
CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FINANCIAL REPORTS

December 31, 2004

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

December 31, 2004

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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, 2004, and the consolidated statements of financial activities and changes in financial position 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, 2004 and the results of operations for the year then ended, in accordance with Canadian generally accepted accounting principles.

Craig Keen Despatie Markell LLP

Cornwall, Ontario
February 9, 2005

CHARTERED ACCOUNTANTS

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2004

	2004	2003
ASSETS		
Financial Assets		
Cash	\$ 1,028,993	\$ 451,596
Taxes receivable	1,984,143	2,647,106
Accounts receivable	2,475,945	402,069
Other current assets	26,267	26,376
Long-term investments	470,364	663,984
	\$ 5,985,712	\$ 4,191,131
LIABILITIES		
Temporary borrowings	5,282,993	\$ 700,000
Accounts payable	\$ 1,478,642	\$ 1,453,833
Accrued interest on municipal debt	714	4,798
Deferred revenue (Note 3)	57,377	43,759
Future employee benefits (Note 4)	216,840	-
Accrued landfill closure and post closure (Note 5)	1,975,000	1,872,500
Municipal debt (Note 6)	534,158	969,707
	9,545,724	5,044,597
NET ASSETS	\$ (3,560,012)	\$ (853,466)
MUNICIPAL POSITION (Note 7)		
Operating fund	(6,494)	38,896
Capital fund	(5,469,436)	(2,531,992)
Reserves and reserve funds	4,642,631	4,486,635
	(833,299)	1,993,539
Fund balances	(833,299)	1,993,539
Amounts to be recovered from future revenues	(2,726,711)	(2,847,005)
MUNICIPAL POSITION	\$ (3,560,010)	\$ (853,466)

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
REVENUE			
Taxation and user charges (Note 1(a)(iii))			
Taxation	\$ 3,842,524	\$ 3,893,766	\$ 3,859,466
Taxation from other governments	391,814	394,848	689,347
Fees and service charges	1,820,323	2,096,654	1,806,617
	6,054,661	6,385,268	6,355,430
Grants			
Government of Canada	19,043	18,393	19,043
Province of Ontario	994,776	6,512,516	2,464,271
Other municipalities	6,127	6,127	6,127
	1,019,946	6,537,036	2,489,441
Other			
Investment income	445,000	420,583	475,779
Sale of land and equipment	50,000	6,350	92,058
Donations	-	2,257	1,782
Other revenue	-	9,022	29,848
	495,000	438,212	599,467
Total revenues for the year	\$ 7,569,607	\$ 13,360,516	\$ 9,444,338

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES -
EXPENDITURE**

For the year ended December 31, 2004

	BUDGET	ACTUAL	ACTUAL
	2004	2004	2003
EXPENDITURE			
Current operations			
General government	\$ 821,067	\$ 803,676	\$ 728,289
Protection to persons and property	535,215	504,209	505,348
Transportation services	1,266,544	1,561,958	1,291,063
Environmental services	2,318,293	2,353,423	2,142,298
Social and family services	-	1,882	1,107
Recreation and cultural services	653,715	614,124	595,424
Planning and development	216,800	166,660	122,123
	5,811,634	6,005,932	5,385,652
Capital			
General government	123,192	8,861	26,300
Protection to persons and property	76,561	41,780	367,225
Transportation services	1,238,388	839,347	1,330,509
Environmental services	290,168	8,902,137	4,871,572
Recreation and cultural services	139,492	140,466	158,197
Planning and development	169,101	129,096	161,570
	2,036,902	10,061,687	6,915,373
Total expenditures for the year	7,848,536	16,067,619	12,301,025
Net revenues(expenditures) for the year	(278,929)	(2,707,103)	(2,856,687)
CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (NOTES 7)			
New debt issued	-	-	650,000
Debt principal repayments	(427,727)	(434,988)	(520,347)
Accrued landfill closure and post closure	102,500	102,500	102,500
Future employee benefits and accrued interest	(4,940)	212,755	(2,782)
	(330,167)	(119,733)	229,371
Change in fund balance	\$ (609,096)	\$ (2,826,836)	\$ (2,627,316)

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2004

	2004	2003
CASH FROM (USED IN) OPERATING ACTIVITIES		
Net expenditure for the year	\$ (2,707,103)	\$ (2,856,687)
Taxes receivable	662,963	(409,554)
Accounts receivable	(2,073,876)	33,012
Other current assets	109	(4,220)
Accounts payable	24,810	636,111
Deferred revenue	13,618	7,373
Accrued interest on debt	(4,085)	(5,170)
Future employee benefits	216,840	-
Accrued landfill closure and post closure	102,500	102,500
	(3,764,224)	(2,496,635)
CASH FROM (USED IN) FINANCING ACTIVITIES		
Increase (decrease) in long-term debt	(435,549)	129,229
Increase in temporary borrowings	4,582,993	700,000
	4,147,444	829,229
CASH FROM (USED IN) INVESTING ACTIVITIES		
(Decrease)increase in long term investments	193,620	(589,453)
	193,620	(589,453)
INCREASE (DECREASE) IN CASH AND EQUIVALENT	576,840	(2,256,859)
CASH AND EQUIVALENT, beginning of year	451,596	2,705,648
CASH AND EQUIVALENT, end of year	\$ 1,028,436	\$ 448,789
REPRESENTED BY :		
Cash	\$ 1,028,993	\$ 451,596
	\$ 1,028,993	\$ 451,596

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF OPERATING FUND

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
Revenue			
Taxation	\$ 4,234,338	\$ 4,288,613	\$ 4,548,813
Fees and service charges	1,820,323	2,090,730	1,806,617
Grants	1,019,946	1,021,721	1,028,832
Interest	445,000	388,863	448,267
Other	50,000	6,350	92,058
	<hr/> 7,569,607	<hr/> 7,796,277	<hr/> 7,924,587
Expenditure			
General government	821,067	803,676	728,289
Protection to persons and property	535,215	504,209	505,348
Transportation services	1,266,544	1,561,958	1,291,063
Environmental services	2,318,293	2,353,423	2,142,298
Social	-	1,882	1,107
Recreation and cultural services	653,715	614,124	595,424
Planning and development	216,800	166,660	122,123
	<hr/> 5,811,634	<hr/> 6,005,932	<hr/> 5,385,652
Net revenue(expenditure)	<hr/> 1,757,973	<hr/> 1,790,345	<hr/> 2,538,935
Financing and transfers			
Transfer from (to) reserves and reserve funds	(103,696)	(330,713)	(748,140)
Transfer from (to) capital fund	(1,399,111)	(1,385,290)	(1,336,236)
Debt principal repayments	(427,727)	(434,988)	(520,347)
Accrued landfill closure and post closure	102,500	102,500	102,500
Retirement benefits and accrued interest	(4,940)	212,755	(2,782)
	<hr/> (1,832,974)	<hr/> (1,835,736)	<hr/> (2,505,005)
Change in operating fund balance	(75,001)	(45,391)	33,930
Operating fund - beginning of the year	38,896	38,896	4,966
Operating fund - end of the year	\$ (36,105)	\$ (6,495)	\$ 38,896

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
Revenue			
Grants	\$ -	\$ 5,515,314	\$ 1,460,607
Direct billings	-	5,924	-
Other	-	-	7,912
	-	5,521,238	1,468,519
Expenditure			
General government	123,192	8,861	26,300
Protection to persons and property	76,561	41,780	367,225
Transportation services	1,238,388	839,347	1,330,509
Environmental services	290,168	8,902,137	4,871,572
Recreation and cultural services	139,492	140,466	158,197
Planning and development	169,101	129,096	161,570
	2,036,902	10,061,687	6,915,373
Net revenue(expenditure)	(2,036,902)	(4,540,449)	(5,446,854)
Financing and transfers			
Transfer from(to) reserves and reserve funds	142,207	217,716	179,002
Transfer from(to) operating fund	1,399,111	1,385,290	1,336,236
Proceeds from the issue of long-term debt	-	-	650,000
	1,541,318	1,603,006	2,165,238
Change in capital fund	(495,584)	(2,937,443)	(3,281,616)
Capital fund - beginning of the year	(2,531,992)	(2,531,992)	749,624
Capital fund - end of the year	\$ (3,027,576)	\$ (5,469,435)	\$ (2,531,992)

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF RESERVE AND RESERVE FUNDS

For the year ended December 31, 2004

	BUDGET 2004	ACTUAL 2004	ACTUAL 2003
Revenue			
Interest	-	31,720	27,512
Donations	-	2,257	1,782
Other	-	9,022	21,936
	-	42,999	51,230
Financing and transfers			
Transfer from (to) capital fund	(142,207)	(217,716)	(179,002)
Transfer from (to) operating fund	103,696	330,713	748,140
	(38,511)	112,997	569,138
Change in reserve and reserve funds	(38,511)	155,996	620,368
Reserve & reserve funds - beginning of the year	4,486,635	4,486,635	3,866,267
Reserve & reserve funds - end of the year	\$ 4,448,124	\$ 4,642,631	\$ 4,486,635
Analyzed as follows:			
Reserves set aside for specific purposes by Council:			
. for working capital		\$ 1,342,133	\$ 1,628,020
. for future infrastructure		150,000	100,000
. for elections		17,000	-
. for fire		182,645	142,353
. for sewer and water		1,791,318	1,499,234
. for planning/CBO		1,821	24,000
. for roads		-	130,207
. for recreation		86,115	37,116
. for other		120,500	70,500
Total reserves		3,691,532	3,631,430
Reserve funds set aside for specific purpose by legislation, regulation or agreement			
. for water and sewer		845,266	815,036
. for Farran park		90,755	35,038
. for senior support		7,912	397
. for recreation softball		7,166	4,734
Total reserves funds		951,099	855,205
Total reserves and reserve funds		\$ 4,642,631	\$ 4,486,635

See Auditor's Report and Notes to the Financial Reports

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

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, 2004

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 retirement 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 recognised 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 \$470,364 reported on the Consolidated Statement of Financial Position at cost, has a market value of \$470,364 at year end.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

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 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:

	2004	2003
Parkland	\$ 57,377	\$ 43,759

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 \$216,840.

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 three 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 \$2,050,000 with \$1,975,000 (2003 - \$1,872,500) being accrued at the end of the current fiscal year. During the year \$102,500 (2003 - \$102,500) was amortized and charged to Current Operations - Environment.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

6. MUNICIPAL DEBT

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

	2004	2003
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	\$ 880,302	\$ 1,391,534
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	(346,144)	(421,827)
Municipal debt at the end of the year	\$ 534,158	\$ 969,707

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

	2005 to 2009	2010 to 2014
from general municipal revenues	\$ 470,365	\$ -
from benefiting landowners	\$ 63,793	\$ -
	\$ 534,158	\$ -

(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, 2004 is \$346,144 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, 2004

7. MUNICIPAL POSITION AT THE END OF THE YEAR

(a) The balances on the Consolidated Statement of Financial Position of municipal position (future revenue requirement) of \$(3,560,011) at the end of the year are comprised of the following:

	2004	2003
Operating fund		
. for general reduction of taxation	\$ -	\$ -
. for general reduction (increase) of user charges	(6,494)	38,896
Total operating fund balance	(6,494)	38,896
Capital fund		
. unexpended capital financing	(5,469,436)	(2,531,992)
Total capital fund balance	(5,469,436)	(2,531,992)
Reserves and reserve funds		
. reserves	3,691,532	3,631,430
. reserve funds	951,099	855,205
Total reserves and reserve fund balance	4,642,631	4,486,635
Amounts to be recovered from future revenues		
. municipal debt	(534,158)	(969,707)
. accrued interest on municipal debt	(714)	(4,798)
. accrued landfill closure and post closure costs	(1,975,000)	(1,872,500)
. future employee benefits	(216,840)	-
Amounts to be recovered from future revenues	(2,726,712)	(2,847,005)
Municipal position	\$ (3,560,011)	\$ (853,466)

(b) The balance available for the general reduction of taxation for the fiscal year ending has been reduced by an amount of \$80,000 transferred to the Reserve for Working Capital as authorized by Council. Had this reduction not been made the balance would have shown of net operating fund revenues of \$80,000.

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 2004 in the amount of \$109,200.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

9. TRUST FUNDS

Trust funds administered by the municipality amounting to \$21,835 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.

11. PUBLIC SECTOR SALARY DISCLOSURE ACT

In 2004 no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more.

12. PAY EQUITY

The Township is in the process of updating its Pay Equity plan. A draft plan has been prepared but is yet to be ratified by Council and approved by the employees. As such, no liability has been recorded in the accounts. Once the plan is ratified and approved, any liability will be funded from Working Capital Reserves.