

TOWNSHIP OF SOUTH STORMONT

FINANCIAL STATEMENTS

December 31, 2018

TOWNSHIP OF SOUTH STORMONT

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Township of South Stormont (the "Township"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities, change in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2018, and the results of its operations, change in net assets 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 Administration and Those Charged with Governance for the Financial Statements

Administration 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 Administration 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, Administration 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 Administration 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.



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709 COTTON MILL STREET, CORNWALL ON, K6H 7K7
T: 613.932.3610 F: 613.938.3215 MNP.ca

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 Administration.
- Conclude on the appropriateness of Administration'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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Cornwall, Ontario
August 14, 2019

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP
LLP

TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
NET FINANCIAL ASSETS		
ASSETS		
Cash	\$ 8,213,926	\$ 8,395,343
Taxes receivable	1,789,620	1,872,351
Accounts receivable	3,242,463	2,759,001
Land held for resale	348,595	348,595
	13,594,604	13,375,290
LIABILITIES		
Accounts payable	2,521,218	2,735,773
Accrued interest on municipal debt	73,681	71,449
Deferred revenue, obligatory reserve funds (Note 2)	580,523	555,448
Future employment benefits payable (Note 3)	66,404	50,075
Municipal debt (Note 4)	8,282,797	8,825,270
Accrued landfill closure and post closure costs (Note 5)	541,300	541,300
	12,065,923	12,779,315
NET FINANCIAL ASSETS	1,528,681	595,975
NON-FINANCIAL ASSETS		
Tangible capital assets	58,047,822	57,101,775
Inventory	287,074	189,979
	58,334,896	57,291,754
ACCUMULATED SURPLUS	\$ 59,863,577	\$ 57,887,729

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2018

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
REVENUE			
Taxation (Note 1(a)(iii))	\$ 7,014,819	\$ 7,077,079	\$ 6,788,597
Fees and service charges	4,564,820	5,195,544	4,763,708
Grants	1,036,540	1,073,490	1,057,051
Rents	461,374	489,049	460,289
Investment income	361,400	512,788	455,015
Donations and other	27,723	65,354	2,723
	13,466,676	14,413,304	13,527,383
EXPENDITURES			
General government	2,037,418	1,944,038	1,646,337
Protection to persons and property	1,804,111	1,683,380	1,314,403
Transportation services	3,230,915	3,272,679	3,331,961
Environmental services	5,057,978	5,140,378	4,953,312
Health and recreation	1,303,074	1,399,292	1,244,746
Planning and development	716,836	555,336	383,625
	14,150,332	13,995,103	12,874,384
SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(683,656)	418,201	652,999
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	401,864	401,864	291,400
Grants	2,227,147	1,173,659	243,163
Loss on disposal of tangible capital assets	75,000	(17,876)	-
	2,704,011	1,557,647	534,563
SURPLUS FOR THE YEAR	2,020,355	1,975,848	1,187,562
ACCUMULATED SURPLUS, beginning of year	57,887,729	57,887,729	56,700,167
ACCUMULATED SURPLUS, end of year	\$ 59,908,084	\$ 59,863,577	\$ 57,887,729

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2018

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 2,020,355	\$ 1,975,848	\$ 1,187,562
Amortization of tangible assets	2,643,983	2,578,468	2,511,983
Acquisition of tangible capital assets	(5,323,973)	(3,596,966)	(3,652,533)
Proceeds on disposal of tangible capital assets	-	54,575	-
Loss on disposal of tangible capital assets	-	17,876	-
Change in inventory	-	(97,095)	67,269
Increase (decrease) in net financial assets	(659,635)	932,706	114,281
Net financial assets, beginning of year	595,975	595,975	481,694
Net financial assets (liabilities), end of year	\$ (63,660)	\$ 1,528,681	\$ 595,975

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 1,975,848	\$ 1,187,562
Items not affecting cash or equivalent		
Amortization expense	2,578,468	2,511,983
Loss on disposal of tangible capital assets	17,876	-
Changes in non-cash working capital balances		
Taxes receivable	82,731	(24,440)
Accounts receivable	(483,462)	(354,558)
Accounts payable	(214,555)	(157,406)
Accrued interest on municipal debt	2,232	(3,529)
Deferred revenue, obligatory reserve funds	25,075	112,656
Future employment benefits payable	16,329	(10,473)
Accrued landfill closure and post closure costs	-	(10,000)
Inventory	(97,095)	67,269
	3,903,447	3,319,064
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(555,173)	(694,199)
Proceeds from the issue of municipal debt	12,700	98,300
	(542,473)	(595,899)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	54,575	-
Acquisition of tangible capital assets	(3,596,966)	(3,652,533)
	(3,542,391)	(3,652,533)
DECREASE IN CASH AND EQUIVALENT	(181,417)	(929,368)
CASH AND EQUIVALENT, beginning of year	8,395,343	9,324,711
CASH AND EQUIVALENT, end of year	\$ 8,213,926	\$ 8,395,343
REPRESENTED BY :		
Cash	\$ 8,213,926	\$ 8,395,343

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	Land and Land Improvements	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	Assets Under Construction	2018	2017
Cost											
Balance, beginning of year	\$ 3,523,715	\$ 14,111,143	\$ 5,306,098	\$ 2,849,092	\$ 29,542,769	\$ 26,920,032	\$ 17,015,863	\$ 5,370,855	\$ 844,384	\$ 105,483,951	\$ 101,831,418
Additions during the year	211,487	-	680,446	23,150	-	1,543,422	15,437	158,465	964,559	3,596,966	3,652,533
Disposals during the year	-	-	309,647	140,669	-	-	-	-	-	450,316	-
Balance, end 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
Accumulated Amortization											
Balance, beginning of year	1,372,048	3,830,050	2,930,313	1,830,335	19,330,778	13,240,743	4,418,733	1,429,176	-	48,382,176	45,870,193
Amortization during the year	73,812	365,467	303,015	138,299	702,657	732,926	184,455	77,837	-	2,578,468	2,511,983
Amortization on disposals	-	-	248,450	129,415	-	-	-	-	-	377,865	-
Balance, end 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
Net book value	\$ 2,289,342	\$ 9,915,626	\$ 2,692,019	\$ 892,354	\$ 9,509,334	\$ 14,489,785	\$ 12,428,112	\$ 4,022,307	\$ 1,808,943	\$ 58,047,822	\$ 57,101,775

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2018	2017
Cost								
Balance, beginning of year	\$ 6,495,184	\$ 6,847,301	\$ 35,682,040	\$ 48,393,285	\$ 6,391,190	\$ 830,567	\$104,639,567	\$101,255,891
Additions during the year	9,600	535,188	1,870,294	15,437	192,414	9,474	2,632,407	3,383,676
Disposals during the year	-	309,647	140,669	-	-	-	450,316	-
Assets in service, end 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
Assets under construction	-	11,796	914,220	701,583	151,164	30,181	1,808,943	844,384
Balance, end of year	6,504,784	7,084,638	38,325,885	49,110,305	6,734,768	870,222	108,630,601	105,483,951
Accumulated Amortization								
Balance, beginning of year	1,009,758	3,106,130	16,169,412	24,922,744	3,041,581	132,551	48,382,176	45,870,193
Amortization during the year	157,069	218,823	992,649	998,194	196,558	15,175	2,578,468	2,511,983
Amortization on disposals	-	248,450	129,415	-	-	-	377,865	-
Balance, end 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
Net book value	\$ 5,337,957	\$ 4,008,135	\$ 21,293,239	\$ 23,189,367	\$ 3,496,629	\$ 722,496	\$ 58,047,822	\$ 57,101,775

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2018

	2018	2017
Surpluses (deficits)		
Operating surplus	\$ -	\$ -
Water and sewer (deficit) surplus	(209,167)	191,112
Land inventory for sale surplus	-	67,987
Unexpended capital financing	660,150	674,128
Unfunded capital outlay	-	(6,133)
Unfunded liabilities to be recovered from future revenues (Note 6)		
Accrued interest on municipal debt	(73,681)	(71,449)
Future employment benefits payable	(66,404)	(50,075)
Accrued landfill closure and post closure	(541,300)	(541,300)
Total surplus	(230,402)	264,270
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
. for working capital	1,777,592	2,407,587
. for future infrastructure	319,906	128,001
. for elections	3,645	34,968
. for fire	419,337	774,921
. for water and sewer	6,234,397	4,702,196
. for roads	118,322	26,000
. for recreation	201,615	148,584
. for other	535,606	407,862
Total reserves	9,610,420	8,630,119
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
. for water and sewer	528,695	520,479
. for library	5,096	6,008
Total reserve funds	533,791	526,487
Total reserves and reserve funds	10,144,211	9,156,606
Equity in tangible capital assets		
Tangible capital assets	58,047,822	57,101,775
Less: related debt	8,098,054	8,634,922
Total equity in tangible capital assets	49,949,768	48,466,853
ACCUMULATED SURPLUS	\$ 59,863,577	\$ 57,887,729

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2018

	(Deficits) Surpluses	Reserves	Equity in Tangible Capital Assets	2018	2017
Balance, beginning of year	\$ 264,270	\$ 9,156,606	\$ 48,466,853	\$ 57,887,729	\$ 56,700,167
Surplus (deficit) for the year	4,546,012	8,304	(2,578,468)	1,975,848	1,187,562
Reserve funds used for operations	926,000	(926,000)	-	-	-
Operating funds transferred to reserves	(2,306,638)	2,306,638	-	-	-
Reserve funds used for tangible capital assets	776,228	(776,228)	-	-	-
Current year funds used for tangible capital assets	(3,596,966)	-	3,596,966	-	-
Transfer of prior year surpluses to reserves	(374,891)	374,891	-	-	-
Disposal of tangible capital assets	72,451	-	(72,451)	-	-
Repayment of municipal debt related to capital	(536,868)	-	536,868	-	-
Change in accumulated surplus	(494,672)	987,605	1,482,915	1,975,848	1,187,562
Balance, end of year	\$ (230,402)	\$ 10,144,211	\$ 49,949,768	\$ 59,863,577	\$ 57,887,729

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2018	2017
REVENUE								
Taxation	\$ 1,117,040	\$ 1,432,585	\$ 2,645,514	\$ 686,988	\$ 863,020	\$ 331,932	\$ 7,077,079	\$ 6,788,597
Fees and service charges	89,431	202,380	93,148	4,187,077	401,891	221,617	5,195,544	4,763,708
Grants	821,700	37,827	49,546	103,990	24,048	36,379	1,073,490	1,057,051
Rents	103,864	-	-	-	385,185	-	489,049	460,289
Investment income	480,196	-	-	32,592	-	-	512,788	455,015
Donations and other	-	-	-	-	65,354	-	65,354	2,723
	2,612,231	1,672,792	2,788,208	5,010,647	1,739,498	589,928	14,413,304	13,527,383
EXPENSES								
Wages and benefits	862,891	757,348	820,272	323,886	570,954	237,052	3,572,403	3,281,259
Interest on municipal debt	105,108	-	10,412	119,046	14,973	12,352	261,891	290,317
Materials and services	624,273	522,777	1,169,435	2,388,553	557,155	254,698	5,516,891	5,081,058
Contracted services	95,525	62,010	222,094	974,387	15,765	36,059	1,405,840	1,355,795
Insurance and financial costs	99,172	28,126	57,817	336,312	43,887	-	565,314	247,743
Third party transfers	-	94,296	-	-	-	-	94,296	106,229
Amortization	157,069	218,823	992,649	998,194	196,558	15,175	2,578,468	2,511,983
	1,944,038	1,683,380	3,272,679	5,140,378	1,399,292	555,336	13,995,103	12,874,384
SURPLUS (DEFICIT)								
BEFORE OTHER ITEMS	668,193	(10,588)	(484,471)	(129,731)	340,206	34,592	418,201	652,999
OTHER REVENUE RELATED TO CAPITAL								
Deferred revenue earned	-	-	401,864	-	-	-	401,864	291,400
Grants	-	16,951	949,890	159,729	-	47,089	1,173,659	243,163
Loss on disposal of tangible capital assets	(17,876)	-	-	-	-	-	(17,876)	-
	(17,876)	16,951	1,351,754	159,729	-	47,089	1,557,647	534,563
SURPLUS (DEFICIT)	\$ 650,317	\$ 6,363	\$ 867,283	\$ 29,998	\$ 340,206	\$ 81,681	\$ 1,975,848	\$ 1,187,562

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

DESCRIPTION OF ORGANIZATION

The Township of South Stormont 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 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.

(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) Fund accounting

Funds within the financial statements consists of the operating fund, capital fund and reserves 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.

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.

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Government transfer payments

Government transfer payments 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, rental income 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) 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.

(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.

(k) Future employee benefits payable

Future employee benefits payable 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 contribution plan.

(l) Accrued landfill closure and post 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.

(m) Amounts to be recovered from future revenues

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

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

The Township has a capitalization threshold of \$10,000 to \$15,000 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 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.

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 are:

- 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.

(p) 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, the estimated future employment benefits payable, the estimated future landfill closure and post closure costs and the estimated liability for remediation of contaminated sites. Actual results could differ from these estimates.

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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:

	Federal Gas Tax	Parkland	2018	2017
Balance, beginning of year	\$ 498,676	\$ 56,772	\$ 555,448	\$ 442,792
Grants received	401,864	13,600	415,464	398,863
Interest and other	10,464	1,011	11,475	5,193
Deferred revenue earned	(401,864)	-	(401,864)	(291,400)
Balance, end of year	\$ 509,140	\$ 71,383	\$ 580,523	\$ 555,448

3. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Municipality provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board ("WSIB") Act the Municipality 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 (2017 - \$50,075).

4. MUNICIPAL DEBT

	2018	2017
Term loan, 2.71%, repayable in blended semi-annual payments of \$145,247, due July 2036	\$ 4,116,324	\$ 4,291,693
Term loan, 2.69%, repayable in blended semi-annual payments of \$31,548, due September 2024	347,454	400,138
Bank term loan, 3.52%, repayable in blended semi-annual payments of \$9,235, due December 2020	35,370	52,150
Bank term loan, 3.15%, repayable in blended monthly payments of \$8,179, due June 2035	1,261,685	1,319,106
Bank term loan, 2.28% repayable in blended monthly payments of \$3,033, due August 2041	643,866	665,322
Bank term loan, 3.52%, repayable in blended semi-annual payments of \$122,357, due November 2026	1,693,355	1,873,689
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	184,743	223,172
Internal loans from reserve funds	-	32,824
	8,282,797	8,858,094

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

4. MUNICIPAL DEBT (Continued)

	2018	2017
	8,282,797	8,858,094
Less: Internal loans from reserve funds	-	(32,824)
Municipal debt, end of the year	\$ 8,282,797	\$ 8,825,270
Principal payments assuming the loans are renewed under the same terms and conditions are as follows:		
2019	\$ 544,737	
2020	562,274	
2021	561,774	
2022	576,027	
2023	589,171	
Thereafter	5,448,814	
	\$ 8,282,797	

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

	2019 to 2023	2024 to 2028
General municipal revenues	\$ 1,718,762	\$ 2,227,598
Benefiting landowners	1,115,221	3,221,216
	\$ 2,833,983	\$ 5,448,814

5. 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 for the operational site is six 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 not yet incurred is \$541,300 (2017 - \$541,300) and is accrued in these financial statements. No amount of amortization was charged to operations during the year.

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

6. LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

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

	2018	2017
Municipal debt	\$ 8,282,797	\$ 8,858,094
Accrued interest on municipal debt	73,681	71,449
Future employment benefits payable	66,404	50,075
Accrued landfill closure and post-closure costs	541,300	541,300
	\$ 8,964,182	\$ 9,520,918

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 4,487,660	\$ 4,799,555
Benefiting landowners	4,476,522	4,721,363
	\$ 8,964,182	\$ 9,520,918

7. OPERATING EXPENDITURES BY OBJECT

Operating expenditures are summarized as follows:

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
Wages and benefits	\$ 3,220,157	\$ 3,572,403	\$ 3,281,259
Interest on municipal debt	248,818	261,891	290,317
Materials and services	5,381,401	5,516,891	5,081,058
Contracted services	2,313,534	1,405,840	1,355,795
Insurance and financial costs	248,705	565,314	247,743
Transfers to external parties	93,734	94,296	106,229
Amortization	2,643,983	2,578,468	2,511,983
	\$ 14,150,332	\$ 13,995,103	\$ 12,874,384

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 employees 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 2018 was \$204,621 (2017 - \$187,196) for current service and is included as an expenditure on the statement of financial activities.

9. BUDGET FIGURES

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

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

10. OPERATING AND WATERWORKS AND SEWER OPERATIONS SURPLUSES AND DEFICITS

The unaudited budget figures presented in these financial statements are based upon the 2018 operating and capital budgets that have been approved by Council. The following schedule reconciles the budget and actual results presented in these financial statements to the approved operating budget for the year.

	BUDGET 2018 (Unaudited)	ACTUAL 2018	ACTUAL 2017
Surplus for the year	\$ 2,020,355	\$ 1,975,848	\$ 1,187,562
Operating funds transferred to reserves and reserve funds	(706,008)	(589,209)	(690,701)
Reserves and reserve funds used for operations	1,034,494	926,000	839,279
Reserve fund interest	-	(8,304)	(6,622)
Reserves and reserve funds used for capital purposes	1,110,000	776,228	-
Acquisition of tangible capital assets	(5,323,973)	(3,596,966)	(3,652,533)
Amortization of tangible capital assets	2,643,983	2,578,468	2,511,983
Principal payments on municipal debt	(531,644)	(536,868)	(691,924)
Change in unexpended capital financing	(5,347)	7,845	1,470,771
Proceeds on disposal of tangible capital assets	-	54,575	-
Loss on disposal of tangible capital assets	-	17,876	-
Change in accrued interest on municipal debt	-	2,232	(3,529)
Change in future employment benefits payable	-	16,329	(10,473)
Change in accrued landfill closure and post closure costs	-	-	(10,000)
Operating surplus for the year	241,860	1,624,054	943,813
Current year water and sewer deficit (surplus) transferred to equity	99,024	93,374	(289,937)
Current year water and sewer surplus transferred to reserves	(340,884)	(1,041,359)	-
Current year operating surplus transfer to reserves	-	(676,069)	(653,876)
	\$ -	\$ -	\$ -

The operating surplus for the fiscal year ended December 31, 2018 was \$676,069 (2017 - \$653,876) of which \$417,838 was transferred to the working capital reserve, \$31,416 to the fire reserve, \$92,323 to the equipment recovery reserve, \$33,031 to the recreation reserve, \$56,905 to the building reserve and \$44,556 to the land reserve.

The water and sewer operations are made up of six local areas, the respective (deficits) surpluses for the fiscal year ended December 31, 2018 are transferred to or funded by the respective local area surplus/deficit operating fund or reserve. The total operating surpluses of the six local areas for the year ended December 31, 2018 was \$947,985 (2017 - \$289,937).

11. 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 is 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.

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

12. 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:

(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.

13. COMPARATIVE FIGURES

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

TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

FINANCIAL ACTIVITIES (000's)

	2018	2017	2016	2015	2014
Revenue					
Taxation	\$ 7,077	\$ 6,789	\$ 6,533	\$ 6,224	\$ 5,660
Fees and service charges	5,196	4,764	4,436	4,883	4,175
Grants	1,073	1,057	1,107	1,135	1,648
Rents	489	460	521	407	343
Investment income	513	455	437	447	380
Donations and other	65	3	11	14	13
	14,413	13,528	13,045	13,110	12,219
Expenditures					
General government	1,944	1,646	1,399	1,240	1,249
Protection to persons and property	1,683	1,314	1,362	1,443	1,085
Transportation services	3,273	3,332	3,189	2,881	2,701
Environmental	5,140	4,953	4,901	4,965	4,514
Health and recreation	1,399	1,245	1,167	1,106	1,014
Planning and development	556	384	313	290	469
	13,995	12,874	12,331	11,925	11,032
Surplus before other revenues	418	654	714	1,185	1,187
Other revenue related to capital					
Deferred revenue earned	402	291	352	365	453
Grants	1,174	243	77	77	19
Loss on disposal of tangible capital assets	(18)	-	(4)	(116)	(109)
	1,558	534	425	326	363
Net surplus	\$ 1,976	\$ 1,188	\$ 1,139	\$ 1,511	\$ 1,550

PROPERTY TAXES BILLED (000's)

	2018	2017	2016	2015	2014
Own purposes	\$ 7,077	\$ 6,789	\$ 6,533	\$ 6,224	\$ 5,660
Upper tier municipality	8,838	8,509	8,193	7,942	7,549
School boards	3,741	3,713	3,720	3,656	3,519
	\$ 19,656	\$ 19,011	\$ 18,446	\$ 17,822	\$ 16,728

TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

TAXABLE ASSESSMENT (000's)

	2018	2017	2016	2015	2014
Residential and farm	\$ 1,324,091	\$ 1,255,810	\$ 1,213,924	\$ 1,135,649	\$ 1,053,491
Commercial and industrial	139,741	132,951	127,812	121,658	117,931
	1,463,832	1,388,761	1,341,736	1,257,307	1,171,422
Exempt	37,398	35,612	36,190	35,720	34,012
	\$ 1,501,230	\$ 1,424,373	\$ 1,377,926	\$ 1,293,027	\$ 1,205,434
Commercial and industrial	9.55%	9.57%	9.53%	9.68%	10.07%
Municipal residential tax rate	0.426%	0.426%	0.418%	0.424%	0.412%

FINANCIAL INDICATORS

	2018	2017	2016	2015	2014
Tax arrears					
Percentage of current levy	25 %	27 %	27 %	28 %	24 %
Percentage of total levy	9 %	9 %	10 %	10 %	9 %
Net long-term debt	\$ 8,098,054	\$ 8,634,922	\$ 9,326,846	\$ 9,390,381	\$ 8,463,534
Long-term debt charges	\$ 817,064	\$ 984,516	\$ 973,169	\$ 946,198	\$ 893,727
Sustainability					
Financial assets to liabilities	1.13	1.05	1.03	0.82	0.66
Financial assets to liabilities excluding long-term debt	3.59	3.38	3.45	3.27	2.13
Long-term debt to tangible capital assets	13.95 %	15.12 %	16.67 %	16.88 %	15.07 %
Flexibility					
Debt charges to operating revenue	5.67 %	7.28 %	7.46 %	7.22 %	7.31 %
Total operating revenue to taxable assessment	0.96 %	0.95 %	0.95 %	1.01 %	1.01 %
Vulnerability					
Operating grants to operating revenue	7.44 %	7.81 %	8.49 %	8.65 %	12.57 %
Total grants to total revenues	16.57 %	11.31 %	11.40 %	11.64 %	16.70 %
Reserve Coverage					
Reserves	10,144,211	9,156,606	8,644,687	8,855,306	7,680,602
Reserves to operating expenditures	72.48 %	71.12 %	70.11 %	74.26 %	69.62 %
Reserves to working capital	1.04	0.97	0.84	0.89	1.18