance, beginning of year	1,166,827	3,076,503	17,032,646	25,920,938	3,238,139	147,726	50,582,779	48,382,176
Amortization during the year	184,722	211,153	1,220,913	1,278,085	144,225	8,093	3,047,191	2,578,468
Amortization on disposals	-	(29,696)	(75,355)	-	-	-	(105,051)	(377,865)
Balance, end of year	1,351,549	3,257,960	18,178,204	27,199,023	3,382,364	155,819	53,524,919	50,582,779
Net book value	\$ 5,308,413	\$ 3,887,634	\$ 21,756,852	\$ 22,812,680	\$ 3,556,879	\$ 780,773	\$ 58,103,231	\$ 58,047,822

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2019

	2019	2018
Deficits		
Operating surplus (Note 10)	\$ -	\$ -
Water and waste water deficit	(315,191)	(209,167)
Unexpended capital financing	8,972	660,150
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(73,681)	(73,681)
Future employment benefits payable	(66,404)	(66,404)
Accrued landfill closure and post-closure costs	(704,892)	(541,300)
Total deficit	(1,151,196)	(230,402)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	3,240,451	1,777,592
Future infrastructure	324,906	319,906
Elections	28,645	3,645
Fire	389,337	419,337
Recreation	202,871	201,615
Roads	125,869	118,322
Water and waste water	7,060,181	6,234,397
Administration	602,025	-
Other	703,961	535,606
Total reserves	12,678,246	9,610,420
Reserve funds set aside for specific purpose by legislation, regulation or agreement		
Water and waste water	539,763	528,695
Library	4,302	5,096
Total reserve funds	544,065	533,791
Total reserves and reserve funds	13,222,311	10,144,211
Equity in tangible capital assets		
Invested in tangible capital assets	58,103,231	58,047,822
Less: related debt	7,873,469	8,098,054
Total equity in tangible capital assets	50,229,762	49,949,768
ACCUMULATED SURPLUS	\$ 62,300,877	\$ 59,863,577

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2019

	Deficits	Reserves & Reserve Funds	Equity in Tangible Capital Assets	2019	2018
Balance, beginning of year	\$ (230,402)	\$ 10,144,211	\$ 49,949,768	\$ 59,863,577	\$ 57,887,729
Surplus (deficit) for the year	5,472,818	11,673	(3,047,191)	2,437,300	1,975,848
Reserve funds used for operations	394,379	(394,379)	-	-	-
Operating funds transferred to reserves	(3,552,527)	3,552,527	-	-	-
Reserve funds used for tangible capital assets	736,080	(736,080)	-	-	-
Current year funds used for tangible capital assets	(3,107,138)	-	3,107,138	-	-
Transfer of unfinanced capital outlay to reserves	(644,359)	644,359	-	-	-
Disposal of tangible capital assets	4,538	-	(4,538)	-	-
Proceeds from issuance of municipal debt	295,000	-	(295,000)	-	-
Municipal debt repaid	(519,585)	-	519,585	-	-
Change in accumulated surplus (deficit)	(920,794)	3,078,100	279,994	2,437,300	1,975,848
Balance, end of year	\$ (1,151,196)	\$ 13,222,311	\$ 50,229,762	\$ 62,300,877	\$ 59,863,577

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2019	2018
REVENUE								
Taxation	\$ 1,827,678	\$ 923,929	\$ 2,837,454	\$ 926,219	\$ 743,417	\$ 463,940	\$ 7,722,637	\$ 7,077,079
Fees and service charges	96,418	252,640	37,459	4,172,041	436,399	211,360	5,206,317	5,195,544
Grants	890,300	29,069	734,167	102,625	49,595	29,099	1,834,855	1,073,490
Rents	98,149	4,810	-	-	419,410	-	522,369	489,049
Investment income	564,838	-	-	27,456	-	-	592,294	512,788
Donations and other	15,058	-	-	-	20,500	-	35,558	65,354
	3,492,441	1,210,448	3,609,080	5,228,341	1,669,321	704,399	15,914,030	14,413,304
EXPENSES								
Wages and benefits	889,459	822,384	937,628	348,099	604,404	238,540	3,840,514	3,572,403
Interest on municipal debt	97,963	-	8,985	110,340	14,322	-	231,610	261,891
Materials and services	506,963	353,204	1,285,079	2,836,311	524,566	112,861	5,618,984	5,516,891
Contracted services	70,315	116,624	216,666	1,023,016	27,329	36,379	1,490,329	1,405,840
Insurance and financial costs	41,349	28,377	58,790	351,092	44,874	-	524,482	565,314
Third party transfers	-	97,008	-	-	-	40,230	137,238	94,296
Amortization	184,721	211,152	1,220,913	1,278,084	144,228	8,094	3,047,192	2,578,468
	1,790,770	1,628,749	3,728,061	5,946,942	1,359,723	436,104	14,890,349	13,995,103
SURPLUS (DEFICIT)								
BEFORE OTHER ITEMS	\$ 1,701,671	\$ (418,301)	\$ (118,981)	\$ (718,601)	\$ 309,598	\$ 268,295	\$ 1,023,681	\$ 418,201
OTHER REVENUE RELATED TO CAPITAL								
Deferred revenue earned	-	-	397,708	-	-	40,000	437,708	401,864
Grants	315,767	-	-	618,749	15,081	20,580	970,177	1,173,659
Gain (loss) on disposal of tangible capital assets	10,665	(4,931)	-	-	-	-	5,734	(17,876)
	326,432	(4,931)	397,708	618,749	15,081	60,580	1,413,619	1,557,647
SURPLUS (DEFICIT)	\$ 2,028,103	\$ (4,931)	\$ 278,727	\$ (99,852)	\$ 324,679	\$ 328,875	\$ 2,437,300	\$ 1,975,848

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

DESCRIPTION OF ORGANIZATION

The Corporation of the Township of South Stormont (the "Township") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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, capital fund and reserves and include the activities of all committees of Council.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

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.

(b) Accrual basis of accounting

Revenues 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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"). The Township 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, payments 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 legalisation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and when 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 and transfers

Government grants and transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Township recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Township recognizes revenue as the liability is settled.

(e) Fees and service charges

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

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand, cash on deposit and short term investments, which includes guaranteed investment certificates with maturities of three months or less. The Township did not have any cash equivalents at December 31, 2019 and December 31, 2018.

(h) Reserves and 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Deferred revenue, obligatory reserve funds

The Township receives restricted contributions under the authority of federal and provincial legislations. These funds by their nature are restricted in their use and are recorded as deferred revenue until applied to applicable costs. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(j) 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.

(k) Future employee benefits

Employee benefits include vacation entitlements. Vacation 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 contribution plan.

(l) 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 surplus or deficit, 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 costs, less residual values, 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

Amortization is not charged in the year of acquisition or in the year of disposal. Assets under construction are not amortized until the assets are available for productive use, at which time they are capitalized.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Non-financial assets (Continued)

The Township has a capitalization threshold of \$10,000 to \$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 pooled assets are desktop computer systems, utility poles and defibrillators.

(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.

(m) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Township is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Township expects that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability include:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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 lives of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, deferred revenue and the estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

(o) Future accounting pronouncements

Standards effective beginning on or after April 1, 2022

Financial instruments

PS 3450 established recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard required fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

This standard is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Asset Retirement Obligations

PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations ("ARO"). As asset retirement obligations associated with landfills are included in the scope of PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn. The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.

This standard is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

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 balances in the obligatory reserve funds are summarized as follows:

	Federal Gas		2019	2018
	Tax	Parkland		
Balance, beginning of year	\$ 509,139	\$ 71,384	\$ 580,523	\$ 555,448
Grants received	807,056	-	807,056	415,464
Interest and other	24,135	-	24,135	11,475
Deferred revenue earned	(397,708)	(40,000)	(437,708)	(401,864)
Balance, end of year	\$ 942,622	\$ 31,384	\$ 974,006	\$ 580,523

3. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Township provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board ("WSIB") Act the Township had elected to be a Schedule 2 employer for the period between 1998 and 2010. Subsequent to 2010, the Township has elected to be a Schedule 1 employer and remits payments to the WSIB as required to fund disability payments. The estimated liability recorded in these financial statements with respects to any WSIB liability while as a Schedule 2 employer is \$66,404 (2018 - \$66,404).

4. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Township operates two solid waste landfill sites of which one is closed. The estimated remaining useful life of its open site is approximately two years. The estimates associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post closure monitoring are for twenty four years from the date of site closure for the operating site and nine years for the closed one.

The estimated closure and post-closure costs for both sites of \$704,892 (2018 - \$541,300) have been adjusted by applying a discount rate of 2.71%, based the Township's borrowing rate. These costs are to be recovered from future taxation revenue and reserves.

The reported liability is based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liability and will be recognized prospectively, as a change in estimate, when applicable. See Note 13.

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

For the year ended December 31, 2019

5. MUNICIPAL DEBT

The balance of municipal debt reported on the Statement of Financial Position is comprised of the following:

	2019	2018
Term loan, 2.71%, repayable in blended semi-annual payments of \$145,247, due July 2036	\$ 3,936,171	\$ 4,116,324
Term loan, 2.69%, repayable in blended semi-annual payments of \$31,548, due September 2024	293,343	347,454
Bank term loan, 3.52%, repayable in blended semi-annual payments of \$9,235, due December 2020	17,993	35,370
Bank term loan, 3.15%, repayable in blended monthly payments of \$8,179, due June 2035	1,202,428	1,261,685
Bank term loan, 2.28%, repayable in blended monthly payments of \$3,033, due November 2041	621,916	643,866
Bank term loan, 3.52%, repayable in blended semi-annual payments of \$122,357, due November 2026	1,506,618	1,693,355
Bank term loan, 2.71%, repayable in blended semi-annual payments of \$7,215, due December 2049	295,000	-
Tile drain loans, 6%, repayable over a ten year period in blended payments ranging between \$1,060 and \$6,793, maturity dates ranging from 2019 to 2028	148,010	184,743
Municipal debt, end of the year	\$ 8,021,479	\$ 8,282,797

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

2020	\$ 566,131
2021	565,649
2022	579,918
2023	593,071
2024	602,758
Thereafter	5,113,952
	\$ 8,021,479

Of the municipal debt reported above, principal payments are payable from the following sources:

	2020 - 2024	2025 - 2041
General municipal revenues	\$ 1,774,835	\$ 1,849,470
Benefiting landowners	1,132,692	3,264,482
	\$ 2,907,527	\$ 5,113,952

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

For the year ended December 31, 2019

6. UNFUNDED LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

Unfunded liabilities to be recovered from future taxation, benefiting landowners and reserves are as follows:

	2019	2018
Municipal debt	\$ 8,021,479	\$ 8,282,797
Accrued interest on municipal debt	73,681	73,681
Future employment benefits payable	66,404	66,404
Accrued landfill closure and post-closure costs	704,892	541,300
	\$ 8,866,456	\$ 8,964,182

Unfunded liabilities are to be recovered from the following sources:

General municipal revenues	\$ 4,469,282	\$ 4,627,745
Benefiting landowners	4,397,174	4,336,437
	\$ 8,866,456	\$ 8,964,182

7. OPERATING EXPENDITURES BY OBJECT

	(Note 9) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Wages and benefits	\$ 3,744,559	\$ 3,840,514	\$ 3,572,403
Interest on municipal debt	231,934	231,610	261,891
Materials and services	6,311,817	5,618,984	5,516,891
Contracted services	1,520,325	1,490,329	1,405,840
Insurance and other financial costs	243,852	524,482	565,314
Third party transfers	139,300	137,238	94,296
Amortization	2,871,186	3,047,192	2,578,468
	\$ 15,062,973	\$ 14,890,349	\$ 13,995,103

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 of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are the joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension deficit of \$3.4 billion (2018 - \$4.2 billion) in these financial statements.

The employer amount contributed to OMERS for 2019 was \$241,235 (2018 - \$204,621) for current service and is included as an expenditure on the Statement of Financial Activities.

9. BUDGET FIGURES

The 2019 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on March 13, 2019. The 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

10. OPERATING AND WATER AND WASTE WATER OPERATIONS SURPLUSES AND DEFICITS

	(Note 9) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Surplus for the year	\$ 1,148,755	\$ 2,437,300	\$ 1,975,848
Operating funds transferred to reserves and reserve funds	(542,656)	(1,046,188)	(589,209)
Reserves and reserve funds used for operations	384,586	394,379	926,000
Reserve fund interest	-	(11,673)	(8,304)
Reserves and reserve funds used for capital purposes	736,080	736,080	776,228
Acquisition of tangible capital assets	(4,165,488)	(3,107,138)	(3,596,966)
Amortization of tangible capital assets	2,871,186	3,047,191	2,578,468
Principal payments on municipal debt	(519,641)	(519,585)	(536,868)
Proceeds on issuance of municipal debt	315,000	295,000	-
Unfinanced capital outlay utilized for current year capital	6,819	6,819	7,845
Proceeds on disposal of tangible capital assets	-	10,272	54,575
Loss on disposal of tangible capital assets	-	(5,734)	17,876
Change in accrued interest on municipal debt	-	-	2,232
Change in future employment benefits payable	-	-	16,329
Change in accrued landfill closure and post-closure costs	-	163,592	-
Operating surplus (deficit) for the year	234,641	2,400,315	1,624,054
Current year water/waste water deficit (surplus) transferred to equity	-	106,024	93,374
Current year water/waste water surplus transferred to reserves	(234,641)	(591,120)	(1,041,359)
Current year operating surplus transfer to reserves	-	(1,915,219)	(676,069)
	\$ -	\$ -	\$ -

The operating surplus for the fiscal year ended December 31, 2019 was \$1,915,219 (2018 - \$676,069) of which \$1,915,219 was transferred to the working capital reserve.

The water and waste water operations are made up of six local areas, the respective (deficits) surpluses for the fiscal year ended December 31, 2019 are transferred to or funded by the respective local area surplus/deficit operating fund or its respective reserve. The total operating surpluses of the six local areas for the year ended December 31, 2019 was \$485,096 (2018 - \$947,985).

11. 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 expended 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:

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

11. SEGMENTED INFORMATION (Continued)

(a) General government

General government includes corporate services and governance of the Township. Administration as a segment includes operating and maintaining municipally-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 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 include waste collection, disposal and recycling services, the operation of landfill sites and water and waste water facilities and the related infrastructure for the collection and distribution of both water and waste water 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

12. CONTINGENCIES

Legal action

The Township is involved in various legal actions in the normal course of business. The Township and its insurers are defending all actions against the Township. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Township's financial position. Losses, if any, will be accounted for in the period they become determinable.

Contaminated sites

The Township identified two parcels of land that are non-productive or partially productive for PS 3260 purposes, liability for contaminated sites, that could be environmentally impacted. The estimated cost of undertaking various types of Environmental Site Assessments is unknown. A liability has not been recorded in these financial statements because the Township's expectation of future economic benefits being given up to remediate this site is unlikely and the liability cost of remediation cannot be determined.

WSIB

As a result of recent changes to the Workplace Safety and Insurance Act, the Township would be responsible to reimburse WSIB for disability payments under the revised regulations for work related disabilities for firefighters. The potential future benefit and administrative costs if claims are made are estimated at \$14,764. As at December 31, 2019 no claims have been filed.

13. CHANGE IN ESTIMATE

Effective January 1, 2019, the Township revised the estimate of the accrued landfill closure and post closure liability from \$541,300 to \$704,892. The change in estimate is prospectively applied based on new information that became available to the Township during the year. The current year effect of the change in estimate increases the liability and the material and services expenses for environmental services by \$163,592.

14. SUBSEQUENT EVENT

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Township as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Township's financial condition.

15. COMPARATIVE FIGURES

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

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

FINANCIAL ACTIVITIES (000's)

	2019	2018	2017	2016	2015
Revenues					
Taxation	\$ 7,723	\$ 7,077	\$ 6,789	\$ 6,533	\$ 6,224
Fees and service charges	5,206	5,196	4,764	4,436	4,883
Grants	1,835	1,073	1,057	1,107	1,135
Rents	522	489	460	521	407
Investment income	592	513	455	437	447
Donations and other	36	65	3	11	14
	15,914	14,413	13,528	13,045	13,110
Expenses					
General government	1,791	1,944	1,646	1,399	1,240
Protection to persons and property	1,629	1,683	1,314	1,362	1,443
Transportation services	3,728	3,273	3,332	3,189	2,881
Environmental	5,947	5,140	4,953	4,901	4,965
Health and recreation	1,360	1,399	1,245	1,167	1,106
Planning and development	436	556	384	313	290
	14,891	13,995	12,874	12,331	11,925
Surplus before other revenues	1,023	418	654	714	1,185
Other revenue related to capital					
Deferred revenue earned	438	402	291	352	365
Grants	970	1,174	243	77	77
Gain on disposal of tangible capital assets	6	(18)	-	(4)	(116)
	1,414	1,558	534	425	326
Surplus (deficit) for the year	\$ 2,437	\$ 1,976	\$ 1,188	\$ 1,139	\$ 1,511

PROPERTY TAXES BILLED (000's)

	2019	2018	2017	2016	2015
Own Purposes	\$ 7,723	\$ 7,077	\$ 6,789	\$ 6,533	\$ 6,224
Upper-Tier Municipality	9,007	8,838	8,509	8,193	7,942
School Boards	3,710	3,741	3,713	3,720	3,656
	\$ 20,440	\$ 19,656	\$ 19,011	\$ 18,446	\$ 17,822

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

TAXABLE ASSESSMENT (000's)

	2019	2018	2017	2016	2015
Residential and farm	\$ 1,390,532	\$ 1,324,091	\$ 1,255,810	\$ 1,213,924	\$ 1,135,649
Commercial and industrial	146,613	139,741	132,951	127,812	121,658
	1,537,145	1,463,832	1,388,761	1,341,736	1,257,307
Exempt	39,319	37,398	35,612	36,190	35,720
	\$ 1,576,464	\$ 1,501,230	\$ 1,424,373	\$ 1,377,926	\$ 1,293,027
Commercial and industrial	9.54%	9.55%	9.57%	9.53%	9.68%

FINANCIAL INDICATORS

	2019	2018	2017	2016	2015
Tax arrears					
Percentage of own levy	23 %	24 %	25 %	24 %	26 %
Percentage of total levy	9 %	9 %	9 %	10 %	10 %
Municipal debt	\$ 7,873,470	\$ 8,098,054	\$ 8,634,922	\$ 9,326,846	\$ 9,390,381
Municipal debt charges	\$ 807,828	\$ 817,064	\$ 982,243	\$ 1,053,748	\$ 946,198
Sustainability					
Financial assets to liabilities	1.29	1.13	1.05	1.03	0.82
Financial assets to liabilities excluding municipal debt	3.50	3.59	3.38	3.45	3.27
Municipal debt to tangible capital assets	13.55 %	13.95 %	15.12 %	16.67 %	16.88 %
Flexibility					
Debt charges to total operating revenue	5.08 %	5.67 %	7.28 %	7.46 %	7.22 %
Total operating revenue to taxable assessment	1.01 %	0.96 %	0.95 %	0.95 %	1.01 %
Vulnerability					
Operating grants to operating revenue	11.53 %	7.44 %	7.81 %	8.49 %	8.65 %
Total grants to total revenues	18.72 %	16.57 %	11.31 %	11.40 %	11.64 %
Reserve coverage					
Reserves	\$12,678,246	\$ 9,610,420	\$ 8,630,119	\$ 8,124,018	\$ 8,340,240
Reserves to operating expenses	85.14 %	68.67 %	67.04 %	65.88 %	69.94 %
Reserves to working capital	1.05	0.98	0.91	0.79	0.84