
CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FINANCIAL REPORTS

December 31, 2007

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

December 31, 2007

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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, 2007, 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, 2007 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
February 22, 2008

CHARTERED ACCOUNTANTS

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2007

	2007	2006
NET ASSETS		
Financial Assets		
Cash	\$ 2,356,899	\$ 1,126,119
Taxes receivable	1,674,886	1,663,330
Accounts receivable	3,226,267	1,681,988
Other current assets	72,657	69,252
Long-term investments	-	143,559
	7,330,709	4,684,248
Liabilities		
Temporary borrowings	-	1,532,000
Accounts payable	2,273,661	1,196,478
Accrued interest on municipal debt	80,109	86
Deferred revenue (Note 2)	104,553	89,596
Future employee benefits (Note 3)	40,779	43,032
Accrued landfill closure and post closure (Note 4)	546,875	925,000
Municipal debt (Note 5)	7,643,144	6,082,560
	10,689,121	9,868,752
NET ASSETS	\$ (3,358,412)	\$ (5,184,504)

MUNICIPAL POSITION		
Operating fund	\$ (315,533)	\$ (562,172)
Capital fund	1,551,554	(1,472,181)
Reserves and reserve funds	3,716,473	3,900,528
	4,952,494	1,866,175
Fund balances (Note 6)	4,952,494	1,866,175
Amounts to be recovered from future revenues (Note 6)	(8,310,906)	(7,050,679)
MUNICIPAL POSITION	\$ (3,358,412)	\$ (5,184,504)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE

For the year ended December 31, 2007

	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
REVENUE			
Taxation and user charges (Note 1(a)(iii))			
Taxation	\$ 3,425,193	\$ 3,537,265	\$ 3,274,003
Taxation from other governments	459,137	466,895	450,058
Fees and service charges	2,214,326	2,658,858	2,106,092
	6,098,656	6,663,018	5,830,153
Grants			
Government of Canada	2,500	10,976	3,436
Province of Ontario	2,013,709	2,992,012	2,957,135
Other municipalities	7,000	7,002	7,002
	2,023,209	3,009,990	2,967,573
Other			
Investment income	292,283	371,635	329,299
Sale of land and equipment	130,000	12,205	22,700
Prepaid special charges	-	-	1,084,780
Donations	25,000	9,784	4,335
	447,283	393,624	1,441,114
Total revenues for the year	\$ 8,569,148	\$ 10,066,632	\$ 10,238,840

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES -
EXPENDITURE**

For the year ended December 31, 2007

	BUDGET	ACTUAL	ACTUAL
	2007	2007	2006
EXPENDITURE			
Current operations			
General government	\$ 707,493	\$ 754,946	\$ 721,305
Protection to persons and property	626,887	570,680	576,636
Transportation services	1,524,187	1,506,870	1,463,467
Environmental services	2,508,847	2,202,879	2,505,214
Social and family services	9,194	9,139	5,522
Recreation and cultural services	789,732	883,995	795,688
Planning and development	217,641	229,019	178,895
	6,383,981	6,157,528	6,246,727
Capital			
General government	161,000	36,296	6,224
Protection to persons and property	92,067	210,762	128,863
Transportation services	2,259,768	1,227,724	1,755,754
Environmental services	582,320	548,492	797,892
Recreation and cultural services	388,847	41,239	217,327
Planning and development	89,237	16,540	41,782
	3,573,239	2,081,053	2,947,842
Total expenditures for the year	9,957,220	8,238,581	9,194,569
Net revenues (expenditures) for the year	(1,388,072)	1,828,051	1,044,271
CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (NOTES 6)			
New municipal debt issued	406,043	1,846,374	5,939,000
Municipal debt principal repayments	(222,418)	(287,752)	(166,461)
Accrued landfill closure and post closure	-	(378,125)	76,471
Future employee benefits and accrued interest	-	77,770	(142)
	183,625	1,258,267	5,848,868
Change in fund balance	\$ (1,204,447)	\$ 3,086,318	\$ 6,893,139

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2007

	2007	2006
CASH FROM (USED IN) OPERATING ACTIVITIES		
Net revenue for the year	\$ 1,828,051	\$ 1,044,271
Taxes receivable	(11,555)	242,029
Accounts receivable	(1,544,280)	414,401
Other current assets	(3,405)	(42,985)
Accounts payable	1,077,184	(494,675)
Deferred revenue	12,997	(103,439)
Accrued interest on municipal debt	80,023	(142)
Future employee benefits	(2,253)	-
Accrued landfill closure and post closure	(378,125)	76,471
	1,058,637	1,135,931
CASH FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from the issue of municipal debt	1,848,336	5,939,001
Repayment of municipal debt	(287,752)	(166,461)
Decrease in temporary borrowings	(1,532,000)	(6,800,993)
	28,584	(1,028,453)
CASH FROM INVESTING ACTIVITIES		
Decrease in long term investments	143,559	166,461
	143,559	166,461
INCREASE IN CASH AND EQUIVALENT	1,230,780	273,939
CASH, beginning of year	1,126,119	852,180
CASH, end of year	\$ 2,356,899	\$ 1,126,119
REPRESENTED BY :		
Cash	\$ 2,356,899	\$ 1,126,119
Supplementary information:		
Interest paid	<u>\$ 251,154</u>	<u>\$ 8,642</u>

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF OPERATING FUND

For the year ended December 31, 2007

	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
Revenue			
Taxation	\$ 3,884,330	\$ 4,004,160	\$ 3,724,061
Fees and service charges	2,214,326	2,658,862	2,081,091
Grants	1,108,712	1,093,800	1,384,178
Interest	292,283	344,567	297,906
Other	130,000	12,205	22,700
	<hr/> 7,629,651	<hr/> 8,113,594	<hr/> 7,509,936
Expenditure			
General government	707,493	754,946	721,305
Protection to persons and property	626,887	570,680	576,636
Transportation services	1,524,187	1,506,870	1,463,467
Environmental services	2,508,847	2,202,879	2,505,214
Social	9,194	9,139	5,522
Recreation and cultural services	789,732	883,995	795,688
Planning and development	217,641	229,019	178,895
	<hr/> 6,383,981	<hr/> 6,157,528	<hr/> 6,246,727
Net revenue	<hr/> 1,245,670	<hr/> 1,956,066	<hr/> 1,263,209
Financing and transfers			
Transfer from (to) reserves and reserve funds	(16,858)	270,907	424,368
Transfer from (to) capital fund	(943,886)	(1,392,227)	(2,266,858)
Debt principal repayments	(222,418)	(287,752)	(166,461)
Accrued landfill closure and post closure	-	(378,125)	76,471
Retirement benefits and accrued interest	-	77,770	(142)
	<hr/> (1,183,162)	<hr/> (1,709,427)	<hr/> (1,932,622)
Change in operating fund balance	62,508	246,639	(669,413)
Operating fund - beginning of the year	<hr/> (562,172)	<hr/> (562,172)	<hr/> 107,241
Operating fund - end of the year	<hr/> \$ (499,664)	<hr/> \$ (315,533)	<hr/> \$ (562,172)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF CAPITAL FUND

For the year ended December 31, 2007

	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
Revenue			
Grants	\$ 914,497	\$ 1,916,187	\$ 1,557,640
Direct billings	-	-	25,000
Prepaid special charges	-	-	1,084,780
Other	25,000	-	-
	939,497	1,916,187	2,667,420
Expenditure			
General government	161,000	36,296	6,224
Protection to persons and property	92,067	210,762	128,863
Transportation services	2,259,768	1,227,724	1,755,754
Environmental services	582,320	548,492	797,892
Recreation and cultural services	388,847	41,239	217,327
Planning and development	89,237	16,540	41,782
	3,573,239	2,081,053	2,947,842
Net expenditure	(2,633,742)	(164,866)	(280,422)
Financing and transfers			
Transfer from(to) reserves and reserve funds	(50,000)	(50,000)	-
Transfer from(to) operating fund	943,886	1,392,227	2,266,858
Proceeds from the issue of long-term debt	406,043	1,846,374	5,939,000
	1,299,929	3,188,601	8,205,858
Change in capital fund	(1,333,813)	3,023,735	7,925,436
Capital fund - beginning of the year	(1,472,181)	(1,472,181)	(9,397,617)
Capital fund - end of the year	\$ (2,805,994)	\$ 1,551,554	\$ (1,472,181)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF RESERVE AND RESERVE FUNDS

For the year ended December 31, 2007

	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
Revenue			
Grants	\$ -	\$ -	\$ 25,760
Interest	-	27,068	31,393
Donations	-	9,784	4,335
	-	36,852	61,488
Financing and transfers			
Transfer from (to) capital fund	50,000	50,000	-
Transfer from (to) operating fund	16,858	(270,907)	(424,368)
	66,858	(220,907)	(424,368)
Change in reserve and reserve funds	66,858	(184,055)	(362,880)
Reserve and reserve funds - beginning of the year	3,900,528	3,900,528	4,263,408
Reserve and reserve funds - end of the year	\$ 3,967,386	\$ 3,716,473	\$ 3,900,528
Analyzed as follows:			
Reserves set aside for specific purposes by Council:			
. for working capital		\$ 46,790	\$ 110,785
. for future infrastructure		200,000	200,000
. for elections		14,757	-
. for fire		442,344	207,553
. for sewer and water		1,920,740	2,155,768
. for planning/CBO		1,821	1,821
. for roads		100,000	-
. for recreation		20,050	115,550
. for other		191,000	150,500
Total reserves		2,937,502	2,941,977
Reserve funds set aside for specific purpose by legislation, regulation or agreement			
. for water and sewer		723,876	898,503
. for Farran park		4,171	28,791
. for senior support		28,808	23,640
. for recreation softball		7,832	7,617
. for library		10,000	-
. for war memorial		4,284	-
Total reserves funds		778,971	958,551
Total reserves and reserve funds		\$ 3,716,473	\$ 3,900,528

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2007

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, 2007

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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2007

2. 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:

	2007	2006
Parkland	\$ 96,253	\$ 86,336
Federal gas tax refund	8,300	3,260
	\$ 104,553	\$ 89,596

3. 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 \$40,779 (2006 - \$43,032).

The Township has no vested sick leave benefits.

4. 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 ten years. Under "PSAB" the estimated cost of closing the landfill sites and the cost of post closure care for five years 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 \$546,875 (2006 - \$925,000) being accrued at the end of the current fiscal year. During the year \$(378,125) (2006 - \$76,471) was amortized and (credited)charged to Current Operations - Environment.

In 2007, a redetermination of the useful life of the landfill site was completed resulting in a reduction of the estimated liability of \$378,125 from \$925,000 to \$546,875 including 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, 2007

5. MUNICIPAL DEBT

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

	2007	2006
Total unsecured 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 bearing interest at various rates between 2.71% and 8.0% amounts to	\$ 8,105,855	\$ 6,552,243
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	(462,711)	(469,683)
Municipal debt at the end of the year	\$ 7,643,144	\$ 6,082,560

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

2008	\$ 245,339
2009	255,369
2010	265,864
2011	276,848
2012	361,895
Thereafter	6,237,829
	\$ 7,643,144

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

from general municipal revenues	\$ -
from benefiting landowners	7,643,144
	\$ 7,643,144

(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, 2007 is \$462,711 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, 2007

6. MUNICIPAL POSITION

(a) The balances on the Consolidated Statement of Financial Position of municipal position (future revenue requirement) of \$(3,358,412) at the end of the year are comprised of the following:

	2007	2006
Fund balances		
Operating fund		
. for general reduction of taxation	\$ (160,827)	\$ (212,718)
. for general reduction (increase) of user charges	(154,706)	(349,454)
Total operating fund balance	(315,533)	(562,172)
Capital fund		
. unexpended capital financing	1,551,554	1,419,102
. acquisition of capital assets to be financed from the proceeds of municipal debt	-	(2,891,283)
Total capital fund balance	1,551,554	(1,472,181)
Reserves and reserve funds		
. reserves	2,937,502	2,941,977
. reserve funds	778,971	958,551
Total reserves and reserve fund balance	3,716,473	3,900,528
Total fund balances	4,952,494	1,866,175
Amounts to be recovered from future revenues		
. municipal debt	(7,643,144)	(6,082,560)
. accrued interest on municipal debt	(80,109)	(86)
. accrued landfill closure and post closure costs	(546,875)	(925,000)
. future employee benefits	(40,779)	(43,032)
Amounts to be recovered from future revenues	(8,310,906)	(7,050,679)
Municipal position	\$ (3,358,412)	\$ (5,184,504)

7. 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 2007 in the amount of \$152,277.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2007

8. TRUST FUNDS

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

9. 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.

10. OPERATING EXPENDITURES BY OBJECT

	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
Wages and benefits	\$ 1,620,298	\$ 1,902,208	\$ 1,680,713
Interest on municipal debt	10,356	251,154	8,642
Materials and services	2,334,440	2,327,554	3,246,879
Contracted services	2,014,551	1,351,967	898,832
Insurance and other financial costs	322,376	243,225	336,922
Third party transfers	81,960	81,420	74,739
	<hr/>	<hr/>	<hr/>
	\$ 6,383,981	\$ 6,157,528	\$ 6,246,727

11. TANGIBLE CAPITAL ASSETS

The Township will be adopting PSAB 3150, accounting for tangible capital assets as of January 1, 2009. The Township has commenced the process of inventorying the tangible capital assets.