

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FINANCIAL STATEMENTS

December 31, 2022

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

December 31, 2022

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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 20, 2023



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, 2022, and the statements of financial activities and accumulated surplus, changes in net financial assets and cash flows 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, 2022, and the results of its operations, 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 15 in the financial statements, which indicates that the Township has restated its comparative figures with respect to tangible capital assets and investment in tangible capital assets. Our opinion is not modified in respect of this matter.

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 20, 2023

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

| | 2022 | (Restated - Note 15) 2021 |
|--|----------------------|--|
| NET FINANCIAL ASSETS | | |
| ASSETS | | |
| Cash (Note 2) | \$ 12,805,227 | \$ 12,127,538 |
| Taxes receivable (Note 3) | 2,021,821 | 1,749,557 |
| Accounts receivable (Note 3) | 4,538,721 | 5,119,628 |
| Land held for resale | 348,595 | 348,595 |
| | 19,714,364 | 19,345,318 |
| LIABILITIES | | |
| Accounts payable | 5,927,273 | 3,821,695 |
| Accrued interest on municipal debt | 73,681 | 73,681 |
| Deferred revenue, obligatory reserve funds (Note 4) | 1,204,742 | 1,246,205 |
| Future employment benefits payable (Note 5) | 50,000 | 70,458 |
| Accrued landfill closure and post-closure costs (Note 6) | 1,611,233 | 764,242 |
| Municipal debt (Note 7) | 6,849,528 | 7,451,018 |
| | 15,716,457 | 13,427,299 |
| NET FINANCIAL ASSETS | 3,997,907 | 5,918,019 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets | 80,084,290 | 78,269,979 |
| Inventory | 372,660 | 280,054 |
| Prepaid expenses | 131,003 | 123,019 |
| | 80,587,953 | 78,673,052 |
| ACCUMULATED SURPLUS | \$ 84,585,860 | \$ 84,591,071 |

Contingencies (Note 14)

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2022

| | (Note 11) BUDGET 2022 | ACTUAL 2022 | (Restated - Note 15 ACTUAL 2021 |
|---|-----------------------------|----------------------|--|
| REVENUES | | | |
| Taxation | \$ 8,365,227 | \$ 8,492,540 | \$ 8,110,625 |
| Fees and service charges | 6,610,732 | 6,167,227 | 6,902,907 |
| Grants | 1,754,050 | 1,820,799 | 1,376,765 |
| Rents | 465,800 | 470,282 | 390,020 |
| Investment income | 464,183 | 563,904 | 515,040 |
| Sale of land | 395,000 | 210,275 | 209,961 |
| Donations and other | 10,500 | 2,040 | - |
| | 18,065,492 | 17,727,067 | 17,505,318 |
| EXPENSES | | | |
| General government | 2,771,352 | 2,900,042 | 2,318,913 |
| Protection to persons and property | 2,249,914 | 2,124,755 | 1,653,918 |
| Transportation services | 4,434,368 | 4,458,020 | 4,126,375 |
| Environmental services | 6,688,582 | 7,823,573 | 5,801,358 |
| Health and recreation | 1,753,050 | 1,885,078 | 1,517,061 |
| Planning and development | 647,837 | 599,271 | 412,514 |
| | 18,545,103 | 19,790,739 | 15,830,139 |
| (DEFICIT) SURPLUS BEFORE OTHER ITEMS | (479,611) | (2,063,672) | 1,675,179 |
| OTHER REVENUE RELATED TO CAPITAL | | | |
| Deferred revenue earned (Note 4) | 515,786 | 515,786 | 515,476 |
| Grants | 1,719,071 | 1,516,387 | 414,842 |
| Gain on disposal of tangible capital assets | - | 26,288 | 33,670 |
| | 2,234,857 | 2,058,461 | 963,988 |
| (DEFICIT) SURPLUS FOR THE YEAR | 1,755,246 | (5,211) | 2,639,167 |
| ACCUMULATED SURPLUS, beginning of year | 84,591,071 | 84,591,071 | 81,951,904 |
| ACCUMULATED SURPLUS, end of year | \$ 86,346,317 | \$ 84,585,860 | \$ 84,591,071 |

See Accompanying Notes

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

For the year ended December 31, 2022

| | (Note 11) BUDGET 2022 | ACTUAL 2022 | ACTUAL 2021 |
|---|-----------------------------|----------------|----------------|
| (Deficit) surplus for the year | \$ 1,755,246 | \$ (5,211) | \$ 2,639,167 |
| Amortization of tangible capital assets | 3,115,400 | 3,121,190 | 2,875,821 |
| Acquisition of tangible capital assets | (6,679,250) | (4,944,099) | (5,335,161) |
| Proceeds on disposal of tangible capital assets | - | 34,886 | 33,670 |
| Gain on disposal of tangible capital assets | - | (26,288) | (33,670) |
| Change in inventory | - | (92,606) | 91,513 |
| Change in prepaid expenses | - | (7,984) | (59,513) |
| (Decrease) increase in net financial assets | (1,808,604) | (1,920,112) | 211,827 |
| Net financial assets, beginning of year | 5,918,019 | 5,918,019 | 5,706,192 |
| Net financial assets, end of year | \$ 4,109,415 | \$ 3,997,907 | \$ 5,918,019 |

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

| | 2022 | 2021 |
|---|----------------------|----------------------|
| CASH FROM OPERATING ACTIVITIES | | |
| (Deficit) surplus for the year | \$ (5,211) | \$ 2,639,167 |
| Items not affecting cash | | |
| Amortization of tangible capital assets | 3,121,190 | 2,875,821 |
| Gain on disposal of tangible capital assets | (26,288) | (33,670) |
| Changes in non-cash working capital balances | | |
| Taxes receivable | (272,264) | 442,110 |
| Accounts receivable | 580,907 | (1,223,851) |
| Inventory | (92,606) | 91,513 |
| Prepaid expenses | (7,984) | (59,513) |
| Accounts payable | 2,105,578 | 777,791 |
| Deferred revenue, obligatory reserve funds | (41,463) | 310,234 |
| Future employment benefits payable | (20,458) | 11,678 |
| Accrued landfill closure and post-closure costs | 846,991 | 50,438 |
| | 6,188,392 | 5,881,718 |
| CASH USED IN FINANCING ACTIVITIES | | |
| Proceeds from the issue of municipal debt | - | 559,350 |
| Repayment of municipal debt | (601,490) | (572,349) |
| | (601,490) | (12,999) |
| CASH USED IN CAPITAL ACTIVITIES | | |
| Proceeds on disposal of tangible capital assets | 34,886 | 33,670 |
| Acquisition of tangible capital assets | (4,944,099) | (5,335,161) |
| | (4,909,213) | (5,301,491) |
| INCREASE IN CASH | 677,689 | 567,228 |
| CASH, beginning of year | 12,127,538 | 11,560,310 |
| CASH, end of year | \$ 12,805,227 | \$ 12,127,538 |

See Accompanying Notes

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

For the year ended December 31, 2022

| | Land and Land Improvements | Buildings | Vehicles | Equipment | Plants and Facilities | Roads | Water and waste water | Bridges | Assets under Construction | 2022 | (Restated - Note 15) 2021 |
|---------------------------------|-------------------------------|---------------------|---------------------|---------------------|--------------------------|----------------------|--------------------------|---------------------|------------------------------|----------------------|---------------------------------|
| Cost | | | | | | | | | | | |
| Balance, beginning of year | \$ 4,081,803 | \$ 14,520,853 | \$ 5,206,799 | \$ 4,013,040 | \$ 31,363,320 | \$ 44,944,939 | \$ 23,702,433 | \$ 6,318,475 | \$ 2,424,179 | \$ 136,575,841 | \$ 131,970,356 |
| Additions during the year | 471,182 | 458,839 | 68,415 | 543,905 | 146,168 | 1,882,921 | - | 669,594 | 703,075 | 4,944,099 | 5,335,161 |
| Disposals during the year | - | - | - | (99,484) | - | - | - | - | - | (99,484) | (729,676) |
| Balance, end 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 |
| Accumulated Amortization | | | | | | | | | | | |
| Balance, beginning of year | 1,725,652 | 5,326,997 | 3,083,748 | 2,107,189 | 22,406,975 | 16,816,015 | 5,179,606 | 1,659,680 | - | 58,305,862 | 56,159,717 |
| Amortization during the year | 68,912 | 419,463 | 283,031 | 154,663 | 832,584 | 1,072,916 | 197,538 | 92,083 | - | 3,121,190 | 2,875,821 |
| Amortization on disposals | - | (5,721) | - | (85,164) | - | - | - | - | - | (90,885) | (729,676) |
| Balance, end of year | 1,794,564 | 5,740,739 | 3,366,779 | 2,176,687 | 23,239,559 | 17,888,931 | 5,377,144 | 1,751,764 | - | 61,336,166 | 58,305,862 |
| Net book value 2022 | \$ 2,758,421 | \$ 9,238,953 | \$ 1,908,435 | \$ 2,280,774 | \$ 8,269,929 | \$ 28,938,929 | \$ 18,325,289 | \$ 5,236,305 | \$ 3,127,254 | \$ 80,084,290 | \$ 78,269,979 |
| Net book value 2021 | \$ 2,356,151 | \$ 9,193,856 | \$ 2,123,051 | \$ 1,905,851 | \$ 8,956,345 | \$ 28,128,924 | \$ 18,522,827 | \$ 4,658,795 | \$ 2,424,179 | \$ 78,269,979 | |

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF TANGIBLE CAPITAL ASSETS - BY SEGMENT

For the year ended December 31, 2022

| | General Government | Protection Services | Transportation Services | Environmental Services | Health and Recreation | Planning and Development | 2022 | (Restated - Note 15) 2021 |
|---------------------------------|-----------------------|------------------------|----------------------------|---------------------------|--------------------------|-----------------------------|----------------------|---------------------------------|
| Cost | | | | | | | | |
| Balance, beginning of year | \$ 6,752,505 | \$ 7,437,664 | \$ 54,838,336 | \$ 57,166,395 | \$ 6,825,045 | \$ 1,131,717 | \$134,151,662 | \$130,033,902 |
| Additions during the year | 165,019 | - | 2,810,754 | 146,168 | 1,020,143 | 98,941 | 4,241,025 | 4,847,436 |
| Disposals during the year | - | - | (94,158) | - | (5,326) | - | (99,484) | (729,676) |
| Assets in service, end 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 |
| Assets under construction | - | - | 164,698 | 2,407,818 | 510,690 | 44,047 | 3,127,253 | 2,424,179 |
| Balance, end of year | 6,917,524 | 7,437,664 | 57,719,630 | 59,720,381 | 8,350,552 | 1,274,705 | 141,420,456 | 136,575,841 |
| Accumulated Amortization | | | | | | | | |
| Balance, beginning of year | 1,700,880 | 3,447,202 | 20,584,669 | 28,745,284 | 3,660,765 | 167,062 | 58,305,862 | 56,159,717 |
| Amortization during the year | 182,616 | 185,713 | 1,371,952 | 1,139,759 | 237,007 | 4,143 | 3,121,190 | 2,875,821 |
| Amortization on disposals | - | - | (88,400) | - | (2,485) | - | (90,885) | (729,676) |
| Balance, end 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 |
| Net book value 2022 | \$ 5,034,028 | \$ 3,804,749 | \$ 35,851,409 | \$ 29,835,338 | \$ 4,455,265 | \$ 1,103,500 | \$ 80,084,290 | \$ 78,269,979 |
| Net book value 2021 | \$ 5,051,625 | \$ 3,990,462 | \$ 34,455,258 | \$ 30,302,974 | \$ 3,465,410 | \$ 1,004,250 | \$ 78,269,979 | |

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT
SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2022

| | 2022 | (Restated - Note 15) 2021 |
|---|----------------------|---------------------------------|
| Operating deficits | | |
| Operating surplus (Note 12) | \$ - | \$ - |
| Water and waste water deficit | (304,846) | (356,238) |
| Capital surplus | (647,027) | 8,972 |
| Unfunded liabilities to be recovered from future revenues | | |
| Accrued interest on municipal debt | (73,681) | (73,681) |
| Future employment benefits payable | (50,000) | (70,458) |
| Accrued landfill closure and post-closure costs | (1,611,233) | (764,242) |
| Total operating deficits | (2,686,787) | (1,255,647) |
| Reserves | | |
| Reserves set aside for specific purposes by Council: | | |
| Working capital | 1,319,220 | 3,277,428 |
| Future infrastructure, facilities | 1,099,906 | 399,906 |
| Elections | - | 80,000 |
| Administration | 717,772 | 574,080 |
| Fire | 1,242,632 | 942,632 |
| Roads | 224,182 | 719,359 |
| Water and waste water | 6,329,158 | 6,972,608 |
| Waste management | 484,573 | 114,573 |
| Recreation | 1,039,336 | 389,336 |
| Land inventory | 718,331 | 718,331 |
| Other | 151,405 | 115,855 |
| Total reserves | 13,326,515 | 14,304,108 |
| Reserve funds set aside for specific purpose by legislation, regulation or agreement | | |
| Water and waste water | 623,076 | 612,697 |
| Library | 3,302 | 3,302 |
| Total reserve funds | 626,378 | 615,999 |
| Total reserves and reserve funds | 13,952,893 | 14,920,107 |
| Equity in tangible capital assets | | |
| Invested in tangible capital assets | 80,084,290 | 78,269,979 |
| Less: related debt | (6,764,536) | (7,343,368) |
| Total equity in tangible capital assets | 73,319,754 | 70,926,611 |
| ACCUMULATED SURPLUS | \$ 84,585,860 | \$ 84,591,071 |

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2022

| | Operating Deficits | Reserves & Reserve Funds | Equity in Tangible Capital Assets | 2022 | (Restated - Note 15) 2021 |
|---|-------------------------------|---|--|----------------------|---------------------------------|
| Balance, beginning of year | \$ (1,255,647) | \$ 14,920,107 | \$ 70,926,611 | \$ 84,591,071 | \$ 81,951,904 |
| Surplus (deficit) for the year | 3,105,599 | 10,380 | (3,121,190) | (5,211) | 2,639,167 |
| Reserve funds used for operations | 255,450 | (255,450) | - | - | - |
| Operating funds transferred to reserves | (1,228,676) | 1,228,676 | - | - | - |
| Reserve funds used for tangible capital assets | 1,950,820 | (1,950,820) | - | - | - |
| Current year funds used for tangible capital assets | (4,944,099) | - | 4,944,099 | - | - |
| Disposal of tangible capital assets | 8,599 | - | (8,599) | - | - |
| Municipal debt repaid | (578,833) | - | 578,833 | - | - |
| Change in accumulated surplus (deficit) | (1,431,140) | (967,214) | 2,393,143 | (5,211) | 2,639,167 |
| Balance, end of year | \$ (2,686,787) | \$ 13,952,893 | \$ 73,319,754 | \$ 84,585,860 | \$ 84,591,071 |

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2022

| | General Government | Protection Services | Transportation Services | Environmental Services | Health and Recreation | Planning and Development | 2022 | 2021 |
|--|-------------------------------|--------------------------------|------------------------------------|-----------------------------------|----------------------------------|-------------------------------------|-------------------|---------------------|
| REVENUE | | | | | | | | |
| Taxation | \$ 1,050,850 | \$ 1,859,151 | \$ 2,883,989 | \$ 879,075 | \$ 851,395 | \$ 968,080 | \$ 8,492,540 | \$ 8,110,625 |
| Fees and service charges | 110,928 | 645,221 | 12,271 | 4,882,548 | 429,395 | 86,864 | 6,167,227 | 6,902,907 |
| Grants | 1,457,413 | 7,692 | - | 320,333 | 7,000 | 28,361 | 1,820,799 | 1,376,765 |
| Rents | - | 303,175 | - | - | 167,107 | - | 470,282 | 390,020 |
| Investment income | 526,508 | - | - | 37,396 | - | - | 563,904 | 515,040 |
| Sale of land | - | - | - | - | - | 210,275 | 210,275 | 209,961 |
| Donations and other | - | 2,040 | - | - | - | - | 2,040 | - |
| | 3,145,699 | 2,817,279 | 2,896,260 | 6,119,352 | 1,454,897 | 1,293,580 | 17,727,067 | 17,505,318 |
| EXPENSES | | | | | | | | |
| Wages and benefits | 1,193,214 | 1,096,802 | 1,136,587 | 436,567 | 771,833 | 348,556 | 4,983,559 | 4,544,406 |
| Interest on municipal debt | 37,369 | 13,716 | 4,469 | 102,781 | 45,867 | 23,274 | 227,476 | 217,205 |
| Materials and services | 1,268,083 | 487,890 | 847,724 | 3,562,729 | 385,843 | 165,400 | 6,717,669 | 4,735,842 |
| Contracted services | 76,389 | 194,683 | 381,531 | 1,377,872 | 301,707 | 39,412 | 2,371,594 | 1,988,327 |
| Insurance and financial costs | 142,371 | 40,043 | 715,757 | 1,203,865 | 142,821 | 18,486 | 2,263,343 | 1,365,778 |
| Third party transfers | - | 105,908 | - | - | - | - | 105,908 | 102,760 |
| Amortization | 182,616 | 185,713 | 1,371,952 | 1,139,759 | 237,007 | 4,143 | 3,121,190 | 2,875,821 |
| | 2,900,042 | 2,124,755 | 4,458,020 | 7,823,573 | 1,885,078 | 599,271 | 19,790,739 | 15,830,139 |
| SURPLUS (DEFICIT) | | | | | | | | |
| BEFORE OTHER ITEMS | 245,657 | 692,524 | (1,561,760) | (1,704,221) | (430,181) | 694,309 | (2,063,672) | 1,675,179 |
| OTHER REVENUE RELATED TO CAPITAL | | | | | | | | |
| Deferred revenue earned | - | - | 515,786 | - | - | - | 515,786 | 515,476 |
| Grants | - | - | 678,650 | - | 837,737 | - | 1,516,387 | 414,842 |
| Gain on disposal of tangible capital assets | - | 26,288 | - | - | - | - | 26,288 | 33,670 |
| | - | 26,288 | 1,194,436 | - | 837,737 | - | 2,058,461 | 963,988 |
| SURPLUS (DEFICIT) | \$ 245,657 | \$ 718,812 | \$ (367,324) | \$ (1,704,221) | \$ 407,556 | \$ 694,309 | \$ (5,211) | \$ 2,639,167 |

See Accompanying Notes

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Taxation and related revenue

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

(d) 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.

(e) 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.

(f) 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.

(g) 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, 2022 and December 31, 2021.

(h) 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, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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.

(j) Landfill closure and post-closure costs

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

(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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Non-financial assets (Continued)

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.

(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) 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(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 13.

(p) Future accounting pronouncements

Standards effective beginning on or after April 1, 2023

Asset Retirement Obligations

PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations ("ARO"). As asset retirement obligations associated with landfills are included in the scope of PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn. The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.

This standard is effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted. The Township has not yet determined the impact of this standard on its financial statements.

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

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Future accounting pronouncements (continued)

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.

This standard is 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 this standard on its financial statements.

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.

This new Section is effective for fiscal years beginning on or after April 1, 2023. Earlier application is permitted. The Township has not yet determined the impact of this standard on its financial statements.

2. CASH

| | 2022 | 2021 |
|--------------------------|---------------|---------------|
| Unrestricted | \$ 11,139,893 | \$ 9,885,660 |
| Restricted reserve funds | 1,665,334 | 2,241,878 |
| | \$ 12,805,227 | \$ 12,127,538 |

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

3. 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 (2021 - \$116,000) and the accounts receivable are net of an allowance for doubtful accounts of \$853,540 (2021 - \$1,150,130).

4. 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 | 2022 | 2021 |
|------------------------------|--------------------------------|----------------------------|-----------------|--------------|--------------|
| Balance, beginning of year | - | \$ 1,227,321 | \$ 18,884 | \$ 1,246,205 | \$ 935,971 |
| Grants and billings received | 29,984 | 415,786 | - | 445,770 | 815,492 |
| Interest and other | - | 28,553 | - | 28,553 | 10,218 |
| Deferred revenue earned | - | (515,786) | - | (515,786) | (515,476) |
| Balance, end of year | \$ 29,984 | \$ 1,155,874 | \$ 18,884 | \$ 1,204,742 | \$ 1,246,205 |

5. 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 (2021 - \$70,458).

6. ACCRUED LANDFILL CLOSURE AND POST CLOSURE COSTS

The Township operates two solid waste landfill sites of which one is closed. The estimated remaining useful life of its open site is approximately three to six years. The estimates associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post closure monitoring for twenty four years from the date of site closure for the operating site and nine years for the closed one.

The estimated closure and post-closure costs for both sites of \$1,611,233 (2021 - \$764,242) have been adjusted by applying a discount rate of 2.71%, based 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

7. MUNICIPAL DEBT

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

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Term loan, 2.71%, repayable in blended semi-annual payments of \$145,247, due July 2036, South Stormont water plant | \$ 3,365,680 | \$ 3,560,984 |
| Term loan, 2.69%, repayable in blended semi-annual payments of \$31,548, due September 2024, Street lights project | 122,060 | 180,686 |
| Bank term loan, 2.53%, repayable in blended monthly payments of \$2,972, due August 2041, Fire pumper rescue vehicle | 530,205 | 552,156 |
| Bank term loan, 3.15%, repayable in blended monthly payments of \$8,179, due June 2035, South Stormont Medical Clinic | 1,013,051 | 1,078,173 |
| Bank term loan, 2.27%, repayable in blended monthly payments of \$3,033, due November 2041, Emergency Medical Services building | 552,841 | 576,488 |
| Bank term loan, 3.52%, repayable in blended semi-annual payments of \$122,357, due November 2026, South Stormont municipal buildings | 905,669 | 1,113,015 |
| Bank term loan, 2.71%, repayable in blended semi-annual payments of \$7,215, due December 2049, Windermere water project | 275,030 | 281,866 |
| Tile drain loans, 6%, repayable over a ten year period in blended payments ranging between \$1,223 and \$4,402, maturity dates ranging from 2023 to 2032 | 84,992 | 107,650 |
| Municipal debt, end of the year | \$ 6,849,528 | \$ 7,451,018 |

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

| | | |
|------------|---------------------|--|
| 2023 | \$ 579,395 | |
| 2024 | 592,517 | |
| 2025 | 603,978 | |
| 2026 | 559,383 | |
| 2027 | 577,201 | |
| Thereafter | 3,937,054 | |
| | \$ 6,849,528 | |

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

| | 2023 - 2027 | 2028 - 2041 |
|----------------------------|---------------------|---------------------|
| General municipal revenues | \$ 1,071,108 | \$ 1,522,513 |
| Benefiting landowners | 1,841,366 | 2,414,541 |
| | \$ 2,912,474 | \$ 3,937,054 |

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

For the year ended December 31, 2022

8. UNFUNDED LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

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

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Municipal debt | \$ 6,849,528 | \$ 7,451,018 |
| Accrued interest on municipal debt | 73,681 | 73,681 |
| Future employment benefits payable | 50,000 | 70,458 |
| Accrued landfill closure and post-closure costs | 1,611,233 | 764,242 |
| | \$ 8,584,442 | \$ 8,359,399 |

Unfunded liabilities are to be recovered from the following sources:

| | | |
|----------------------------|---------------------|---------------------|
| General municipal revenues | \$ 4,328,535 | \$ 3,856,743 |
| Benefiting landowners | 4,255,907 | 4,502,656 |
| | \$ 8,584,442 | \$ 8,359,399 |

9. OPERATING EXPENDITURES BY OBJECT

| | (Note 11) BUDGET 2022 | ACTUAL 2022 | ACTUAL 2021 |
|-------------------------------------|-----------------------------|----------------------|----------------------|
| Wages and benefits | \$ 5,602,654 | \$ 4,983,559 | \$ 4,544,406 |
| Interest on municipal debt | 356,785 | 227,476 | 217,205 |
| Materials and services | 5,830,543 | 6,717,669 | 4,735,842 |
| Contracted services | 1,936,301 | 2,371,594 | 1,988,327 |
| Insurance and other financial costs | 1,602,004 | 2,263,343 | 1,365,778 |
| Third party transfers | 101,416 | 105,908 | 102,760 |
| Amortization | 3,115,400 | 3,121,190 | 2,875,821 |
| | \$ 18,545,103 | \$ 19,790,739 | \$ 15,830,139 |

10. 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 \$6.7 billion (2021 - \$3.1 billion) in these financial statements.

The employer amount contributed to OMERS for 2022 was \$323,183 (2021 - \$276,766) for current service and is included as an expenditure on the Statement of Financial Activities.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

11. BUDGET FIGURES

The 2022 budget which includes operating, capital, reserves and reserve funds transactions was approved by Council on April 13, 2022. 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.

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

| | (Note 11) BUDGET 2022 | ACTUAL 2022 | ACTUAL 2021 |
|--|-----------------------------|----------------|----------------|
| Surplus for the year | \$ 1,755,246 | \$ (5,211) | \$ 2,639,167 |
| Operating funds transferred to reserves and reserve funds | (1,178,121) | (1,165,515) | (1,375,849) |
| Reserves and reserve funds used for operations | 250,000 | 255,450 | - |
| Reserve fund interest | - | (10,380) | (4,017) |
| Reserves and reserve funds used for capital purposes | 2,075,450 | 1,950,820 | 4,083,450 |
| Acquisition of tangible capital assets | (6,679,250) | (4,944,099) | (5,335,161) |
| Amortization of tangible capital assets | 3,115,400 | 3,121,190 | 2,875,821 |
| Principal payments on municipal debt | 840,261 | (578,833) | 11,989 |
| Unfinanced capital outlay carried forward | - | 656,000 | - |
| Proceeds on disposal of tangible capital assets | - | 34,886 | 33,670 |
| Loss on disposal of tangible capital assets | - | (26,288) | (33,670) |
| Change in future employment benefits payable | - | (20,458) | 11,678 |
| Change in accrued landfill closure and post-closure costs | - | 846,991 | 50,438 |
| Operating surplus for the year | 178,986 | 114,553 | 2,957,516 |
| Current year water/waste water surplus transferred to equity | - | (51,390) | (11,868) |
| Current year water/waste water surplus transferred to reserves | (178,986) | - | (1,107,449) |
| Current year operating surplus transfer to reserves | - | (63,163) | (1,838,199) |
| | \$ - | \$ - | \$ - |

The operating surplus for the fiscal year ended December 31, 2022 was \$63,163 (2021 - \$1,838,199) of which \$63,163 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, 2022 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, 2022 was \$51,390 (2021 - \$1,119,317).

13. 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.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

13. SEGMENTED INFORMATION (Continued)

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, 2022

14. 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.

WSIB

As a result of recent changes to the Workplace Safety and Insurance Act, the Township would be responsible to reimburse WSIB for disability payments under the revised regulations for work related disabilities for firefighters. The potential future benefit and administrative costs if claims are made are estimated at \$15,000. As at December 31, 2022 no claims have been filed.

15. RESTATEMENT OF COMPARATIVE FIGURES

The Township has restated its comparative figures for tangible capital assets and its investment related tangible capital assets relating to "Plants and Facilities" and "Roads" under "Environmental Services" and "Transportation" to reflect the net book value of underground lateral linear assets of \$17,170,086 that were previously not recorded. There is no impact on the Township's financial activities and cash flow results for its 2021 fiscal year from this restatement and there is no impact to its net debt financial position as of December 31, 2021.

16. SUBSEQUENT EVENT

Subsequent to year-end, the Township obtained a loan from Infrastructure Ontario in the amount of \$656,000; the loan bears interest at Infrastructure Ontario's prime rate and is repayable in blended monthly installments over 20 years.

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

(Unaudited)

For the year ended December 31, 2022

FINANCIAL ACTIVITIES (000's)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------|----------|----------|----------|----------|
| Revenues | | | | | |
| Taxation | \$ 8,493 | \$ 8,111 | \$ 7,711 | \$ 7,723 | \$ 7,077 |
| Fees and service charges | 6,167 | 6,903 | 6,180 | 5,084 | 5,064 |
| Grants | 1,821 | 1,377 | 1,910 | 1,835 | 1,073 |
| Rents | 470 | 390 | 447 | 522 | 489 |
| Investment income | 564 | 515 | 169 | 592 | 513 |
| Sale of land | 210 | 210 | 1,160 | 119 | 132 |
| Donations and other | 2 | - | 1 | 335 | 65 |
| | 17,727 | 17,506 | 17,578 | 16,210 | 14,413 |
| Expenses | | | | | |
| General government | 2,900 | 2,319 | 2,380 | 1,763 | 1,865 |
| Protection to persons and property | 2,125 | 1,654 | 1,510 | 1,629 | 1,683 |
| Transportation services | 4,458 | 4,126 | 3,726 | 3,728 | 3,273 |
| Environmental | 7,824 | 5,801 | 6,481 | 5,947 | 5,140 |
| Health and recreation | 1,885 | 1,517 | 1,540 | 1,388 | 1,478 |
| Planning and development | 599 | 413 | 374 | 437 | 555 |
| | 19,791 | 15,830 | 16,011 | 14,892 | 13,994 |
| (Deficit) surplus before other items | (2,064) | 1,676 | 1,567 | 1,318 | 419 |
| Other revenue related to capital | | | | | |
| Deferred revenue earned | 516 | 515 | 448 | 398 | 489 |
| Grants | 1,516 | 415 | 461 | 1,010 | 1,086 |
| Gain on disposal of tangible capital assets | 26 | 34 | 4 | (18) | - |
| | 2,058 | 964 | 913 | 1,390 | 1,575 |
| (Deficit) surplus for the year | \$ (6) | \$ 2,640 | \$ 2,480 | \$ 2,708 | \$ 1,994 |

PROPERTY TAXES BILLED (000's)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Own Purposes | \$ 8,493 | \$ 8,111 | \$ 7,711 | \$ 7,723 | \$ 7,077 |
| Upper-Tier Municipality | 9,750 | 9,396 | 9,243 | 9,007 | 8,838 |
| School Boards | 3,463 | 3,395 | 3,638 | 3,710 | 3,741 |
| | \$ 21,706 | \$ 20,902 | \$ 20,592 | \$ 20,440 | \$ 19,656 |

CORPORATION OF THE TOWNSHIP OF SOUTH STORMONT

FIVE YEAR FINANCIAL REVIEW

(Unaudited)

For the year ended December 31, 2022

TAXABLE ASSESSMENT (000's)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Residential and farm | \$ 1,491,960 | \$ 1,473,780 | \$ 1,455,985 | \$ 1,390,532 | \$ 1,324,091 |
| Commercial and industrial | 154,628 | 152,817 | 153,796 | 146,613 | 139,741 |
| | 1,646,588 | 1,626,597 | 1,609,781 | 1,537,145 | 1,463,832 |
| Exempt | 42,739 | 42,610 | 42,416 | 39,319 | 37,398 |
| | \$ 1,689,327 | \$ 1,669,207 | \$ 1,652,197 | \$ 1,576,464 | \$ 1,501,230 |
| Commercial and industrial | 9.39% | 9.39% | 9.55% | 9.54% | 9.55% |
| Municipal residential tax rate | 0.488% | 0.473% | 0.465% | 0.447% | 0.426% |

FINANCIAL INDICATORS

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|--------------|--------------|
| Tax arrears | | | | | |
| Percentage of own levy | 24 % | 22 % | 26 % | 22 % | 22 % |
| Percentage of total levy | 9 % | 8 % | 11 % | 9 % | 8 % |
| Municipal debt | \$ 6,849,528 | \$ 7,451,017 | \$ 7,464,018 | \$ 7,873,470 | \$ 8,098,054 |
| Municipal debt charges | \$ 828,966 | \$ 789,554 | \$ 806,178 | \$ 668,032 | \$ 701,340 |
| Sustainability | | | | | |
| Financial assets to liabilities | 1.25 | 1.44 | 1.46 | 1.30 | 1.13 |
| Financial assets to liabilities excluding municipal debt | 2.22 | 3.24 | 3.73 | 3.51 | 3.59 |
| Municipal debt to tangible capital assets | 8.55 % | 9.52 % | 9.85 % | 13.55 % | 13.95 % |
| Flexibility | | | | | |
| Debt charges to total operating revenue | 4.68 % | 4.51 % | 4.59 % | 4.12 % | 4.89 % |
| Total operating revenue to taxable assessment | 1.05 % | 1.05 % | 1.06 % | 1.01 % | 1.02 % |
| Vulnerability | | | | | |
| Operating grants to operating revenue | 10.27 % | 7.86 % | 10.87 % | 11.32 % | 7.44 % |
| Total grants to total revenues | 19.47 % | 12.49 % | 15.25 % | 18.41 % | 16.56 % |
| Reserve coverage | | | | | |
| Reserves | \$ 13,326,515 | \$ 14,304,108 | \$ 14,129,799 | \$ 2,678,246 | \$ 9,610,420 |
| Reserves to operating expenses | 67.34 % | 90.36 % | 88.25 % | 85.13 % | 68.68 % |
| Working capital reserve | \$ 1,319,220 | \$ 3,277,428 | \$ 4,934,101 | \$ 3,240,451 | \$ 1,777,592 |
| Working capital reserve to operating expenses | 6.67 % | 16.56 % | 24.93 % | 16.37 % | 8.98 % |
| Reserves to working capital | 1.11 | 1.05 | 1.05 | 1.01 | 1.00 |