

TOWNSHIP OF SOUTH STORMONT

FINANCIAL STATEMENTS

December 31, 2017

TOWNSHIP OF SOUTH STORMONT

December 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Township of South Stormont, which comprise the statement of financial position as at December 31, 2017, and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administration's Responsibility for the Financial Statements

Administration is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as administration determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Township of South Stormont as at December 31, 2017 and the results of its operations and changes in its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the Township of South Stormont for the year ended December 31, 2016 were audited by CKDM LLP of Cornwall, Ontario, prior to its merger with MNP LLP. CKDM LLP expressed an unmodified opinion on those statements dated May 10, 2017.

Cornwall, Ontario
July 18, 2018

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants



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TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
NET FINANCIAL ASSETS		
ASSETS		
Cash	\$ 8,395,343	\$ 9,324,711
Taxes receivable	1,787,952	1,847,910
Accounts receivable	2,759,001	2,404,443
Other assets	348,595	348,595
	13,290,891	13,925,659
 LIABILITIES		
Accounts payable	2,651,374	2,893,178
Accrued interest on municipal debt	71,449	74,978
Deferred revenue - obligatory reserve funds (Note 2)	555,448	442,792
Future employment benefits payable (Note 3)	50,075	60,548
Municipal debt (Note 4)	8,825,270	9,421,169
Accrued landfill closure and post closure costs (Note 5)	541,300	551,300
	12,694,916	13,443,965
NET FINANCIAL ASSETS	595,975	481,694
 NON-FINANCIAL ASSETS		
Tangible capital assets	57,101,775	55,961,225
Inventory	189,979	257,248
	57,291,754	56,218,473
ACCUMULATED SURPLUS	\$ 57,887,729	\$ 56,700,167

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2017

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
REVENUE			
Taxation (Note 1(a)(iii))	\$ 6,682,743	\$ 6,788,597	\$ 6,532,703
Fees and service charges	4,677,670	4,766,937	4,435,813
Grants	1,245,214	1,300,214	1,183,549
Rents	458,934	457,060	521,029
Investment income	388,013	455,015	436,508
Donations and other	-	2,723	10,920
	13,452,574	13,770,546	13,120,522
EXPENDITURES			
General government	1,726,942	1,646,337	1,398,635
Protection to persons and property	1,396,455	1,314,403	1,362,271
Transportation services	2,478,869	3,331,961	3,189,233
Environmental services	5,241,058	4,953,312	4,901,089
Recreation cultural health and social services	1,693,288	1,244,746	1,166,762
Planning and development	646,901	383,625	313,468
	13,183,513	12,874,384	12,331,458
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 2)	470,597	291,400	352,006
Loss on disposal of tangible capital assets	-	-	(3,879)
	470,597	291,400	348,127
SURPLUS FOR THE YEAR	739,658	1,187,562	1,137,191
ACCUMULATED SURPLUS, beginning of year	56,700,167	56,700,167	55,562,976
ACCUMULATED SURPLUS, end of year	\$ 57,439,825	\$ 57,887,729	\$ 56,700,167

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2017

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 739,658	\$ 1,187,562	\$ 1,137,191
Amortization of tangible assets	2,511,654	2,511,983	2,566,467
Acquisition of tangible capital assets	(3,980,227)	(3,652,533)	(2,974,872)
Proceeds on disposal of tangible capital assets	-	-	89,997
Loss on disposal of tangible capital assets	-	-	3,879
Change in inventory	-	67,269	14,237
Increase (decrease) in net financial assets	(728,915)	114,281	836,899
Net financial assets, beginning of year	481,694	481,694	(355,205)
Net financial assets (liabilities), end of year	\$ (247,221)	\$ 595,975	\$ 481,694

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	2016
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 1,187,562	\$ 1,137,191
Items not affecting cash or equivalent		
Amortization expense	2,511,983	2,566,467
Loss on disposal of tangible capital assets	-	3,879
Changes in non-cash working capital balances		
Taxes receivable	59,958	(54,855)
Accounts receivable	(354,558)	(491,806)
Accounts payable	(241,802)	1,032,016
Accrued interest on municipal debt	(3,529)	60
Deferred revenue - obligatory reserve funds	112,656	56,642
Future employment benefits payable	(10,473)	60,548
Accrued landfill closure and post closure costs	(10,000)	(378,343)
Inventory	67,269	14,237
	3,319,066	3,946,036
CASH (USED IN) FROM FINANCING ACTIVITIES		
Repayment of municipal debt	(694,201)	(676,136)
Proceeds from the issue of municipal debt	98,300	693,180
	(595,901)	17,044
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	-	89,997
Acquisition of tangible capital assets	(3,652,533)	(2,974,872)
	(3,652,533)	(2,884,875)
(DECREASE) INCREASE IN CASH AND EQUIVALENT	(929,368)	1,078,205
CASH AND EQUIVALENT, beginning of year	9,324,711	8,246,506
CASH AND EQUIVALENT, end of year	\$ 8,395,343	\$ 9,324,711
REPRESENTED BY :		
Cash	\$ 8,395,343	\$ 9,324,711

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	Land and Land Improvements	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and Sewer	Bridges	Assets Under Construction	2017	2016
Cost											
Balance, beginning of year	\$ 3,218,738	\$ 12,355,672	\$ 5,306,098	\$ 2,803,993	\$ 29,071,092	\$ 26,159,271	\$ 16,970,172	\$ 5,370,855	\$ 575,527	\$ 101,831,418	\$ 100,142,821
Additions during the year	304,977	1,755,471	-	45,099	471,677	760,761	45,691	-	268,857	3,652,533	2,974,872
Disposals during the year	-	-	-	-	-	-	-	-	-	-	1,286,275
Balance, end 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
Accumulated Amortization											
Balance, beginning of year	1,297,057	3,537,613	2,622,779	1,694,655	18,622,267	12,509,433	4,235,008	1,351,381	-	45,870,193	44,496,132
Amortization during the year	74,991	292,437	307,534	135,680	708,511	731,310	183,725	77,795	-	2,511,983	2,566,467
Amortization on disposals	-	-	-	-	-	-	-	-	-	-	1,192,406
Balance, end 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
Net book value	\$ 2,151,667	\$ 10,281,093	\$ 2,375,785	\$ 1,018,757	\$ 10,211,991	\$ 13,679,289	\$ 12,597,130	\$ 3,941,679	\$ 844,384	\$ 57,101,775	\$ 55,961,225

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2017	2016
Cost								
Balance, beginning of year	\$ 6,486,248	\$ 5,169,141	\$ 34,921,278	\$ 47,875,917	\$ 5,972,740	\$ 830,567	\$101,255,891	\$ 99,334,587
Additions during the year	8,936	1,678,160	760,762	517,368	418,450	-	3,383,676	3,207,579
Disposals during the year	-	-	-	-	-	-	-	1,286,275
Assets in service, end 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
Assets under construction	-	11,796	94,544	581,878	151,164	5,002	844,384	575,527
Balance, end of year	6,495,184	6,859,097	35,776,584	48,975,163	6,542,354	835,569	105,483,951	101,831,418
Accumulated Amortization								
Balance, beginning of year	853,106	2,934,924	15,182,735	23,921,346	2,853,625	124,457	45,870,193	44,496,132
Amortization during the year	156,652	171,206	986,677	1,001,398	187,956	8,094	2,511,983	2,566,467
Amortization on disposals	-	-	-	-	-	-	-	1,192,406
Balance, end 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
Net book value	\$ 5,485,426	\$ 3,752,967	\$ 19,607,172	\$ 24,052,419	\$ 3,500,773	\$ 703,018	\$ 57,101,775	\$ 55,961,225

TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2017

	2017	2016
Surpluses (deficits)		
Operating surplus	\$ -	\$ -
Water and sewer surplus (deficit)	191,111	(98,826)
Land inventory for sale surplus	67,987	67,987
Unexpended capital financing	674,128	2,165,618
Unfunded capital outlay	(6,133)	(26,852)
Unfunded liabilities to be recovered from future revenues (Note 6)		
Accrued interest on municipal debt	(71,449)	(74,978)
Future employment benefits payable	(50,075)	(60,548)
Accrued landfill closure and post closure	(541,300)	(551,300)
Total surplus	264,269	1,421,101
Reserves and reserve funds		
Reserves set aside for specific purposes by Council:		
. for working capital	2,407,587	1,806,242
. for future infrastructure	128,001	40,000
. for elections	34,968	34,968
. for fire	774,921	669,919
. for water and sewer	4,702,196	4,507,068
. for roads	26,000	-
. for recreation	148,584	316,584
. for other	407,862	749,243
Total reserves	8,630,119	8,124,024
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
. for water and sewer	520,479	513,950
. for library	6,008	6,713
Total reserve funds	526,487	520,663
Total reserves and reserve funds	9,156,606	8,644,687
Equity in tangible capital assets		
Tangible capital assets	57,101,775	55,961,225
Less: related debt	8,634,921	9,326,846
Total equity in tangible capital assets	48,466,854	46,634,379
ACCUMULATED SURPLUS	\$ 57,887,729	\$ 56,700,167

See Accompanying Notes

TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2017

	(Deficits) Surpluses	Reserves	Equity in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ 1,421,101	\$ 8,644,684	\$ 46,634,382	\$ 56,700,167	\$ 55,562,976
Surplus (deficit) for the year	3,692,933	6,612	(2,511,983)	1,187,562	1,137,191
Reserve funds used for operations	839,279	(839,279)	-	-	-
Funds transferred to reserves	(1,344,589)	1,344,589	-	-	-
Current year funds used for tangible capital assets	(3,652,530)	-	3,652,530	-	-
Repayment of municipal debt related to capital	(691,925)	-	691,925	-	-
Change in accumulated surplus	(1,156,832)	511,922	1,832,472	1,187,562	1,137,191
Balance, end of year	\$ 264,269	\$ 9,156,606	\$ 48,466,854	\$ 57,887,729	\$ 56,700,167

TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2017

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2017	2016
REVENUE								
Taxation	\$ 781,946	\$ 1,690,049	\$ 2,848,144	\$ 607,333	\$ 659,559	\$ 201,566	\$ 6,788,597	\$ 6,532,703
Fees and service charges	113,029	212,186	25,220	3,707,324	488,240	220,938	4,766,937	4,435,813
Grants	857,400	45,556	191,182	149,083	56,993	-	1,300,214	1,183,549
Rents	98,149	-	-	-	358,911	-	457,060	521,029
Investment income	429,160	-	-	25,855	-	-	455,015	436,508
Donations and other	-	-	-	-	2,723	-	2,723	10,920
	2,279,684	1,947,791	3,064,546	4,489,595	1,207,515	422,504	13,770,546	13,120,522
EXPENSES								
Wages and benefits	835,114	651,940	823,981	299,308	497,550	173,366	3,281,259	3,013,566
Interest on municipal debt	113,071	1,424	11,801	138,871	15,429	9,721	290,317	297,033
Materials and services	323,353	263,959	1,178,099	2,649,939	493,942	133,520	5,042,812	4,840,773
Contracted services	125,766	90,290	269,352	784,763	5,722	58,924	1,334,817	1,288,961
Insurance and financial costs	92,372	29,355	62,050	79,033	44,147	-	306,957	231,371
Third party transfers	-	106,229	-	-	-	-	106,229	93,285
Amortization	156,652	171,206	986,678	1,001,398	187,956	8,094	2,511,984	2,566,467
	1,646,328	1,314,403	3,331,961	4,953,312	1,244,746	383,625	12,874,375	12,331,456
OTHER REVENUE RELATED TO CAPITAL								
Deferred revenue earned	87,000	-	204,400	-	-	-	291,400	352,006
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	(3,879)
	87,000	-	204,400	-	-	-	291,400	348,127
SURPLUS (DEFICIT)	\$ 720,356	\$ 633,388	\$ (63,015)	\$ (463,717)	\$ (37,231)	\$ 38,879	\$ 1,187,571	\$ 1,137,193

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Consolidated entities

These financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, and reserve funds and reserves and include the activities of all committees of Council and the following local boards:

There are no local boards.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of any funds of the Township which results in consolidated interest income and expenditures during the year.

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

There are no government business enterprises.

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and school board transactions

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

(iv) Trust funds

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

(b) Fund accounting

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

(c) Taxation and related revenue

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

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Taxation and related revenue (continued)

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

(d) Government grants

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

(e) Government transfers

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

(f) Fees and service charges

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

(g) Investment income

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

(h) Cash and cash equivalents

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

(i) 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.

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Landfill closure costs

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

(l) Employee benefits

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

(m) Amounts to be recovered from future revenues

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

(n) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(i) Tangible capital assets

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

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

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

Active landfills are amortized annually based on the remaining estimated useful life. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Non-financial assets (continued)

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 also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

(iii) Leases

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

(iv) Inventory

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

(o) 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.

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, and the estimated landfill closure and post closure costs. Actual results could differ from these estimates.

2. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The transactions in the obligatory reserve funds are summarized as follows:

	Federal Gas Tax	Parkland	2017	2016
Balance, beginning of year	\$ 308,197	\$ 134,595	\$ 442,792	\$ 386,148
Grants received	390,388	8,475	398,863	383,597
Interest and other	4,491	702	5,193	25,053
Deferred revenue earned	(204,400)	(87,000)	(291,400)	(352,006)
Balance, end of year	\$ 498,676	\$ 56,772	\$ 555,448	\$ 442,792

3. RETIREMENT BENEFITS

The Government of Ontario expanded regulations to include additional cancers presumed to be work related for firefighters under the Workplace Safety and Insurance Act. The change is retroactive to January 1, 1960. With respect to responsibilities under the Workplace Safety and Insurance Act the Township had elected to be a Schedule 2 employer for the period between 1998 and 2010. This change in regulation has resulted in the Township being liable for future WSIB benefits in relation to claims made. As at December 31, 2017 these costs, including the administrative loading fees, are estimated to be \$62,704. 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.

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

4. MUNICIPAL DEBT

	2017		2016
Term loan, 2.71%, repayable in blended semi-annual payments of \$145,247, due July 2036	\$ 4,291,693	\$	4,462,404
Term loan, 5.58%, repayable in blended monthly payments of \$15,709, due November 2017	-		168,071
Term loan, 2.69%, repayable in blended semi-annual payments of \$31,548, due September 2024	400,138		451,432
Bank term loan, 3.52%, repayable in blended semi-annual payments of \$9,235, due December 2020	52,150		68,355
Bank term loan, 3.15%, repayable in blended monthly payments of \$8,179, due June 2035	1,319,106		1,374,749
Bank term loan, 2.28% repayable in blended monthly payments of \$3,033, due August 2021	665,322		686,295
Bank term loan, 3.52%, repayable in blended semi-annual payments of \$122,357, due November 2026	1,873,689		2,047,839
Tile drain loans, 6%, repayable over a ten year period in blended payments ranging between \$1,060 and \$6,793, maturity dates ranging from 2017 to 2023	223,172		162,024
Internal loans from reserve funds	32,824		67,701
	8,858,094		9,488,870
Less: Internal loans from reserve funds	(32,824)		(67,701)
Municipal debt, end of the year	\$ 8,825,270	\$	9,421,169
Principal payments assuming the loans are renewed under the same terms and conditions are as follows:			
2018	\$ 573,163		
2019	554,270		
2020	565,612		
2021	560,715		
2022	574,862		
Thereafter	5,996,648		
	\$ 8,825,270		

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

4. MUNICIPAL DEBT (Continued)

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

	2018 to 2022	2023 to 2027
General municipal revenues	\$ 1,664,619	\$ 2,593,636
Benefiting landowners	1,164,003	3,403,012
	\$ 2,828,622	\$ 5,996,648

5. ACCRUED LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Township operates two solid waste landfill sites of which one is closed. The estimated remaining useful life for the operational site is thirteen 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 (2016 - \$551,300) being accrued at the end of the current fiscal year. No amount of amortization was charged to operations during the year.

6. LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

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

	2017	2016
Municipal debt	\$ 8,858,094	\$ 9,488,870
Accrued interest on municipal debt	71,449	74,978
Accrued landfill closure and post-closure	541,300	551,300
Employment benefits payable	50,075	60,548
	\$ 9,520,918	\$ 10,175,696

Amounts are to be recovered from the following sources:

General municipal revenues	\$ 4,799,555	\$ 5,111,615
Benefiting landowners	4,721,363	5,064,081
	\$ 9,520,918	\$ 10,175,696

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

7. OPERATING EXPENDITURES BY OBJECT

Operating expenditures are summarized as follows:

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
Wages and benefits	\$ 3,019,027	\$ 3,281,259	\$ 3,013,566
Interest on municipal debt	280,260	290,317	297,033
Materials and services	4,746,271	5,042,821	4,840,775
Contracted services	2,288,000	1,334,817	1,288,961
Insurance and financial costs	248,150	306,957	231,371
Transfers to external parties	90,151	106,229	93,285
Amortization	2,511,654	2,511,984	2,566,467
	\$ 13,183,513	\$ 12,874,384	\$ 12,331,458

8. PENSION AGREEMENTS

The Township is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan. The plan is a contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates pay. Employers and employee contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The employer amount contributed to OMERS for 2017 was \$187,196 (2016 - \$150,695) for current service and is included as an expenditure on the statement of financial activities.

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

9. OPERATING AND WATERWORKS AND SEWER OPERATIONS SURPLUSES AND DEFICITS

The operating surplus for the fiscal year ending December 31, 2017 was \$653,876 which was transferred to the working capital reserves.

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

	BUDGET 2017 (Unaudited)	ACTUAL 2017	ACTUAL 2016
Surplus for the year	\$ 739,658	\$ 1,187,562	\$ 1,137,191
Funds transferred to reserves	(428,258)	(690,701)	(899,699)
Reserve funds used for operations	2,208,864	839,279	1,354,898
Reserve fund interest	-	(6,624)	(7,428)
Change in accrued landfill costs	-	(10,000)	(378,343)
Acquisition of tangible capital assets	(4,448,835)	(3,652,530)	(2,974,872)
Annual amortization expense	2,511,654	2,511,983	2,566,467
Loss on disposal of tangible capital assets	-	-	3,879
Proceeds on disposal of tangible capital assets	-	-	89,997
Change in accrued interest on municipal debt	-	(3,529)	60
Change in retirement benefits payable	-	(10,473)	60,548
Change in unexpended capital financing	-	1,470,771	(843,469)
Principal payments on municipal debt	(733,595)	(691,925)	(756,715)
Proceeds from municipal debt	-	-	693,180
Operating surplus (deficit) for the year	(150,512)	943,813	45,694
Water and sewer surplus (deficit)	150,512	(289,937)	191,459
Transfer to water and sewer reserves	-	-	98,826
Transfer to working capital reserve	-	(653,876)	(335,979)
	\$ -	\$ -	\$ -

TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

10. 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.

TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. 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.

12. CONTINGENCY

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 \$1,120,632. As at December 31, 2017 the Township is liable for claims and administrative costs to \$62,704 which has been recorded as a future employment benefit payable on the Statement of Financial Position.

TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

FINANCIAL ACTIVITIES (000's)

	2017	2016	2015	2014	2013
Revenue					
Taxation	\$ 6,789	\$ 6,533	\$ 6,224	\$ 5,660	\$ 5,278
Fees and service charges	4,767	4,436	4,883	4,175	3,863
Grants	1,300	1,184	1,212	1,667	1,423
Rents	457	521	407	343	329
Investment income	455	437	447	380	402
Donations and other	3	11	14	13	32
	13,771	13,122	13,187	12,238	11,327
Expenditures					
General government	1,646	1,399	1,240	1,249	1,220
Protection to persons and property	1,314	1,362	1,443	1,085	963
Transportation services	3,332	3,189	2,881	2,701	2,817
Environmental	4,953	4,901	4,965	4,514	4,108
Recreation and cultural services	1,245	1,167	1,106	1,014	919
Planning and development	384	313	290	469	479
	12,874	12,331	11,925	11,032	10,506
Other revenue related to capital					
Deferred revenue earned	291	352	365	453	384
Loss on disposal of tangible capital assets	-	(4)	(116)	(109)	(98)
	291	348	249	344	286
Net surplus	\$ 1,188	\$ 1,139	\$ 1,511	\$ 1,550	\$ 1,107

PROPERTY TAXES BILLED (000's)

	2017	2016	2015	2014	2013
Own purposes	\$ 6,789	\$ 6,533	\$ 6,224	\$ 5,660	\$ 5,278
Upper tier municipality	8,509	8,193	7,942	7,549	7,222
School boards	3,713	3,720	3,656	3,519	3,331
	\$ 19,011	\$ 18,446	\$ 17,822	\$ 16,728	\$ 15,831

TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

TAXABLE ASSESSMENT (000's)

	2017	2016	2015	2014	2013
Residential and farm	\$ 1,255,810	\$ 1,213,924	\$ 1,135,649	\$ 1,053,491	\$ 980,783
Commercial and industrial	132,951	127,812	121,658	117,931	114,467
	1,388,761	1,341,736	1,257,307	1,171,422	1,095,250
Exempt	35,612	36,190	35,720	34,012	32,406
	\$ 1,424,373	\$ 1,377,926	\$ 1,293,027	\$ 1,205,434	\$ 1,127,656
Commercial and industrial	9.57%	9.53%	9.68%	10.07%	10.45%

FINANCIAL INDICATORS

	2017	2016	2015	2014	2013
Tax arrears					
Percentage of current levy	26 %	28 %	29 %	25 %	32 %
Percentage of total levy	9 %	10 %	10 %	9 %	11 %
Net long-term debt	\$ 8,634,922	\$ 9,326,846	\$ 9,390,381	\$ 8,463,534	\$ 8,461,795
Long-term debt charges	\$ 984,518	\$ 973,169	\$ 946,198	\$ 893,727	\$ 513,313
Sustainability					
Financial assets to liabilities	1.05	1.04	0.83	0.67	0.73
Financial assets to liabilities excluding long-term debt	3.43	3.46	3.28	2.14	2.33
Long-term debt to tangible capital assets	15.12 %	16.67 %	16.88 %	15.07 %	15.61 %
Flexibility					
Debt charges to operating revenue	7.15 %	7.42 %	7.18 %	7.30 %	4.53 %
Total operating revenue to taxable assessment	0.97 %	0.95 %	1.02 %	1.02 %	1.00 %
Vulnerability					
Operating grants to operating revenue	9.44 %	9.02 %	9.19 %	12.64 %	11.63 %
Total grants to total revenues	11.31 %	11.40 %	11.64 %	16.70 %	15.43 %
Reserve Coverage					
Reserves	9,156,606	8,644,687	8,855,306	7,680,602	6,470,185
Reserves to operating expenditures	71.12 %	70.11 %	74.26 %	69.62 %	61.59 %
Reserves to working capital	0.97	0.84	0.89	1.18	0.98