
CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FINANCIAL REPORTS

December 31, 2006

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

December 31, 2006

CONTENTS

	Page
AUDITORS' REPORT	1
FINANCIAL REPORTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities - Revenue	3
Consolidated Statement of Financial Activities - Expenditure	4
Consolidated Statement of Cash Flows	5
Schedule of Operating Fund Activities	6
Schedule of Capital Fund Activities	7
Schedule of Reserve and Reserve Fund Activities	8
Notes to the Financial Statements	9-14

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Corporation of the Township of South Stormont as at December 31, 2006, and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of South Stormont as at December 31, 2006 and the results of its operations and changes in its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Craig Keen Despatie Markell LLP

Cornwall, Ontario
May 4, 2007

CHARTERED ACCOUNTANTS

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2006

	2006	2005
NET ASSETS		
Financial Assets		
Cash	\$ 1,126,119	\$ 852,180
Taxes receivable	1,663,330	1,905,357
Accounts receivable	1,681,988	2,096,388
Other current assets	69,252	26,267
Long-term investments	143,559	310,020
	4,684,248	5,190,212
Liabilities		
Temporary borrowings	1,532,000	8,332,993
Accounts payable	1,196,476	1,691,154
Accrued interest on municipal debt	86	228
Deferred revenue (Note 3)	89,596	193,035
Future employee benefits (Note 4)	43,032	43,032
Accrued landfill closure and post closure (Note 5)	925,000	848,529
Municipal debt (Note 6)	6,082,560	310,020
	9,868,750	11,418,991
NET ASSETS	\$ (5,184,502)	\$ (6,228,779)

MUNICIPAL POSITION		
Operating fund	\$ (562,172)	\$ 107,241
Capital fund	(1,472,181)	(9,397,617)
Reserves and reserve funds	3,900,528	4,263,408
	1,866,175	(5,026,968)
Fund balances (Note 7)	1,866,175	(5,026,968)
Amounts to be recovered from future revenues (Note 7)	(7,050,677)	(1,201,811)
MUNICIPAL POSITION	\$ (5,184,502)	\$ (6,228,779)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

For the year ended December 31, 2006

	BUDGET 2006	ACTUAL 2006	ACTUAL 2005
REVENUE			
Taxation and user charges (Note 1(a)(iii))			
Taxation	\$ 3,259,832	\$ 3,274,003	\$ 3,406,672
Taxation from other governments	388,604	450,058	479,328
Fees and service charges	2,257,032	2,106,092	2,064,646
	5,905,468	5,830,153	5,950,646
Grants			
Government of Canada	1,500	3,436	32,656
Province of Ontario	1,687,846	2,957,135	1,749,881
Other municipalities	6,177	7,002	6,177
	1,695,523	2,967,573	1,788,714
Other			
Investment income	361,000	329,299	409,398
Sale of land and equipment	50,000	22,700	44,828
Prepaid special charges	-	1,084,780	-
Donations	-	4,335	-
Other revenue	-	-	17,053
	411,000	1,441,114	471,279
Total revenues for the year	\$ 8,011,991	\$ 10,238,840	\$ 8,210,639

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES -
EXPENDITURE

For the year ended December 31, 2006

	BUDGET	ACTUAL	ACTUAL
	2006	2006	2005
EXPENDITURE			
Current operations			
General government	\$ 736,913	\$ 721,305	\$ 708,110
Protection to persons and property	580,015	576,636	570,701
Transportation services	1,415,642	1,463,467	1,175,183
Environmental services	2,379,021	2,505,214	1,173,693
Social and family services	5,034	5,522	400
Recreation and cultural services	720,534	795,688	734,884
Planning and development	208,870	178,895	188,652
	6,046,029	6,246,727	4,551,623
Capital			
General government	70,700	6,224	43,631
Protection to persons and property	391,319	128,863	163,627
Transportation services	2,361,806	1,755,754	1,188,026
Environmental services	333,422	797,892	4,660,185
Recreation and cultural services	177,936	217,327	234,830
Planning and development	71,678	41,782	37,484
	3,406,861	2,947,842	6,327,783
Total expenditures for the year	9,452,890	9,194,569	10,879,406
Net revenues(expenditures) for the year	(1,440,899)	1,044,271	(2,668,767)
CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (NOTES 7)			
New debt issued	415,390	5,939,000	-
Debt principal repayments	(166,461)	(166,461)	(224,138)
Accrued landfill closure and post closure	76,471	76,471	(1,126,471)
Future employee benefits and accrued interest	(142)	(142)	(174,293)
	325,258	5,848,868	(1,524,902)
Change in fund balance	\$ (1,115,641)	\$ 6,893,139	\$ (4,193,669)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2006

	2006	2005
CASH FROM OPERATING ACTIVITIES		
Net revenue (expenditure) for the year	\$ 1,044,271	\$ (2,668,767)
Taxes receivable	242,029	78,786
Accounts receivable	414,401	379,556
Other current assets	(42,985)	-
Accounts payable	(494,675)	212,512
Deferred revenue	(103,439)	135,658
Accrued interest on debt	(142)	(485)
Future employee benefits	-	(173,808)
Accrued landfill closure and post closure	76,471	(1,126,471)
	1,135,931	(3,163,019)
CASH FROM FINANCING ACTIVITIES		
Increase (decrease) in long-term debt	5,772,540	(224,138)
Increase (decrease) in temporary borrowings	(6,800,993)	3,050,000
	(1,028,453)	2,825,862
CASH FROM INVESTING ACTIVITIES		
Decrease in long term investments	166,461	160,344
	166,461	160,344
INCREASE (DECREASE) IN CASH AND EQUIVALENT	273,939	(176,813)
CASH AND EQUIVALENT, beginning of year	852,180	1,028,993
CASH AND EQUIVALENT, end of year	\$ 1,126,119	\$ 852,180
REPRESENTED BY :		
Cash	\$ 1,126,119	\$ 852,180
	\$ 1,126,119	\$ 852,180

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF OPERATING FUND

For the year ended December 31, 2006

	BUDGET 2006	ACTUAL 2006	ACTUAL 2005
Revenue			
Taxation	\$ 3,648,436	\$ 3,724,060	\$ 3,886,000
Fees and service charges	2,257,032	2,081,092	2,013,558
Grants	1,463,039	1,384,178	1,245,863
Interest	361,000	297,906	379,568
Other	50,000	22,700	44,828
	7,779,507	7,509,936	7,569,817
Expenditure			
General government	736,913	721,305	708,110
Protection to persons and property	580,015	576,636	570,701
Transportation services	1,415,642	1,463,467	1,175,183
Environmental services	2,379,021	2,505,214	1,173,693
Social	5,034	5,522	400
Recreation and cultural services	720,534	795,688	734,884
Planning and development	208,870	178,895	188,652
	6,046,029	6,246,727	4,551,623
Net revenue(expenditure)	1,733,478	1,263,209	3,018,194
Financing and transfers			
Transfer from (to) reserves and reserve funds	75,106	424,368	426,106
Transfer from (to) capital fund	(2,266,868)	(2,266,858)	(1,805,663)
Debt principal repayments	(166,461)	(166,461)	(224,138)
Proceeds from the issue of municipal debt	415,390	-	-
Accrued landfill closure and post closure	76,471	76,471	(1,126,471)
Retirement benefits and accrued interest	(142)	(142)	(174,293)
	(1,866,504)	(1,932,622)	(2,904,459)
Change in operating fund balance	(133,026)	(669,413)	113,735
Operating fund - beginning of the year	107,241	107,241	(6,494)
Operating fund - end of the year	\$ (25,785)	\$ (562,172)	\$ 107,241

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2006

	BUDGET 2006	ACTUAL 2006	ACTUAL 2005
Revenue			
Grants	\$ 232,484	\$ 1,557,640	\$ 542,851
Direct billings	-	25,000	51,088
Prepaid special charges	-	1,084,780	-
	232,484	2,667,420	593,939
Expenditure			
General government	70,700	6,224	43,631
Protection to persons and property	391,319	128,863	163,627
Transportation services	2,361,806	1,755,754	1,188,026
Environmental services	333,422	797,892	4,660,185
Recreation and cultural services	177,936	217,327	234,830
Planning and development	71,678	41,782	37,484
	3,406,861	2,947,842	6,327,783
Net revenue(expenditure)	(3,174,377)	(280,422)	(5,733,844)
Financing and transfers			
Transfer from(to) operating fund	2,266,868	2,266,858	1,805,663
Proceeds from the issue of long-term debt	-	5,939,000	-
	2,266,868	8,205,858	1,805,663
Change in capital fund	(907,509)	7,925,436	(3,928,181)
Capital fund - beginning of the year	(9,397,617)	(9,397,617)	(5,469,436)
Capital fund - end of the year	\$ (10,305,126)	\$ (1,472,181)	\$ (9,397,617)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF RESERVE AND RESERVE FUNDS

For the year ended December 31, 2006

	BUDGET 2006	ACTUAL 2006	ACTUAL 2005
Revenue			
Grants	\$ -	\$ 25,760	\$ -
Interest	-	31,393	29,830
Donations	-	4,335	-
Other	-	-	17,053
	-	61,488	46,883
Financing and transfers			
Transfer from (to) operating fund	(75,016)	(424,368)	(426,106)
	(75,016)	(424,368)	(426,106)
Change in reserve and reserve funds	(75,016)	(362,880)	(379,223)
Reserve and reserve funds - beginning of the year	4,263,408	4,263,408	4,642,631
Reserve and reserve funds - end of the year	\$ 4,188,392	\$ 3,900,528	\$ 4,263,408
Analyzed as follows:			
Reserves set aside for specific purposes by Council:			
. for working capital		\$ 110,785	\$ 618,894
. for future infrastructure		200,000	100,000
. for elections		-	34,000
. for fire		207,553	292,632
. for sewer and water		2,155,768	1,916,005
. for planning/CBO		1,821	1,821
. for recreation		115,550	105,550
. for other		150,500	170,500
Total reserves		2,941,977	3,239,402
Reserve funds set aside for specific purpose by legislation, regulation or agreement			
. for water and sewer		898,503	871,777
. for Farran park		28,791	129,179
. for senior support		23,640	15,660
. for recreation softball		7,617	7,390
Total reserves funds		958,551	1,024,006
Total reserves and reserve funds		\$ 3,900,528	\$ 4,263,408

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

(i) Consolidated Entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital 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 loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

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

There are no government business enterprises.

(ii) Non-Consolidated Entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and School Board Transactions

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

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

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting

(i) Revenues and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term liabilities which are charged against operations in the periods in which they are paid.

(ii) 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.

(iii) The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure in the year of acquisition.

(iv) Amounts to be recovered from future revenues

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

(v) Deferred revenue

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

(vi) Financial instruments

The carrying amounts reported on the balance sheet for cash, accounts receivable, taxes receivable and accounts payable, approximate fair values due to the immediate and short term maturities of these financial instruments.

The fair value of long term debt is based on rates currently available to the Corporation with similar terms and maturities and approximates its carrying amounts as disclosed on the balance sheet.

(vii) Concentration of credit risk

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

2. INVESTMENTS

The total of investments of \$143,559 reported on the Consolidated Statement of Financial Position at cost, has a market value of \$143,559 at year end.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

3. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of "PSAB" is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as federal or 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:

	2006	2005
Parkland	\$ 86,336	\$ 76,614
Federal gas tax refund	3,260	116,421
	\$ 89,596	\$ 193,035

4. FUTURE EMPLOYEE BENEFITS

The Township provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board Act the Township has elected to be a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. The Workplace Safety and Insurance Board has evaluated the estimated liability for future benefits costs and administrative loading to be \$43,032 (2005 - \$43,032).

The Township has no vested sick leave benefits.

5. ACCRUED LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Municipality operates two solid waste landfill sites. One of the sites is closed and the other has an estimated remaining useful life of twelve years. Under "PSAB" the estimated cost of closing the landfill sites and the cost of post closure care must be determined and amortized to as a charge to operations over the life of the landfill sites. The total estimated closure and post closure costs for both sites is \$925,000 with \$925,000 (2005 - \$848,529) being accrued at the end of the current fiscal year. During the year \$76,471 (2005 - \$(1,126,471)) was amortized and charged to Current Operations - Environment.

In 2005, a redetermination of the useful life and estimated cost of closing the landfill site was completed resulting in a reduction of the estimated liability of \$1,202,941 from \$1,975,000 to \$772,059 before current year amortization. This reduction is disclosed in the Consolidated Statement of Financial Activities and the Schedule of Operating Fund under Current Operations - Environment and with the corresponding contra amount charged against Amounts to be Recovered - Accrued Landfill Closure and Post Closure.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

6. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2006	2005
Total municipal debt incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	\$ 6,552,243	\$ 708,954
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	(469,683)	(398,934)
Municipal debt at the end of the year	\$ 6,082,560	\$ 310,020

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

	2007 to 2011	2012 to 2016
from general municipal revenues	\$ 143,560	\$ -
from benefiting landowners	\$ 688,689	\$ 5,250,311
	\$ 832,249	\$ 5,250,311

(c) Approval of the Ontario Municipal Board has been obtained for the municipal debt in (a) issued in the name of the municipality.

(d) The municipality is contingently liable for municipal debt with respect to tile drainage. The total amount outstanding as at December 31, 2006 is \$469,683 and is not recorded on the Consolidated Statement of Financial Position.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

7. MUNICIPAL POSITION

(a) The balances on the Consolidated Statement of Financial Position of municipal position (future revenue requirement) of \$(5,184,503) at the end of the year are comprised of the following:

	2006	2005
Fund balances		
Operating fund		
. for general reduction of taxation	\$ (212,718)	\$ -
. for general reduction (increase) of user charges	(349,454)	107,241
Total operating fund balance	(562,172)	107,241
Capital fund		
. unexpended capital financing	1,419,102	990,274
. acquisition of capital assets to be financed from the proceeds of municipal debt	(2,891,283)	(10,387,891)
Total capital fund balance	(1,472,181)	(9,397,617)
Reserves and reserve funds		
. reserves	2,941,977	3,239,402
. reserve funds	958,551	1,024,006
Total reserves and reserve fund balance	3,900,528	4,263,408
Total fund balances	1,866,175	(5,026,968)
Amounts to be recovered from future revenues		
. municipal debt	(6,082,560)	(310,020)
. accrued interest on municipal debt	(86)	(228)
. accrued landfill closure and post closure costs	(925,000)	(848,529)
. future employee benefits	(43,032)	(43,032)
Amounts to be recovered from future revenues	(7,050,678)	(1,201,809)
Municipal position	\$ (5,184,503)	\$ (6,228,777)

8. PENSION AGREEMENTS

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

Contributions were required on account of current service in 2006 in the amount of \$117,217.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

9. TRUST FUNDS

Trust funds administered by the municipality amounting to \$21,728 have not been included in the Consolidated Statement of Financial Activities.

10. BUDGET FIGURES

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