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**CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT**

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**FINANCIAL REPORTS**

**December 31, 2008**

# CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

December 31, 2008

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**Craig  
Keen  
Despatie  
Markell  
LLP**

**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, 2008, 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, 2008 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**



**CHARTERED ACCOUNTANTS**

Cornwall, Ontario  
February 24, 2009

**Robert W. Craig**  
B.COMM., FCA, (Ret.)

**Brian D. Keen**  
B.COMM., CA

**Michael D. Despatie**  
B.ADMIN., CA

**Ross M. Markell**  
B.COMM., CA, TEP

**H. James Pollock**  
BBA, CA

310 Second Street West  
Cornwall, Ontario K6J 1G9

Tel: 613-932-3610  
Fax: 613-938-3215

E-mail: [info@yourca.com](mailto:info@yourca.com)

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

As at December 31, 2008

	2008	2007
<b>NET FINANCIAL LIABILITIES</b>		
<b>Financial Assets</b>		
Cash	\$ 4,664,772	\$ 2,356,899
Taxes receivable	1,727,351	1,674,886
Accounts receivable	1,078,310	3,226,267
Other current assets	65,563	72,657
	7,535,996	7,330,709
 <b>Liabilities</b>		
Accounts payable	1,421,853	2,273,663
Accrued interest on municipal debt	78,023	80,109
Deferred revenue (Note 2)	142,331	104,553
Future employee benefits (Note 3)	43,560	40,779
Accrued landfill closure and post closure (Note 4)	568,750	546,875
Municipal debt (Note 5)	7,542,631	7,643,144
	9,797,148	10,689,123
<b>NET FINANCIAL LIABILITIES</b>	<b>\$ (2,261,152)</b>	<b>\$ (3,358,414)</b>

<b>MUNICIPAL POSITION</b>		
Operating fund	\$ (83,749)	\$ (315,533)
Capital fund	1,393,266	1,551,554
Reserves and reserve funds	4,662,293	3,716,473
	5,971,810	4,952,494
Fund balances (Note 6)	5,971,810	4,952,494
Amounts to be recovered from future revenues (Note 6)	(8,232,962)	(8,310,908)
<b>MUNICIPAL POSITION</b>	<b>\$ (2,261,152)</b>	<b>\$ (3,358,414)</b>

See Accompanying Notes

**CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT**

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - REVENUE**

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>REVENUE</b>			
<b>Taxation and user charges (Note 1(a)(iii))</b>			
Taxation	\$ 3,588,048	\$ 3,640,388	\$ 3,537,265
Taxation from other governments	460,700	459,491	466,895
Fees and service charges	2,922,491	2,921,336	2,653,330
	<u>6,971,239</u>	<u>7,021,215</u>	<u>6,657,490</u>
<b>Grants</b>			
Government of Canada	-	-	10,976
Province of Ontario	3,790,339	4,253,531	2,992,008
Other municipalities	7,002	7,002	7,002
	<u>3,797,341</u>	<u>4,260,533</u>	<u>3,009,986</u>
<b>Other</b>			
Investment income	337,271	409,297	371,635
Sale of land and equipment	61,900	14,180	12,205
Donations	25,000	500	9,784
	<u>424,171</u>	<u>423,977</u>	<u>393,624</u>
<b>Total revenues for the year</b>	<u>\$ 11,192,751</u>	<u>\$ 11,705,725</u>	<u>\$ 10,061,100</u>

See Accompanying Notes

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

For the year ended December 31, 2008

	BUDGET	ACTUAL	ACTUAL
	2008	2008	2007
<b>EXPENDITURE</b>			
<b>Current operations</b>			
General government	\$ 706,983	\$ 714,950	\$ 749,414
Protection to persons and property	610,801	581,568	570,680
Transportation services	1,646,983	1,727,367	1,506,870
Environmental services	2,868,336	2,622,352	2,202,879
Social and family services	6,510	5,461	9,139
Recreation and cultural services	918,712	861,582	883,995
Planning and development	221,009	229,096	229,019
	<b>6,979,334</b>	<b>6,742,376</b>	<b>6,151,996</b>
<b>Capital</b>			
General government	221,000	215,549	36,296
Protection to persons and property	362,975	354,489	210,762
Transportation services	4,167,898	2,703,510	1,227,724
Environmental services	451,882	392,169	548,492
Recreation and cultural services	444,100	89,028	41,239
Planning and development	225,984	105,906	16,540
	<b>5,873,839</b>	<b>3,860,651</b>	<b>2,081,053</b>
<b>Total expenditures for the year</b>	<b>12,853,173</b>	<b>10,603,027</b>	<b>8,233,049</b>
<b>Net revenues (expenditures) for the year</b>	<b>(1,660,422)</b>	<b>1,102,698</b>	<b>1,828,051</b>
<b>CHANGES IN AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES (NOTES 6)</b>			
New municipal debt issued	219,847	219,847	1,846,374
Municipal debt principal repayments	(319,991)	(320,301)	(287,752)
Accrued landfill closure and post closure	21,875	21,875	(378,125)
Future employee benefits and accrued interest	-	695	77,770
	<b>(78,269)</b>	<b>(77,884)</b>	<b>1,258,267</b>
<b>Change in fund balance</b>	<b>\$ (1,738,691)</b>	<b>\$ 1,024,814</b>	<b>\$ 3,086,318</b>

See Accompanying Notes

**CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2008

	2008	2007
<b>CASH FROM OPERATING ACTIVITIES</b>		
Net revenue for the year	\$ 1,102,698	\$ 1,828,051
Taxes receivable	(52,465)	(11,553)
Accounts receivable	2,142,429	(1,544,280)
Other current assets	7,094	(3,405)
Accounts payable	(851,807)	1,077,184
Deferred revenue	37,778	14,957
Accrued interest on municipal debt	(2,086)	80,023
Future employee benefits	2,781	(2,253)
Accrued landfill closure and post closure	21,875	(378,125)
	<b>2,408,297</b>	<b>1,060,599</b>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Proceeds from the issue of municipal debt	219,847	1,846,374
Repayment of municipal debt	(320,301)	(287,752)
Decrease in temporary borrowings	-	(1,532,000)
	<b>(100,454)</b>	<b>26,622</b>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Decrease in long term investments	-	143,559
<b>INCREASE IN CASH</b>	<b>2,307,843</b>	<b>1,230,780</b>
<b>CASH, beginning of year</b>	<b>2,356,899</b>	<b>1,126,119</b>
<b>CASH, end of year</b>	<b>\$ 4,664,742</b>	<b>\$ 2,356,899</b>
<b>REPRESENTED BY :</b>		
Cash	\$ 4,664,772	\$ 2,356,899
<b>Supplementary information:</b>		
Interest paid	\$ 251,154	\$ 8,642

See Accompanying Notes

**CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT**

**SCHEDULE OF OPERATING FUND**

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>Revenue</b>			
Taxation	\$ 4,048,748	\$ 4,099,878	\$ 4,004,159
Fees and service charges	2,922,491	2,915,808	2,653,331
Grants	3,624,241	4,087,433	1,093,800
Interest	337,271	386,543	344,567
Other	61,900	14,680	12,205
	<hr/> 10,994,651	<hr/> 11,504,342	<hr/> 8,108,062
<b>Expenditure</b>			
General government	706,983	714,950	749,414
Protection to persons and property	610,801	581,568	570,680
Transportation services	1,646,983	1,727,367	1,506,870
Environmental services	2,868,336	2,622,352	2,202,879
Social	6,510	5,461	9,139
Recreation and cultural services	918,712	861,582	883,995
Planning and development	221,009	229,096	229,019
	<hr/> 6,979,334	<hr/> 6,742,376	<hr/> 6,151,996
<b>Net revenue</b>	<hr/> 4,015,317	<hr/> 4,761,966	<hr/> 1,956,066
<b>Financing and transfers</b>			
Transfer from (to) reserves and reserve funds	232,824	(923,066)	270,907
Transfer from (to) capital fund	(4,080,819)	(3,309,385)	(1,392,227)
Debt principal repayments	(319,991)	(320,301)	(287,752)
Accrued landfill closure and post closure	21,875	21,875	(378,125)
Retirement benefits and accrued interest	-	695	77,770
	<hr/> (4,146,111)	<hr/> (4,530,182)	<hr/> (1,709,427)
<b>Change in operating fund balance</b>	<hr/> (130,794)	<hr/> 231,784	<hr/> 246,639
<b>Operating fund - beginning of the year</b>	<hr/> (315,533)	<hr/> (315,533)	<hr/> (562,172)
<b>Operating fund - end of the year</b>	<hr/> \$ (446,327)	<hr/> \$ (83,749)	<hr/> \$ (315,533)

See Accompanying Notes

**CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT**

**SCHEDULE OF CAPITAL FUND**

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>Revenue</b>			
Grants	\$ 173,100	\$ 173,131	\$ 1,916,187
Other	25,000	-	-
	<hr/> 198,100	<hr/> 173,131	<hr/> 1,916,187
<b>Expenditure</b>			
General government	221,000	215,549	36,296
Protection to persons and property	362,975	354,489	210,762
Transportation services	4,167,898	2,703,510	1,227,724
Environmental services	451,882	392,169	548,492
Recreation and cultural services	444,100	89,028	41,239
Planning and development	225,984	105,906	16,540
	<hr/> 5,873,839	<hr/> 3,860,651	<hr/> 2,081,053
<b>Net expenditure</b>	<hr/> (5,675,739)	<hr/> (3,687,520)	<hr/> (164,866)
<b>Financing and transfers</b>			
Transfer from (to) reserves and reserve funds	-	-	(50,000)
Transfer from (to) operating fund	4,080,819	3,309,385	1,392,227
Proceeds from the issue of long-term debt	219,847	219,847	1,846,374
	<hr/> 4,300,666	<hr/> 3,529,232	<hr/> 3,188,601
<b>Change in capital fund</b>	<hr/> (1,375,073)	<hr/> (158,288)	<hr/> 3,023,735
<b>Capital fund - beginning of the year</b>	<hr/> 1,551,554	<hr/> 1,551,554	<hr/> (1,472,181)
<b>Capital fund - end of the year</b>	<hr/> \$ 176,481	<hr/> \$ 1,393,266	<hr/> \$ 1,551,554

See Accompanying Notes

**CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT**

**SCHEDULE OF RESERVES AND RESERVE FUNDS**

For the year ended December 31, 2008

	BUDGET 2008	ACTUAL 2008	ACTUAL 2007
<b>Revenue</b>			
Interest	\$ -	\$ 22,754	\$ 27,068
Donations	-	-	9,784
	-	22,754	36,852
<b>Financing and transfers</b>			
Transfer from (to) capital fund	-	-	50,000
Transfer from (to) operating fund	(232,824)	923,066	(270,907)
	(232,824)	923,066	(220,907)
<b>Change in reserve and reserve funds</b>	(232,824)	945,820	(184,055)
<b>Reserve and reserve funds - beginning of the year</b>	3,716,473	3,716,473	3,900,528
<b>Reserve and reserve funds - end of the year</b>	\$ 3,483,649	\$ 4,662,293	\$ 3,716,473
<b>Analyzed as follows:</b>			
<b>Reserves set aside for specific purposes by Council:</b>			
. for working capital		\$ 38,325	\$ 46,790
. for future infrastructure		160,000	200,000
. for elections		28,882	14,757
. for fire		379,002	442,344
. for sewer and water		2,259,329	1,920,740
. for planning/CBO		821	1,821
. for roads		200,000	100,000
. for recreation		50	20,050
. for other		1,064,374	191,000
<b>Total reserves</b>		<b>4,130,783</b>	<b>2,937,502</b>
<b>Reserve funds set aside for specific purpose by legislation, regulation or agreement</b>			
. for water and sewer		447,501	723,876
. for Farran park		29,098	4,171
. for senior support		37,149	28,808
. for recreation softball		8,061	7,832
. for library		9,292	10,000
. for war memorial		409	4,284
<b>Total reserves funds</b>		<b>531,510</b>	<b>778,971</b>
<b>Total reserves and reserve funds</b>		<b>\$ 4,662,293</b>	<b>\$ 3,716,473</b>

See Accompanying Notes

# CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

### 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 Sector Accounting 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, 2008

### 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, 2008

**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:

	2008	2007
Parkland	\$ 111,708	\$ 96,253
Federal gas tax refund	30,623	8,300
	<b>\$ 142,331</b>	<b>\$ 104,553</b>

**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 \$43,560 (2007 - \$40,779).

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 \$568,750 (2007 - \$546,875) being accrued at the end of the current fiscal year. During the year \$21,875 (2007 - \$(378,125)) 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, 2008

**5. MUNICIPAL DEBT**

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

	2008	2007
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%	\$ 8,021,531	\$ 8,105,855
Of the municipal debt shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals.	(478,900)	(462,711)
<b>Municipal debt at the end of the year</b>	<b>\$ 7,542,631</b>	<b>\$ 7,643,144</b>

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

2009	\$ 245,339
2010	255,369
2011	265,864
2012	276,848
2013	361,895
Thereafter	6,137,316
	<b>\$ 7,542,631</b>

(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	7,542,631
	<b>\$ 7,542,631</b>

(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, 2008 is \$478,900 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, 2008

**6. MUNICIPAL POSITION**

(a) The balances on the Consolidated Statement of Financial Position of municipal position (future revenue requirement) of \$(2,261,153) at the end of the year are comprised of the following:

	2008	2007
<b>Fund balances</b>		
<b>Operating fund</b>		
. for general reduction of taxation	\$ (27,020)	\$ (160,827)
. for general reduction (increase) of user charges	(56,729)	(154,706)
<b>Total operating fund balance</b>	<b>(83,749)</b>	<b>(315,533)</b>
<b>Capital fund</b>		
. unexpended capital financing	1,393,266	1,551,554
<b>Total capital fund balance</b>	<b>1,393,266</b>	<b>1,551,554</b>
<b>Reserves and reserve funds</b>		
. reserves	4,130,783	2,937,502
. reserve funds	531,510	778,971
<b>Total reserves and reserve fund balance</b>	<b>4,662,293</b>	<b>3,716,473</b>
<b>Total fund balances</b>	<b>5,971,810</b>	<b>4,952,494</b>
<b>Amounts to be recovered from future revenues</b>		
. municipal debt	(7,542,631)	(7,643,144)
. accrued interest on municipal debt	(78,023)	(80,109)
. accrued landfill closure and post closure costs	(568,750)	(546,875)
. future employee benefits	(43,560)	(40,779)
<b>Amounts to be recovered from future revenues</b>	<b>(8,232,963)</b>	<b>(8,310,908)</b>
<b>Municipal position</b>	<b>\$ (2,261,153)</b>	<b>\$ (3,358,414)</b>

**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 2008 in the amount of \$167,863.

# CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008

### 8. TRUST FUNDS

Trust funds administered by the municipality amounting to \$21,536 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 2008	ACTUAL 2008	ACTUAL 2007
Wages and benefits	\$ 1,935,360	\$ 1,949,592	\$ 1,902,208
Interest on municipal debt	270,371	257,185	251,154
Materials and services	3,007,735	2,907,661	2,328,834
Contracted services	1,418,379	1,302,533	1,351,967
Insurance and other financial costs	263,773	240,909	236,413
Third party transfers	83,716	84,496	81,420
	\$ 6,979,334	\$ 6,742,376	\$ 6,151,996

### 11. TANGIBLE CAPITAL ASSETS

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