

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FINANCIAL STATEMENTS

December 31, 2023

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

December 31, 2023

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CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Corporation of the Township of South Stormont's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 16, 2024



Chief Administrative Officer



Director of Finance/Treasurer

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

Opinion

We have audited the financial statements of Corporation of the Township of South Stormont (the "Township"), which comprise the statement of financial position as at December 31, 2023, and the statements of financial activities, accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2023, and the results of its financial activities, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cornwall, Ontario

July 16, 2024

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	2023	2022
NET FINANCIAL ASSETS		
ASSETS		
Cash (Note 3)	\$ 10,818,581	\$ 12,805,227
Taxes receivable (Note 4)	2,006,599	2,021,821
Accounts receivable (Note 4)	4,154,671	4,538,721
Land held for resale	1,783,867	348,595
	18,763,718	19,714,364
LIABILITIES		
Accounts payable	4,349,578	5,927,273
Accrued interest on municipal debt	73,681	73,681
Deferred revenue, obligatory reserve funds (Note 5)	1,360,211	1,204,742
Future employment benefits payable (Note 6)	50,000	50,000
Asset retirement obligations (Note 7)	2,975,316	-
Landfill closure and post-closure costs (Note 2)	-	1,611,233
Municipal debt (Note 8)	7,498,499	6,849,528
	16,307,285	15,716,457
NET FINANCIAL ASSETS	2,456,433	3,997,907
NON-FINANCIAL ASSETS		
Tangible capital assets	83,017,351	80,084,290
Inventory	378,888	372,660
Prepaid expenses	135,101	131,003
	83,531,340	80,587,953
ACCUMULATED SURPLUS	\$ 85,987,773	\$ 84,585,860

Contingencies (Note 15)

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2023

	(Note 12) BUDGET 2023	ACTUAL 2023	ACTUAL 2022
REVENUES			
Taxation	\$ 8,954,066	\$ 8,949,446	\$ 8,492,540
Fees and service charges	7,347,895	6,740,936	6,167,227
Grants	1,267,750	1,548,505	1,859,999
Rents	477,236	422,066	470,282
Investment income	466,689	782,902	563,904
Sale of land	350,000	-	210,275
Donations and other	10,500	5,250	2,040
	18,874,136	18,449,105	17,766,267
EXPENSES			
General government	2,653,682	2,746,000	2,900,042
Protection to persons and property	2,322,219	2,423,059	2,124,755
Transportation services	4,443,481	5,063,852	4,458,020
Environmental services	7,058,063	7,055,671	7,823,573
Health and recreation	1,843,890	2,157,556	1,885,078
Planning and development	742,683	448,339	599,271
	19,064,018	19,894,477	19,790,739
DEFICIT BEFORE OTHER ITEMS	(189,882)	(1,445,372)	(2,024,472)
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue earned (Note 5)	-	525,000	515,786
Grants	3,761,666	964,108	1,477,187
Gain on disposal of tangible capital assets	-	-	26,288
Reversal of landfill closure and post closure cost liability (Note 2)	-	1,358,177	-
	3,761,666	2,847,285	2,019,261
SURPLUS (DEFICIT) FOR THE YEAR	3,571,784	1,401,913	(5,211)
ACCUMULATED SURPLUS, beginning of year	84,585,860	84,585,860	84,591,071
ACCUMULATED SURPLUS, end of year	\$ 88,157,644	\$ 85,987,773	\$ 84,585,860

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31, 2023

	(Note 12) BUDGET 2023	ACTUAL 2023	ACTUAL 2022
Surplus (deficit) for the year	\$ 3,571,784	\$ 1,401,913	\$ (5,211)
Amortization of tangible capital assets	2,574,769	3,422,736	3,121,190
Acquisition of tangible capital assets	(7,751,373)	(4,017,540)	(4,944,099)
Asset retirement obligations	-	(2,338,257)	-
Proceeds on disposal of tangible capital assets	-	-	34,886
Gain on disposal of tangible capital assets	-	-	(26,288)
Change in inventory	-	(6,228)	(92,606)
Change in prepaid expenses	-	(4,098)	(7,984)
Decrease in net financial assets	(1,604,820)	(1,541,474)	(1,920,112)
Net financial assets, beginning of year	3,997,907	3,997,907	5,918,019
Net financial assets, end of year	\$ 2,393,087	\$ 2,456,433	\$ 3,997,907

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	2023	2022
CASH FROM OPERATING ACTIVITIES		
Surplus (deficit) for the year	\$ 1,401,913	\$ (5,211)
Items not affecting cash		
Amortization of tangible capital assets	3,422,736	3,121,190
Gain on disposal of tangible capital assets	-	(26,288)
Reversal of landfill closure and post closure cost liability	(1,358,177)	-
Changes in non-cash working capital balances		
Taxes receivable	15,222	(272,264)
Accounts receivable	384,050	580,907
Land held for resale	(1,435,272)	-
Inventory	(6,228)	(92,606)
Prepaid expenses	(4,098)	(7,984)
Accounts payable	(1,577,695)	2,105,578
Deferred revenue, obligatory reserve funds	155,469	(41,463)
Future employment benefits payable	-	(20,458)
Asset retirement obligations	384,003	-
Landfill closure and post-closure costs	-	846,991
	1,381,923	6,188,392
CASH FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from the issue of municipal debt	1,264,000	-
Repayment of municipal debt	(615,029)	(601,490)
	648,971	(601,490)
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	-	34,886
Acquisition of tangible capital assets	(4,017,540)	(4,944,099)
	(4,017,540)	(4,909,213)
(DECREASE) INCREASE IN CASH	(1,986,646)	677,689
CASH, beginning of year	12,805,227	12,127,538
CASH, end of year	\$ 10,818,581	\$ 12,805,227

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF TANGIBLE CAPITAL ASSETS - BY ASSET TYPE

For the year ended December 31, 2023

	Land and Land Improvements	Buildings	Vehicles	Equipment	Plants and Facilities	Roads	Water and waste water	Bridges	Assets under Construction	2023	2022
Cost											
Balance, beginning of year	\$ 4,552,985	\$ 14,979,692	\$ 5,275,214	\$ 4,457,461	\$ 31,509,488	\$ 46,827,860	\$ 23,702,433	\$ 6,988,069	\$ 3,127,254	\$ 141,420,456	\$ 136,575,841
Additions during the year	596,941	200,043	1,036,728	121,519	273,433	1,729,336	-	-	59,540	4,017,540	4,944,099
Disposals during the year	-	-	-	-	-	-	-	-	-	-	(99,484)
Asset retirement obligations	2,338,257	-	-	-	-	-	-	-	-	2,338,257	-
Balance, end of year	7,488,183	15,179,735	6,311,942	4,578,980	31,782,921	48,557,196	23,702,433	6,988,069	3,186,794	147,776,253	141,420,456
Accumulated Amortization											
Balance, beginning of year	1,794,564	5,740,738	3,366,779	2,176,687	23,239,559	17,888,931	5,377,144	1,751,764	-	61,336,166	58,305,862
Amortization during the year	98,311	392,913	289,872	168,642	805,177	1,261,791	287,112	118,918	-	3,422,736	3,121,190
Amortization on disposals	-	-	-	-	-	-	-	-	-	-	(90,886)
Balance, end of year	1,892,875	6,133,651	3,656,651	2,345,329	24,044,736	19,150,722	5,664,256	1,870,682	-	64,758,902	61,336,166
Net book value 2023	\$ 5,595,308	\$ 9,046,084	\$ 2,655,291	\$ 2,233,651	\$ 7,738,185	\$ 29,406,474	\$ 18,038,177	\$ 5,117,387	\$ 3,186,794	\$ 83,017,351	\$ 80,084,290
Net book value 2022	\$ 2,758,421	\$ 9,238,954	\$ 1,908,435	\$ 2,280,774	\$ 8,269,929	\$ 28,938,929	\$ 18,325,289	\$ 5,236,305	\$ 3,127,254	\$ 80,084,290	

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS - BY SEGMENT

For the year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2023	2022
Cost								
Balance, beginning of year	\$ 6,917,524	\$ 7,437,664	\$ 57,554,932	\$ 57,312,563	\$ 7,839,862	\$ 1,230,658	\$138,293,203	\$134,151,662
Additions during the year	146,664	954,727	1,970,254	273,433	626,047	-	3,971,125	4,241,025
Disposals during the year	-	-	-	-	-	-	-	(99,484)
Asset retirement obligations	-	75,270	-	2,249,862	13,125	-	2,338,257	-
Assets in service, end of year	7,064,188	8,467,661	59,525,186	59,835,858	8,465,909	1,230,658	144,589,460	138,293,203
Assets under construction	-	-	164,698	2,548,592	267,485	206,018	3,186,793	3,127,253
Balance, end of year	7,064,188	8,467,661	59,689,884	62,384,450	8,733,394	1,436,676	147,776,253	141,420,456
Accumulated Amortization								
Balance, beginning of year	1,883,496	3,632,915	21,868,221	29,885,043	3,895,287	171,205	61,336,166	58,305,862
Amortization during the year	187,773	182,608	1,610,965	1,198,637	238,610	4,143	3,422,736	3,121,190
Amortization on disposals	-	-	-	-	-	-	-	(90,886)
Balance, end of year	2,071,269	3,815,523	23,479,186	31,083,680	4,133,897	175,346	64,758,902	61,336,166
Net book value 2023	\$ 4,992,919	\$ 4,652,138	\$ 36,210,698	\$ 31,300,770	\$ 4,599,497	\$ 1,261,330	\$ 83,017,351	\$ 80,084,290
Net book value 2022	\$ 5,034,028	\$ 3,804,749	\$ 35,851,409	\$ 29,835,338	\$ 4,455,265	\$ 1,103,501	\$ 80,084,290	

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2023

	2023	2022
Operating deficits		
Operating surplus (Note 13)	\$ -	\$ -
Water and waste water deficit	-	(304,846)
Capital surplus	8,971	(647,027)
Unfunded liabilities to be recovered from future revenues		
Accrued interest on municipal debt	(73,681)	(73,681)
Future employment benefits payable	(50,000)	(50,000)
Asset retirement obligations	(2,975,316)	-
Landfill closure and post-closure costs	-	(1,611,233)
Total operating deficits	(3,090,026)	(2,686,787)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	399,503	1,319,220
Future infrastructure, facilities	1,069,829	1,099,906
Elections	30,000	-
Administration	787,772	717,772
Fire	1,306,382	1,242,632
Roads	259,840	224,182
Water and waste water	6,631,257	6,329,158
Waste management	328,989	484,573
Recreation	1,224,336	1,039,336
Land inventory	541,331	718,331
Other	228,255	151,405
Total reserves	12,807,494	13,326,515
Reserve funds set aside for specific purpose by legislation, regulation or agreement		
Water and waste water	682,850	623,076
Library	2,302	3,302
Total reserve funds	685,152	626,378
Total reserves and reserve funds	13,492,646	13,952,893
Equity in tangible capital assets		
Invested in tangible capital assets	83,017,351	80,084,290
Less: related debt	(7,432,198)	(6,764,536)
Total equity in tangible capital assets	75,585,153	73,319,754
ACCUMULATED SURPLUS	\$ 85,987,773	\$ 84,585,860

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2023

	Operating Deficits	Reserves & Reserve Funds	Equity in Tangible Capital Assets	2023	2022
Balance, beginning of year	\$ (2,686,787)	\$ 13,952,893	\$ 73,319,754	\$ 84,585,860	\$ 84,591,071
Surplus (deficit) for the year	4,797,481	27,168	(3,422,736)	1,401,913	(5,211)
Reserve funds used for operations	808,422	(808,422)	-	-	-
Operating funds transferred to reserves	(1,935,963)	1,935,963	-	-	-
Reserve funds used for tangible capital assets	1,614,956	(1,614,956)	-	-	-
Current year funds used for tangible capital assets	(4,017,540)	-	4,017,540	-	-
Asset retirement obligations	(2,338,257)	-	2,338,257	-	-
Proceeds from issuance of municipal debt	1,264,000	-	(1,264,000)	-	-
Municipal debt repaid	(596,338)	-	596,338	-	-
Change in accumulated surplus (deficit)	(403,239)	(460,247)	2,265,399	1,401,913	(5,211)
Balance, end of year	\$ (3,090,026)	\$ 13,492,646	\$ 75,585,153	\$ 85,987,773	\$ 84,585,860

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Recreation	Planning and Development	2023	2022
REVENUE								
Taxation	\$ 1,507,756	\$ 1,859,151	\$ 2,883,989	\$ 879,075	\$ 851,395	\$ 968,080	\$ 8,949,446	\$ 8,492,540
Fees and service charges	46,269	495,968	171,484	5,367,610	557,197	102,408	6,740,936	6,167,227
Grants	1,176,333	4,710	16,800	307,213	9,274	34,175	1,548,505	1,859,999
Rents	-	262,225	-	-	159,841	-	422,066	470,282
Investment income	742,239	-	-	40,663	-	-	782,902	563,904
Sale of land	-	-	-	-	-	-	-	210,275
Donations and other	-	5,250	-	-	-	-	5,250	2,040
	3,472,597	2,627,304	3,072,273	6,594,561	1,577,707	1,104,663	18,449,105	17,766,267
EXPENSES								
Wages and benefits	1,396,246	1,346,235	1,244,573	733,516	960,945	353,346	6,034,861	4,983,559
Interest on municipal debt	30,007	13,154	2,881	97,266	43,388	17,948	204,644	227,476
Materials and services	928,992	454,955	890,935	2,981,735	594,080	24,649	5,875,346	6,717,669
Contracted services	54,521	271,493	586,497	1,442,390	174,424	36,842	2,566,167	2,371,594
Insurance and financial costs	148,461	47,785	728,001	602,126	146,109	11,412	1,683,894	2,263,343
Third party transfers	-	106,830	-	-	-	-	106,830	105,908
Amortization	187,773	182,607	1,610,965	1,198,638	238,610	4,142	3,422,735	3,121,190
	2,746,000	2,423,059	5,063,852	7,055,671	2,157,556	448,339	19,894,477	19,790,739
SURPLUS (DEFICIT)								
BEFORE OTHER ITEMS	726,597	204,245	(1,991,579)	(461,110)	(579,849)	656,324	(1,445,372)	(2,024,472)
OTHER REVENUE RELATED TO CAPITAL								
Deferred revenue earned	-	-	525,000	-	-	-	525,000	515,786
Grants	-	10,336	735,366	-	218,406	-	964,108	1,477,187
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	26,288
Reversal of landfill closure costs	-	-	-	1,358,177	-	-	1,358,177	-
	-	10,336	1,260,366	1,358,177	218,406	-	2,847,285	2,019,261
SURPLUS (DEFICIT)	\$ 726,597	\$ 214,581	\$ (731,213)	\$ 897,067	\$ (361,443)	\$ 656,324	\$ 1,401,913	\$ (5,211)

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

DESCRIPTION OF ORGANIZATION

The Corporation of the Township of South Stormont (the "Township") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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, capital fund, reserves and reserve funds and include the activities of all committees of Council.

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

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.

(b) Accrual basis of accounting

Revenues and expenditures are reported on the accrual basis of accounting. 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.

(c) Measurement uncertainty (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 lives of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, deferred revenue and the estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Taxation and related revenue

Property tax billings are issued by the Township based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC"). The Township 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, payments 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.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and when 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.

(e) Government grants and transfers

Government grants and transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Township recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Township recognizes revenue as the liability is settled.

(f) Fees and service charges, sale of land and rents

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not 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, cash on deposit and short term investments, which includes guaranteed investment certificates with maturities of three months or less. The Township did not have any cash equivalents at December 31, 2023 and December 31, 2022.

(i) Deferred revenue, obligatory reserve funds

The Township receives restricted contributions under the authority of federal and provincial legislation. These funds by their nature are restricted in their use and are recorded as deferred revenue until applied to applicable costs. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Future employee benefits

Employee benefits include vacation entitlements. Vacation 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.

(k) 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.

(l) 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 surplus or deficit, 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 costs, less residual values, 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

Amortization is not charged in the year of acquisition or in the year of disposal. Assets under construction are not amortized until the assets are available for productive use, at which time they are capitalized.

The Township has a capitalization threshold of \$10,000 to \$25,000 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, utility poles and defibrillators.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Non-financial assets (Continued)

(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.

(m) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Township to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at fiscal year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Township reviews the carrying amount of the asset retirement obligation liability. The Township recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Township continues to recognize the asset retirement obligation liability relating to the landfill post-closure costs until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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 include:

- 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.

(o) Segmented information disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Municipality has provided definitions of the segments used and presented financial information in segmented format in Note 14.

(p) Financial instruments

The Township recognizes its financial instruments when the Township becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Township may irrevocably elect to subsequently measure any financial instrument at fair value. The Township has made no such election during the year. The Township subsequently measures all its financial assets and liabilities at amortized cost.

The Township subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The Township has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of financial activities.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial instruments (continued)

Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized into income. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses in the fiscal year it occurs.

(q) Future accounting pronouncements

Standards effective beginning on or after April 1, 2023

Revenues

PS 3400 Revenues establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor;
- Performance obligations can be satisfied at a point in time or over a period of time;
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time;
- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s); and
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.

Public Private Partnerships

PS 3160 Public Private Partnerships, which contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership PS 3160 applies when public private partnership infrastructure is procured by the public sector entity using a private sector partner that is obligated to:

- Design, build, acquire or better new or existing infrastructure;
- Finance the transaction past the point where the infrastructure is ready for use; and
- Operate and/or maintain the infrastructure.

Public private partnership infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure. A liability, which could be in the form of a financial liability, a performance obligation, or a combination of both, should be recognized when the public private partnership recognizes an asset.

These standards are effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted. The Township has not yet determined the impact of these standards on its financial statements.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. CHANGE IN ACCOUNTING POLICIES

Asset retirement obligations

Effective January 1, 2023, the Township adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 Asset Retirement Obligations. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was not applied retroactively, and prior periods have not been restated.

Previously, the Township recorded liabilities associated with asset retirement obligations such as landfill closure costs in accordance with PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. This previous standard required recognition of a liability for closure and post-closure care as the site capacity was used and was equal to the proportion of the estimated total expenditure required for closure and post-closure care. Under the new standard, a liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset when certain criteria are met, as described in Note 1(m).

There was a material impact on the financial statements from the prospective application of the new accounting policies resulting in an increase to asset retirement obligations \$2,591,312, an increase to active tangible capital assets of \$2,338,257 and the reversal of landfill closure and post-closure costs relating to active landfill sites of \$1,358,177.

Financial instruments

Effective January 1, 2023, the Township adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 Financial Instruments. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements from the prospective application of the new accounting recommendations.

3. CASH

	2023	2022
Unrestricted	\$ 8,415,624	\$ 11,139,893
Restricted reserve funds	2,402,957	1,665,334
	<u>\$ 10,818,581</u>	<u>\$ 12,805,227</u>

4. ALLOWANCES FOR DOUBTFUL TAXES AND ACCOUNTS RECEIVABLE

The taxes receivable on the statement of financial position are net of an allowance for doubtful accounts of \$116,000 (2022 - \$116,000) and the accounts receivable are net of an allowance for doubtful accounts of \$853,540 (2022 - \$853,540).

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

5. 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 balances in the obligatory reserve funds are summarized as follows:

	Development Charges	Federal Gas Tax	Parkland	2023	2022
Balance, beginning of year	29,984	\$ 1,155,874	\$ 18,884	\$ 1,204,742	\$ 1,246,205
Grants and billings received	179,847	433,863	-	613,710	445,770
Interest and other	-	66,759	-	66,759	28,553
Deferred revenue earned	-	(525,000)	-	(525,000)	(515,786)
Balance, end of year	\$ 209,831	\$ 1,131,496	\$ 18,884	\$ 1,360,211	\$ 1,204,742

6. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Township provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board ("WSIB") Act the Township had elected to be a Schedule 2 employer for the period between 1998 and 2010. 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. The estimated liability recorded in these financial statements with respects to any WSIB liability while as a Schedule 2 employer is \$50,000 (2022 - \$50,000).

7. ASSET RETIREMENT OBLIGATIONS

The Township's asset retirement obligations include two solid waste landfill sites closure and post closure monitoring costs of which one landfill site is closed; and committed demolition costs of a contaminated building for 2024.

The estimated closure and post-closure costs for both sites are \$2,510,021 of which have been adjusted by applying a discount rate of 2.71%, based on the Township's borrowing rate. These costs are to be recovered from future taxation revenue and reserves.

The reported liability is based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liability and will be recognized prospectively, as a change in estimate, when applicable.

Asset retirement obligations for the year is as follows:

	2023	2022
Original balance, landfill closure and post-closure liability	\$ 1,611,233	\$ -
Liabilities relating to landfill closure and post closure costs	891,684	-
Liabilities relating to contamination removal costs from buildings	88,395	-
Adjusted balance, beginning of year	2,591,312	-
Liabilities relating to future demolition costs of buildings	376,900	-
Accretion	7,104	-
Balance, end of year	\$ 2,975,316	\$ -

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

8. MUNICIPAL DEBT

The balance of municipal debt reported on the Statement of Financial Position is comprised of the following:

	2023	2022
Term loan, 2.71%, repayable in blended semi-annual payments of \$145,247, due July 2036, South Stormont water plant	\$ 3,165,046	\$ 3,365,680
Term loan, 2.69%, repayable in blended semi-annual payments of \$31,548, due September 2024, Street lights project	61,845	122,060
Bank term loan, 2.53%, repayable in blended monthly payments of \$2,972, due August 2041, Fire pumper rescue vehicle	507,693	530,205
Bank term loan, 3.15%, repayable in blended monthly payments of \$8,179, due June 2035, South Stormont Medical Clinic	945,849	1,013,051
Bank term loan, 2.28%, repayable in blended monthly payments of \$3,033, due November 2041, Emergency Medical Services building	528,797	552,841
Bank term loan, 3.52%, repayable in blended semi-annual payments of \$122,357, due November 2026, South Stormont municipal buildings	690,962	905,669
Bank term loan, 2.71%, repayable in blended semi-annual payments of \$7,215, due December 2049, Windermere water project	268,006	275,030
Bank term loan, 4.98% repayable in blended semi-annual payments of \$50,268, due October 2043, Tanker truck and bridge infrastructure	1,264,000	-
Tile drain loans, 6%, repayable over a ten year period in blended payments ranging between \$1,223 and \$4,402, maturity dates ranging from 2024 to 2030	66,301	84,992
Municipal debt, end of the year	\$ 7,498,499	\$ 6,849,528

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

2024	\$	665,123
2025		623,038
2026		643,478
2027		417,755
2028		420,619
Thereafter		4,728,486
	\$	7,498,499

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

8. MUNICIPAL DEBT (Continued)

Of the municipal debt reported above, principal payments are payable from the following sources:

	2024 - 2028	2029 - 2041
General municipal revenues	\$ 1,968,940	\$ 1,522,513
Benefiting landowners	801,073	3,205,973
	\$ 2,770,013	\$ 4,728,486

9. UNFUNDED LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

Unfunded liabilities to be recovered from future taxation, benefiting landowners and reserves are as follows:

	2023	2022
Municipal debt	\$ 7,498,499	\$ 6,849,528
Accrued interest on municipal debt	73,681	73,681
Future employment benefits payable	50,000	50,000
Asset retirement obligations	2,975,316	-
	\$ 10,597,496	\$ 6,973,209

Unfunded liabilities are to be recovered from the following sources:

General municipal revenues	\$ 6,590,450	\$ 2,717,302
Benefiting landowners	4,007,046	4,255,907
	\$ 10,597,496	\$ 6,973,209

10. OPERATING EXPENDITURES BY OBJECT

	(Note 12) BUDGET 2023	ACTUAL 2023	ACTUAL 2022
Wages and benefits	\$ 6,061,449	\$ 6,034,861	\$ 4,983,559
Interest on municipal debt	255,959	204,644	227,476
Materials and services	5,977,747	5,875,346	6,717,669
Contracted services	2,365,227	2,566,167	2,371,594
Insurance and other financial costs	1,720,313	1,683,894	2,263,343
Third party transfers	108,554	106,830	105,908
Amortization	2,574,769	3,422,735	3,121,190
	\$ 19,064,018	\$ 19,894,477	\$ 19,790,739

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

11. 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 of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are the joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension deficit of \$4.2 billion (2022 - \$6.7 billion) in these financial statements.

The employer amount contributed to OMERS for 2023 was \$371,824 (2022 - \$323,183) for current service and is included as an expenditure on the Statement of Financial Activities.

12. BUDGET FIGURES

The 2023 budget which includes operating, capital, reserves and reserve funds transactions was approved by Council on March 8, 2023. The 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.

13. OPERATING AND WATER AND WASTE WATER OPERATIONS SURPLUSES AND DEFICITS

	(Note 12) BUDGET 2023	ACTUAL 2023	ACTUAL 2022
Surplus (deficit) for the year	\$ 3,571,784	\$ 1,401,913	\$ (5,211)
Operating funds transferred to reserves and reserve funds	(1,254,264)	(1,340,725)	(1,165,515)
Reserves and reserve funds used for operations	607,152	808,422	255,450
Reserve fund interest	-	(27,168)	(10,380)
Reserves and reserve funds used for capital purposes	2,072,077	1,614,956	1,950,820
Acquisition of tangible capital assets	(7,751,373)	(4,017,540)	(4,944,099)
Amortization of tangible capital assets	2,574,769	3,422,736	3,121,190
Principal payments on municipal debt	(814,243)	(596,338)	(578,833)
Proceeds on issuance of municipal debt	1,112,200	1,264,000	-
Unfinanced capital outlay (utilized) carried forward	-	(656,000)	656,000
Proceeds on disposal of tangible capital assets	-	-	34,886
Loss on disposal of tangible capital assets	-	-	(26,288)
Change in future employment benefits payable	-	-	(20,458)
Asset retirement obligations	-	(2,338,257)	-
Change in landfill closure and post closure costs	-	1,364,085	846,991
Operating surplus for the year	118,102	900,084	114,553
Current year water/waste water surplus transferred to equity	(118,102)	(304,846)	(51,390)
Current year water/waste water surplus transferred to reserves	-	(565,100)	-
Current year operating surplus transferred to reserves	-	(30,138)	(63,163)
	\$ -	\$ -	\$ -

The operating surplus for the fiscal year ended December 31, 2023 was \$30,138 (2022 - \$63,163) of which \$30,138 was transferred to the working capital reserve.

There are three water operations and two wastewater operations within the Township. The respective surpluses for the fiscal year ended December 31, 2023 are transferred to or funded by the respective local area surplus/deficit operating fund or its respective reserve. The total operating surpluses of the five local areas for the year ended December 31, 2023 was \$869,946 (2022 - \$51,390).

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

14. 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 municipally-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 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 include waste collection, disposal and recycling services, the operation of landfill sites and water and waste water facilities and the related infrastructure for the collection and distribution of both water and waste water 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

15. CONTINGENCIES

Legal action

The Township is involved in various legal actions in the normal course of business. The Township and its insurers are defending all actions against the Township. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the Township's financial position. Losses, if any, will be accounted for in the period they become determinable.

Contaminated sites

The Township identified two parcels of land that are non-productive or partially productive for PS 3260 purposes, liability for contaminated sites, that could be environmentally impacted. The estimated cost of undertaking various types of Environmental Site Assessments is unknown. A liability has not been recorded in these financial statements because the Township's expectation of future economic benefits being given up to remediate these sites is unlikely and the liability cost of remediation cannot be determined.

16. FINANCIAL INSTRUMENTS

The Township, as part of its operations, carries a number of financial instruments. It is management's opinion that the Township is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Township to concentrations of credit risk consist primarily of taxes and accounts receivable. However, credit exposure is limited due to the Township's large customer base.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Township is exposed to interest rate cash flow risk with respect to long-term debt and taxes receivable. However, the exposure is limited as all long-term debt and taxes receivable are at a fixed interest rate.

Liquidity risk

Liquidity risk is the risk that the Township will not be able to meet its financial obligations as they become due.

The Township manages liquidity risk by continually monitoring actual and forecasted cash flows from operations to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

(Unaudited)

For the year ended December 31, 2023

FINANCIAL ACTIVITIES (000's)

	2023	2022	2021	2020	2019
Revenues					
Taxation	\$ 8,949	\$ 8,493	\$ 8,111	\$ 7,711	\$ 7,723
Fees and service charges	6,741	6,167	6,883	6,180	5,084
Grants	1,549	1,860	1,377	1,910	1,835
Rents	422	470	390	447	522
Investment income	783	564	515	169	592
Sale of land	-	210	210	1,160	119
Donations and other	5	2	-	1	335
	18,449	17,766	17,486	17,578	16,210
Expenses					
General government	2,746	2,900	2,319	2,380	1,763
Protection to persons and property	2,423	2,125	1,654	1,510	1,629
Transportation services	5,064	4,458	4,126	3,726	3,728
Environmental	7,056	7,824	5,801	6,481	5,947
Health and recreation	2,158	1,885	1,517	1,540	1,388
Planning and development	448	599	414	374	437
	19,895	19,791	15,831	16,011	14,892
(Deficit) surplus before other items	(1,446)	(2,025)	1,655	1,567	1,318
Other revenue related to capital					
Deferred revenue earned	525	516	515	448	398
Grants	965	1,477	415	461	1,010
Gain on disposal of tangible capital assets	-	26	34	4	(18)
Reversal of landfill closure costs	1,358	-	-	-	-
	2,848	2,019	964	913	1,390
Surplus (deficit) for the year	\$ 1,402	\$ (6)	\$ 2,619	\$ 2,480	\$ 2,708

PROPERTY TAXES BILLED (000's)

	2023	2022	2021	2020	2019
Own Purposes	\$ 8,949	\$ 8,493	\$ 8,111	\$ 7,711	\$ 7,723
Upper-Tier Municipality	10,413	9,750	9,396	9,243	9,007
School Boards	3,638	3,463	3,395	3,638	3,710
	\$ 23,000	\$ 21,706	\$ 20,902	\$ 20,592	\$ 20,440

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

(Unaudited)

For the year ended December 31, 2023

TAXABLE ASSESSMENT (000's)

	2023	2022	2021	2020	2019
Residential and farm	\$ 1,525,343	\$ 1,491,960	\$ 1,473,780	\$ 1,455,985	\$ 1,390,532
Commercial and industrial	156,710	154,628	152,817	153,796	146,613
	1,682,053	1,646,588	1,626,597	1,609,781	1,537,145
Exempt	42,933	42,739	42,610	42,416	39,319
	\$ 1,724,986	\$ 1,689,327	\$ 1,669,207	\$ 1,652,197	\$ 1,576,464
Commercial and industrial	9.32%	9.39%	9.39%	9.55%	9.54%
Municipal residential tax rate	0.512%	0.488%	0.473%	0.465%	0.447%

FINANCIAL INDICATORS

	2023	2022	2021	2020	2019
Tax arrears					
Percentage of own levy	22 %	24 %	20 %	27 %	22 %
Percentage of total levy	9 %	9 %	8 %	11 %	9 %
Municipal debt	\$ 7,498,499	\$ 6,849,528	\$ 7,451,017	\$ 7,464,018	\$ 7,873,470
Municipal debt charges	\$ 819,673	\$ 828,966	\$ 240,455	\$ 687,745	\$ 653,775
Sustainability					
Financial assets to liabilities	1.15	1.25	1.44	1.47	1.30
Financial assets to liabilities excluding municipal debt	2.13	2.22	3.28	3.70	3.51
Municipal debt to tangible capital assets	9.03 %	8.55 %	9.52 %	9.85 %	13.55 %
Flexibility					
Debt charges to total operating revenue	4.44 %	4.67 %	1.38 %	3.91 %	4.12 %
Total operating revenue to taxable assessment	1.07 %	1.05 %	1.10 %	1.05 %	1.01 %
Vulnerability					
Operating grants to operating revenue	8.39 %	10.47 %	7.87 %	10.87 %	11.32 %
Total grants to total revenues	14.27 %	19.47 %	12.50 %	15.23 %	18.41 %
Reserve coverage					
Reserves	\$12,807,494	\$13,326,515	\$14,304,108	\$14,129,801	\$12,678,246
Reserves to operating expenses	64.38 %	67.34 %	90.36 %	88.25 %	85.13 %
Working capital reserve	\$ 399,503	\$ 1,319,220	\$ 3,277,428	\$ 4,934,101	\$ 3,240,451
Working capital reserve to operating expenses	2.01 %	6.63 %	16.47 %	24.80 %	16.29 %
Reserves to working capital	1.04	1.11	1.05	1.05	1.01