

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

December 31, 2023

CONTENTS

	Page
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS	
INDEPENDENT AUDITOR'S REPORT	
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	1
Consolidated Statement of Financial Activities	2
Consolidated Statement of Change in Net Assets (Debt)	3
Consolidated Statement of Cash Flows	4
Consolidated Schedule of Tangible Capital Assets	5 - 6
Consolidated Schedule of Accumulated Surplus	7
Consolidated Schedule of Change in Accumulated Surplus	8
Consolidated Schedule of Segmented Disclosure	9
Notes to the Consolidated Financial Statements	10 - 25

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Council, Inhabitants and Ratepayers of the
Corporation of the Municipality of South Dundas

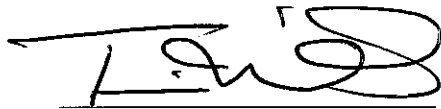
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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 consolidated 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 consolidated financial statements.

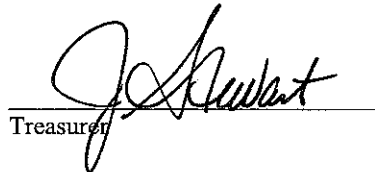
The Corporation of the Municipality of South Dundas' Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information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

MNP LLP is appointed by the Council to audit the consolidated 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.

August 6, 2024



Chief Administrative Officer



Treasurer

To the Members of Council, Inhabitants and Ratepayers of Corporation of the Municipality of South Dundas:

Opinion

We have audited the financial statements of Corporation of the Municipality of South Dundas (the "Municipality"), which comprise the statement of financial position as at December 31, 2023, and the statements of financial activities, 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 Municipality as at December 31, 2023, 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 Municipality 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality'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 Municipality'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 Municipality'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 Municipality 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

August 6, 2024

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	2023	2022
NET ASSETS (DEBT)		
Assets		
Cash	\$ 9,939,856	\$ 5,354,011
Taxes receivable	1,078,703	1,072,748
Accounts receivable	1,747,116	4,842,268
Long-term investments (Note 3)	1,963,802	2,018,085
Investment in Rideau St. Lawrence Holdings Inc. (Note 4)	1,999,526	1,936,684
	16,729,003	15,223,796
 Liabilities		
Accounts payable	1,327,686	1,934,124
Accrued interest on municipal debt	49,705	56,433
Deferred revenue (Note 5)	116,019	386,175
Deferred revenue, obligatory reserve funds (Note 6)	440,429	293,158
Municipal debt (Note 8)	7,508,887	8,301,480
Asset retirement obligations (Note 9)	4,969,557	-
Landfill closure and post-closure costs (Note 2)	-	4,819,958
	14,412,283	15,791,328
Net Assets (Debt)	2,316,720	(567,532)
NON-FINANCIAL ASSETS		
Tangible capital assets	114,500,441	109,957,056
Inventory	225,204	159,784
	114,725,645	110,116,840
ACCUMULATED SURPLUS	\$ 117,042,365	\$ 109,549,308

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2023

	BUDGET 2023 (Note 11)	ACTUAL 2023	ACTUAL 2022
REVENUE			
Taxation	\$ 8,525,044	\$ 8,585,410	\$ 8,071,071
Fees and service charges	4,595,354	4,598,012	4,456,044
Grants	1,575,499	1,602,556	1,572,673
Investment income	301,500	759,187	462,824
Permits and licenses	209,000	230,478	241,356
Donations and miscellaneous	250	16,688	64,849
Equity increase from Rideau St. Lawrence Holdings Inc.	-	62,842	(2,937)
	15,206,647	15,855,173	14,865,880
EXPENSES			
General government	2,094,066	2,256,092	2,041,546
Protection to persons and property	1,822,223	1,633,096	1,453,010
Transportation services	3,654,925	4,810,601	3,492,415
Environmental services	6,073,282	5,377,250	6,102,332
Health services	51,598	50,326	50,590
Recreation and cultural services	2,312,268	2,812,157	2,268,488
Planning and development	511,737	511,312	500,701
	16,520,099	17,450,834	15,909,082
DEFICIT BEFORE OTHER ITEMS	(1,313,452)	(1,595,661)	(1,043,202)
OTHER REVENUE FOR CAPITAL PURPOSES			
Deferred revenue earned	-	1,337,655	855,133
Grants and donations	109,920	182,470	2,589,523
Contributions from developers and transfers from Untied Counties	-	3,773,795	2,583,214
Gain (loss) on disposal of tangible capital assets	-	296,820	(305,861)
Reversal of landfill closure and post-closure costs (Note 2)	-	3,497,978	-
	109,920	9,088,718	5,722,009
ANNUAL SURPLUS (DEFICIT)	(1,203,532)	7,493,057	4,678,807
ACCUMULATED SURPLUS, beginning of year	109,549,308	109,549,308	104,870,501
ACCUMULATED SURPLUS, end of year	\$ 108,345,776	\$ 117,042,365	\$ 109,549,308

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS
CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS (DEBT)

For the year ended December 31, 2023

	BUDGET 2023 (Note 11)	ACTUAL 2023	ACTUAL 2022
Annual surplus	\$ (1,203,532)	\$ 7,493,057	\$ 4,678,807
Amortization of tangible capital assets	3,781,196	4,939,345	3,737,486
Acquisition of tangible capital assets	(2,670,757)	(6,328,143)	(8,725,783)
Asset retirement obligations	-	(3,647,577)	-
(Gain) loss on disposal of tangible capital assets	-	(296,820)	305,861
Proceeds on disposal of tangible capital assets	-	789,810	-
Change in inventory	-	(65,420)	(79,980)
Increase (decrease) in net assets	(93,093)	2,884,252	(83,609)
Net debt, beginning of year	(567,532)	(567,532)	(483,923)
Net assets (debt), end of year	\$ (660,625)	\$ 2,316,720	\$ (567,532)

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	2023	2022
CASH FROM OPERATING ACTIVITIES		
Annual surplus	\$ 7,493,057	\$ 4,678,807
Items not affecting cash		
Amortization of tangible capital assets	4,939,345	3,737,486
(Gain) loss on disposal of tangible capital assets	(296,820)	305,861
Equity income from from Rideau St. Lawrence Holdings Inc.	(116,650)	(50,871)
Reversal of landfill closure and post closure cost liability	(3,497,978)	-
Contributions from developers and transfers from United Counties	(3,773,795)	(2,583,214)
	4,747,159	6,088,069
Changes in non-cash working capital balances		
Taxes receivable	(5,955)	(308,286)
Accounts receivable	3,095,152	(2,158,907)
Accounts payable	(606,438)	89,300
Accrued interest on municipal debt	(6,728)	5,095
Deferred revenue	(270,156)	(5,258)
Deferred revenue, obligatory reserve funds	147,271	(541,287)
Accrued landfill closure and post closure costs	-	352,305
Inventory	(65,420)	(79,980)
	7,034,885	3,441,051
CASH USED IN FINANCING ACTIVITIES		
Proceeds from municipal debt	23,700	332,212
Repayment of municipal debt	(816,293)	(790,593)
	(792,593)	(458,381)
CASH FROM INVESTING ACTIVITIES		
Decrease in long term investments	54,283	68,279
Dividends received from Rideau St. Lawrence Holdings Inc.	53,808	53,808
	108,091	122,087
CASH USED IN CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	789,810	-
Acquisition of tangible capital assets	(2,554,348)	(6,142,569)
	(1,764,538)	(6,142,569)
INCREASE (DECREASE) IN CASH	4,585,845	(3,037,812)
CASH, beginning of year	5,354,011	8,391,823
CASH, end of year	\$ 9,939,856	\$ 5,354,011

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED 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	\$ 2,956,577	\$ 14,016,023	\$ 6,484,596	\$ 4,836,360	\$ 58,052,639	\$ 24,782,977	\$ 33,297,066	\$ 5,717,729	\$ 692,634	\$ 150,836,601	\$ 142,962,402
Additions during the year	225,642	235,311	600,225	746,625	-	3,993,661	503,685	-	22,994	6,328,143	8,725,783
Disposals during the year	-	-	23,303	69,608	135,516	654,297	12,380	-	-	895,104	851,584
Asset retirement obligations	3,489,026	158,551	-	-	-	-	-	-	-	3,647,577	-
Balance, end of year	6,671,245	14,409,885	7,061,518	5,513,377	57,917,123	28,122,341	33,788,371	5,717,729	715,628	159,917,217	150,836,601
Accumulated amortization											
Balance, beginning of year	259,765	5,320,520	3,683,480	2,201,956	11,118,404	8,745,869	7,434,441	2,115,110	-	40,879,545	37,687,783
Amortization during the year	18,632	521,027	479,338	974,374	781,861	1,615,641	477,910	70,562	-	4,939,345	3,737,486
Amortization on disposals	-	-	23,303	52,289	144,720	97,715	84,087	-	-	402,114	545,724
Balance, end of year	278,397	5,841,547	4,139,515	3,124,041	11,755,545	10,263,795	7,828,264	2,185,672	-	45,416,776	40,879,545
Net book value 2023	\$ 6,392,848	\$ 8,568,338	\$ 2,922,003	\$ 2,389,336	\$ 46,161,578	\$ 17,858,546	\$ 25,960,107	\$ 3,532,057	\$ 715,628	\$ 114,500,441	\$ 109,957,056
Net book value 2022	\$ 2,696,812	\$ 8,695,503	\$ 2,801,116	\$ 2,634,404	\$ 46,934,235	\$ 16,037,108	\$ 25,862,625	\$ 3,602,619	\$ 692,634	\$ 109,957,056	

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED 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	\$ 5,983,371	\$ 4,141,778	\$ 41,413,313	\$ 90,366,228	\$ 8,191,396	\$ 47,881	\$ 150,143,967	\$ 141,327,535
Additions during the year	20,813	297,214	4,905,892	662,570	418,660	-	6,305,149	9,668,016
Disposals during the year	-	50,706	663,404	180,994	-	-	895,104	851,584
Asset retirement obligations	16,760	33,321	-	3,489,026	108,470	-	3,647,577	-
Assets in service, end of year	6,020,944	4,421,607	45,655,801	94,336,830	8,718,526	47,881	159,201,589	150,143,967
Assets under construction	-	-	117,150	208,827	389,651	-	715,628	692,634
Balance, end of year	6,020,944	4,421,607	45,772,951	94,545,657	9,108,177	47,881	159,917,217	150,836,601
Accumulated Amortization								
Balance, beginning of year	1,398,926	2,349,446	15,307,426	18,629,952	3,145,914	47,881	40,879,545	37,687,783
Amortization during the year	144,149	323,704	2,180,421	1,894,424	396,647	-	4,939,345	3,737,486
Amortization on disposals	-	45,707	145,767	210,640	-	-	402,114	545,724
Balance, end of year	1,543,075	2,627,443	17,342,080	20,313,736	3,542,561	47,881	45,416,776	40,879,545
Net book value 2023	\$ 4,477,869	\$ 1,794,164	\$ 28,430,871	\$ 74,231,921	\$ 5,565,616	\$ -	\$ 114,500,441	\$ 109,957,056
Net book value 2022	\$ 4,584,445	\$ 1,792,332	\$ 26,223,037	\$ 71,945,103	\$ 5,412,139	\$ -	\$ 109,957,056	

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2023

	2023	2022
Operating surpluses (deficits)		
Operating surplus (Note 12)	\$ -	\$ -
Water and waste water surplus (Note 13)	-	-
Local board surplus, Morrisburg Business Improvement Area	45,226	68,467
Capital surplus	-	75,190
Investment in Rideau St. Lawrence Holdings Inc.	1,999,526	1,936,684
Liabilities to be recovered from future revenues (Note 14)		
Accrued interest on municipal debt	(49,705)	(56,433)
Internal debenture to reserve funds	(338,206)	(383,654)
Long-term debt for asset retirement obligations	(1,492,156)	(1,602,914)
Asset retirement obligations	(4,969,557)	-
Accrued landfill closure and post closure costs	-	(4,819,958)
Net deficit	(4,804,872)	(4,782,618)
Reserves and reserve funds (Note 15)		
Reserves	6,053,668	7,376,820
Reserve funds	7,202,664	3,591,212
Total reserves and reserve funds	13,256,332	10,968,032
Invested in tangible capital assets		
Tangible capital assets	114,500,441	109,957,056
Less: related municipal debt	(5,909,536)	(6,593,162)
Total invested in tangible capital assets	108,590,905	103,363,894
ACCUMULATED SURPLUS	\$ 117,042,365	\$ 109,549,308

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2023

	Operating Deficits	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2023	2022
Balance, beginning of year	\$ (4,782,618)	\$ 10,968,032	\$103,363,894	\$109,549,308	\$104,870,501
Annual surplus	7,272,201	220,856	-	7,493,057	4,678,807
Operating funds transferred to reserves and reserve funds	(3,979,816)	3,979,816	-	-	-
Reserves and reserve funds transferred to operating	576,973	(576,973)	-	-	-
Reserves and reserve funds transferred for tangible capital assets	-	(1,335,399)	1,335,399	-	-
Operating funds used for tangible capital assets	(4,992,744)	-	4,992,744	-	-
Asset retirement obligations	(3,647,577)	-	3,647,577	-	-
Disposal of tangible capital assets	492,990	-	(492,990)	-	-
Amortization expense of tangible capital assets	4,939,345	-	(4,939,345)	-	-
Repayment of municipal debt related to capital	(683,626)	-	683,626	-	-
Change in accumulated surplus	(22,254)	2,288,300	5,227,011	7,493,057	4,678,807
Balance, end of year	\$ (4,804,872)	\$ 13,256,332	\$108,590,905	\$ 117,042,365	\$109,549,308

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Water and waste water Services	Health Services	Recreation and Cultural Services	Planning and Development	2023	2022
REVENUE										
Taxation	\$ 414,433	\$ 1,467,629	\$ 3,031,850	\$ 1,240,558	\$ 53,165	\$ 146,136	\$ 1,788,366	\$ 443,273	\$ 8,585,410	\$ 8,071,071
Fees and service charges	163,917	77,617	26,256	251,697	3,284,537	19,380	731,374	43,234	4,598,012	4,456,044
Grants	1,241,951	-	-	266,404	4,671	-	63,118	26,412	1,602,556	1,572,673
Investment income	744,111	-	-	-	15,076	-	-	-	759,187	462,824
Permits and licenses	72,075	23,010	3,000	-	-	-	-	132,393	230,478	241,356
Donations and other	-	3,000	-	-	-	-	13,688	-	16,688	64,849
Equity increase (decrease)	62,842	-	-	-	-	-	-	-	62,842	(2,937)
	2,699,329	1,571,256	3,061,106	1,758,659	3,357,449	165,516	2,596,546	645,312	15,855,173	14,865,880
EXPENSES										
Wages and benefits	1,292,255	769,974	1,169,302	157,396	576,721	-	1,153,375	281,200	5,400,223	4,738,778
Interest on municipal debt	75,118	-	9,550	27,155	86,881	50,001	-	11,214	259,919	287,499
Materials and services	525,119	376,525	1,107,172	285,900	886,474	-	1,147,708	209,566	4,538,464	4,956,809
Contracted services	65,280	31,505	290,546	1,007,379	283,299	-	65,779	2,332	1,746,120	1,610,090
Insurance and financial costs	154,171	41,634	53,610	-	171,621	-	48,648	-	469,684	447,141
Third party transfers	-	89,754	-	-	-	325	-	7,000	97,079	131,279
Amortization	144,149	323,704	2,180,421	-	1,894,424	-	396,647	-	4,939,345	3,737,486
	2,256,092	1,633,096	4,810,601	1,477,830	3,899,420	50,326	2,812,157	511,312	17,450,834	15,909,082
SURPLUS (DEFICIT)										
BEFORE OTHER ITEMS	443,237	(61,840)	(1,749,495)	280,829	(541,971)	115,190	(215,611)	134,000	(1,595,661)	(1,043,202)
OTHER REVENUE FOR CAPITAL PURPOSES										
Deferred revenue earned	-	-	938,375	-	399,280	-	-	-	1,337,655	855,133
Grants and donations	-	-	-	-	-	-	182,470	-	182,470	2,589,523
Contributions from developers and transfers from United Counties	-	-	3,773,795	-	-	-	-	-	3,773,795	2,583,214
Gain (loss) on disposal of tangible capital assets	-	-	(326,934)	-	-	-	-	623,754	296,820	(305,861)
Reversal of landfill closure costs	-	-	-	3,497,978	-	-	-	-	3,497,978	-
	-	-	4,385,236	3,497,978	399,280	-	182,470	623,754	9,088,718	5,722,009
ANNUAL SURPLUS (DEFICIT)	\$ 443,237	\$ (61,840)	\$ 2,635,741	\$ 3,778,807	\$ (142,691)	\$ 115,190	\$ (33,141)	\$ 757,754	\$ 7,493,057	\$ 4,678,807

See Accompanying Notes

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

DESCRIPTION OF ORGANIZATION

The Corporation of the Municipality of South Dundas (the "Municipality") 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 consolidated 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 consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures and include the activities of all committees of Council and the following local boards:

Morrisburg Business Improvement Area

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

These consolidated financial statements reflect the investment in any government business enterprises and are consolidated using the modified equity method. Under the modified equity basis, the enterprises accounting principles are not adjusted to conform with those of the Municipality and intergovernmental transactions and balances are not eliminated. The following government business enterprise is consolidated based on the Municipality's share of ownership.

Rideau St. Lawrence Holdings Inc.

(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 consolidated financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately in the trust funds' 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 MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Taxation and related revenues

Property tax billings are issued by the Municipality based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario, payment 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 legalisation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and 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 Municipality 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 Municipality 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 Municipality recognizes revenue as the liability is settled.

(e) Fees and services and other revenues

Fees and services and other revenues 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 and dividends received are 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.

(h) Long-term investments

Long-term investments are recorded at cost. Temporary declines in the market value of these investments are not adjusted.

(i) 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.

(j) Deferred revenue

Deferred revenue represents government grants and transfers that have been received for specific purposes, but the respective expenditure has not been incurred to date. These amounts will be recognized as revenues in the fiscal year the expenditure is incurred.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Deferred revenue, obligatory reserve funds

The Municipality receives restricted contributions under the authority of federal and provincial legislations. 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.

(l) Future employee benefits payable

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Municipality's policy. The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), as a defined contribution plan.

(m) 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 excess of revenues over expenses, 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 cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	25 to 40 years
Buildings	20 to 40 years
Machinery and equipment	15 to 25 years
Vehicles	5 to 20 years
Water and waste plants and networks	
underground networks	75 to 100 years
sewage treatment plants	75 years
water pumping stations and reservoirs	75 years
flood stations and other infrastructure	75 years
Transportation	
roads	10 to 40 years
bridges and structures	25 to 75 years

One half of the annual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Municipality has a capitalization threshold of \$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 MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 are recorded at the lower of cost or replacement cost.

(n) 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 Municipality 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 Municipality reviews the carrying amount of the asset retirement obligation liability. The Municipality 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 Municipality 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 MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into 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 municipality is directly responsible, or accepts responsibility to remediate the site;
- iv. The municipality 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 are:

- 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.

(p) Measurement uncertainty (use of estimates)

The preparation of consolidated 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 consolidated 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 life of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, future employment benefits payable, future landfill closure and post closure costs, and the estimated liability for remediation of contaminated sites. Actual results could differ from these estimates.

(q) Segment 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 18 .

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

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 Municipality has not yet determined the impact of this standard on its consolidated 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 Municipality has not yet determined the impact of this standard on its consolidated financial statements.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

2. CHANGE IN ACCOUNTING POLICIES

Asset retirement obligations

Effective January 1, 2023, the Municipality 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 Municipality 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(n).

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 \$4,978,509, an increase to active tangible capital assets of \$3,647,577 and the reversal of landfill closure and post closure costs relating to active landfill sites of \$3,497,978.

Financial instruments

Effective January 1, 2023, the Municipality 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. LONG-TERM INVESTMENTS

	2023	2022
Promissory note, Rideau St. Lawrence Holdings Inc., 4.09% interest, no specific terms of repayment, unsecured	\$ 938,352	\$ 938,352
South Dundas Water Plant debentures, 5.5% interest, repayable in annual payments of \$23,889, due 2026, secured by property	64,450	83,733
South Dundas Water Plant, long-term growth receivable, 5% interest no specific terms of repayment, unsecured	961,000	996,000
	\$ 1,963,802	\$ 2,018,085

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

4. INVESTMENT IN RIDEAU ST. LAWRENCE HOLDINGS INC.

	2023	2022
Investment, beginning of year	\$ 1,936,684	\$ 1,939,621
Share of net income for the year	116,650	50,871
Dividends received	(53,808)	(53,808)
Investment, end of year	\$ 1,999,526	\$ 1,936,684

The Municipality of South Dundas owns 33.63% of the outstanding share capital of Rideau St. Lawrence Holdings Inc.

The following table provides condensed supplementary financial information for Rideau St. Lawrence Holdings Inc.:

Financial Position

	2023	2022
Current assets	\$ 5,196,653	\$ 4,379,443
Capital	11,173,232	10,073,319
Regulatory assets	1,049,498	1,186,540
Total Assets	17,419,383	15,639,302
Current liabilities	6,616,568	7,536,138
Long-term portion of customer deposits	223,834	209,106
Contributions in aid of construction	1,745,545	1,621,495
Deferred tax liabilities	8,991	14,427
Long-term debt	2,622,974	291,039
Regulatory liabilities	255,802	208,292
Total Liabilities	11,473,714	9,880,497
Shareholders' Equity	\$ 5,945,669	\$ 5,758,805

Financial Activities

	2023	2022
Total revenue	\$ 17,354,838	\$ 17,421,237
Total expenses	17,007,975	17,269,970
Net income	\$ 346,863	\$ 151,267
Municipality share of net income (33.63%)	\$ 116,650	\$ 50,871

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

5. DEFERRED REVENUE

Deferred revenue represents funds received from the Province of Ontario that were allocated to its separate bank accounts as directed by Council. Deferred revenue consists of the Green Infrastructure Fund ("GIF") to finance the provincial portion of construction costs of the Iroquois Waste Water Treatment Plant and the Ontario Community Infrastructure Fund ("OCIF") to finance reconstruction costs of specific roads. The balances and transactions are summarized as follows:

	OCIF	GIF	2023	2022
Balance, beginning of year	\$ 4,908	\$ 381,267	\$ 386,175	\$ 391,433
Grants received	691,892	-	691,892	-
Interest earned	16,487	18,013	34,500	11,492
Utilized for operating purposes	-	-	-	(16,750)
Utilized for capital acquisitions	(597,268)	(399,280)	(996,548)	-
Balance, end of year	\$ 116,019	\$ -	\$ 116,019	\$ 386,175

6. 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 obligatory reserve funds consist of the gas tax, COVID-19 funding and parkland reserve fund. The balance and transactions are summarized as follows:

	COVID-19	Gas Tax	Parkland	2023	2022
Balance, beginning of year	\$ 59,883	\$ 38,453	\$ 194,822	\$ 293,158	\$ 834,445
Grants received	-	358,508	155,626	514,134	343,570
Prepaid special charges	-	-	-	-	615
Interest earned	-	6,981	-	6,981	17,732
Utilized for operating purposes	(5,052)	-	(27,685)	(32,737)	(48,071)
Utilized for capital acquisitions	-	(341,107)	-	(341,107)	(855,133)
Balance, end of year	\$ 54,831	\$ 62,835	\$ 322,763	\$ 440,429	\$ 293,158

7. FUTURE EMPLOYMENT BENEFITS PAYABLE

The Municipality provides employee benefits that will require funding in future periods. With respect to responsibilities under the Workplace Safety and Insurance Board ("WSIB") Act the Municipality has elected to be a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. There is no liability recorded in these consolidated financial statements with respects to any WSIB liability.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

8. MUNICIPAL DEBT

	2023	2022
Loan payable, interest at 3.35%, repayable in monthly payments of \$16,667 plus interest, due September 2034, South Dundas Municipal Centre	\$ 2,150,000	\$ 2,350,000
Loan payable, interest at 3.90%, repayable in semi-annual payments of \$25,841 plus interest, due November 2033, Iroquois Medical Centre	516,827	568,510
Loan payable, interest at 4.75%, repayable in semi-annual payments of \$104,500 plus interest, due August 2028, South Dundas Municipal Water Plant	940,500	1,149,500
Loan payable, interest at 3.31%, repayable in monthly payments of \$54,529 plus interest, due November 15, 2028, Industrial Park	545,291	654,349
Loan payable, interest at 1.76%, repayable in blended semi-annual payments of \$69,242, due September 2035, Williamsburg landfill closure costs	1,492,156	1,602,914
Loan payable, interest at 2.00%, repayable in blended semi-annual payments of \$40,920, due March 2036, Water Tower Rehabilitation	901,188	964,059
Loan payable, interest at 2.71%, repayable in blended semi-annual payments of \$19,453, due July 2041, Dutch Meadows Pumping Station	550,799	574,264
Loan payable, interest at 4.26%, repayable in blended semi-annual payments of \$20,573, due October 2032, Taylor Road Bridge	304,931	332,212
Tile drain loans, interest at 6%, repayable over ten years in blended annual payments between \$163 and \$6,263, due between one year and ten years	107,195	105,405
Equipment capital lease, interest at 0%, repayable in monthly payments of \$252, paid in full, secured by equipment	-	267
	\$ 7,508,887	\$ 8,301,480

Repayment of municipal debt, assuming the loans are renewed under the same terms and conditions, is as follows:

	2024	\$ 821,906	
	2025	828,435	
	2026	821,266	
	2027	827,397	
	2028	729,230	
	Thereafter	3,480,653	
		\$ 7,508,887	

Principal payments are payable from the following sources as follows:

	2024 to 2028	2029 to 2043
General municipal revenues	\$ 2,211,209	\$ 1,541,930
Rental revenues	331,420	924,626
User charges	1,401,619	990,868
Tile drain loans receivable	83,966	23,229
	\$ 4,028,214	\$ 3,480,653

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

9. ASSET RETIREMENT OBLIGATIONS

The Municipality's asset retirement obligations include one future solid waste landfill sites closure costs and the post closure monitoring costs of two landfill sites of which one site was closed in 2019; and the estimated future contamination removal costs of asbestosis from municipal buildings. The estimated remaining useful life of its open landfill site is approximately three years. The estimate 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 seventy eight years from the date of site closure.

The estimated closure and post closure costs for both sites are \$4,811,006 (2022 - \$4,819,958) of which have been adjusted by applying a discount rate of 2.89%, based on Bank of Canada's long-term benchmark rate of 1.67% adjusted by 1.22% for the Municipality's risk factor. These costs are to be recovered from future taxation revenue and reserves. The Municipality has \$661,132 (2022 - \$547,558) in the landfill reserve to fund future landfill closure and post closure costs.

The estimated future contamination removal costs from municipal buildings are \$158,551. No timeline have been determined on when these costs would be incurred.

The reported liabilities are 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. No accretion expense was recorded during the year

The change in asset retirement obligations for the year is as follows:

	2023	2022
Original balance, landfill closure and post-closure liability	\$ 4,819,958	\$ -
Liabilities relating to contamination removal costs from buildings	158,551	-
Adjusted balance, beginning of year	4,978,509	-
Landfill monitoring costs incurred during the year	(8,952)	-
Balance, end of year	\$ 4,969,557	\$ -

10. PENSION AGREEMENTS

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

The employer amount contributed to OMERS for 2023 in the amount of \$382,037 (2022 - \$356,953) for current service and is included as an expenditure on the consolidated statement of financial activities.

11. BUDGET FIGURES

The 2023 budget which includes operating, capital, reserves and reserve funds transactions were approved by Council on March 13, 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.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

12. OPERATING SURPLUS

The budget figures presented in these consolidated financial statements are based upon the 2023 operating and capital budgets that have been approved by Council on March 13, 2023. The following schedule reconciles the budget and actual results presented in these consolidated financial statements to the approved operating budget for the year.

	BUDGET 2023 (Note 11)	ACTUAL 2023	ACTUAL 2022
Annual Surplus (Deficit)	\$ (1,203,532)	\$ 7,493,057	\$ 4,678,807
Change in local board surpluses for the year	-	23,241	-
Operating funds transferred to reserves and reserve funds	(1,372,177)	(3,016,452)	(1,307,562)
Reserve and reserve funds transferred for tangible capital assets	2,304,837	1,335,399	2,152,040
Reserve fund interest	-	(220,856)	(129,276)
Acquisition of tangible capital assets	(2,670,757)	(2,554,348)	(6,142,569)
Amortization of tangible capital assets	3,781,196	4,939,345	3,737,486
Proceeds from the issuance of municipal debt	-	-	332,212
Principal repayments on municipal debt	(839,567)	(839,833)	(810,422)
Change in surplus for future capital acquisitions	-	75,190	85,200
Equity (increase) decrease of Rideau St. Lawrence Holdings Inc.	-	(62,842)	2,937
Asset retirement obligations	-	(3,497,977)	-
Change in landfill closure and post closure costs	-	-	352,306
Accrued interest on municipal debt	-	(6,728)	5,096
Proceeds on disposal of tangible capital assets	-	789,810	-
(Gain) loss on disposal of tangible capital assets	-	(296,820)	305,861
Contributions from developers and transfers from United Counties	-	(3,773,795)	(2,583,214)
Surplus for the year before year-end transfers	-	386,391	678,902
Transfer of water and waste water surplus to reserves	-	(257,980)	(454,433)
Transfer of operating surplus to reserves	-	(128,411)	(224,469)
	\$ -	\$ -	\$ -

The operating surplus for the fiscal year ending December 31, 2023 was \$128,411 (2022 - \$224,469), which \$119,765 was transferred to the fire reserve and \$8,646 was transferred to the general working capital reserve.

13. WATER AND WASTE WATER OPERATIONS

The water and waste water operations are made up of four local areas, the respective surpluses for the fiscal year ended December 31, 2023 are listed below. Any surpluses are transferred to and deficits are funded by the respective local area reserve or reserve fund.

	2023	2022
South Dundas municipal water	\$ 153,155	\$ 68,518
Iroquois waste water	33,557	83,463
Morrisburg waste water	74,053	295,162
Williamsburg waste water	(2,785)	7,290
Total water and waste water surplus	\$ 257,980	\$ 454,433

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

13. WATER AND WASTE WATER OPERATIONS (Continued)

Water and waste water operations included in the schedule of the operating fund is summarized as follows:

	BUDGET 2023 (Note 11)	ACTUAL 2023	ACTUAL 2022
Revenues			
Taxation and local improvement charges	\$ 53,165	\$ 53,165	\$ 51,120
Fees and service charges	3,334,000	3,284,537	3,220,217
Grants	2,100	4,671	19,230
Interest	5,500	15,076	14,592
	3,394,765	3,357,449	3,305,159
Expenditures, excluding amortization	2,315,887	2,004,995	1,990,970
Surplus for the year	1,078,878	1,352,454	1,314,189
Financing and transfers			
Transfers to reserve and reserve funds	(815,425)	(1,413,112)	(709,433)
Funds used for capital asset acquisitions and expenditures	31,885	355,996	(311,281)
Net change in municipal debt	(295,338)	(295,338)	(293,475)
	(1,078,878)	(1,352,454)	(1,314,189)
Water and waste water surplus for the year	\$ -	\$ -	\$ -

14. AMOUNTS TO BE RECOVERED FROM FUTURE REVENUES

Amounts to be recovered from future taxation, local improvement charges and reserves are as follows:

	2023	2022
Municipal debt	\$ 7,508,887	\$ 8,301,480
Accrued interest on municipal debt	49,705	56,433
Asset retirement obligations	4,969,557	-
Accrued landfill closure and post closure costs	-	4,819,958
	\$ 12,528,149	\$ 13,177,871

Amounts are to be recovered from the following sources:

Reserves and reserve funds	\$ 661,132	\$ 547,558
General municipal revenues	3,753,139	4,252,206
User charges	8,006,683	8,272,702
Tile drain loans receivable	107,195	105,405
	\$ 12,528,149	\$ 13,177,871

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

15. RESERVES AND RESERVE FUNDS

	2023	2022
Reserves set aside for specific purposes by Council are as follows:		
Working capital	\$ 1,871,561	\$ 2,066,956
Water	221,672	828,196
Waste water	416,674	1,511,633
Service delivery	36,371	36,371
Planning and development	116,869	120,496
Recreation and facilities	592,473	581,653
Cemeteries and funeral assistance program	55,549	45,139
Campground	259,033	192,791
Roads	745,140	515,917
Landfill	661,132	547,558
Tax stabilization	51,376	51,376
Winter control	28,523	28,523
Elections	37,120	24,120
Treasury	61,563	61,563
Protection to persons and property	561,983	377,544
Future debenture payments	331,878	379,216
Miscellaneous	4,751	7,768
	6,053,668	7,376,820
Reserve funds set aside for specific purpose by legislation, regulation or agreement:		
Equipment replacement	1,075,023	983,151
Water	2,359,560	102,992
Waste water	1,270,208	552,200
Infrastructure	1,596,878	1,480,608
Fire	60,830	57,741
General purposes	790,980	300,916
EDP community benefits	49,185	113,604
	7,202,664	3,591,212
Total reserves and reserve funds	\$ 13,256,332	\$ 10,968,032

16. EXPENDITURES BY OBJECT

	BUDGET 2023 (Note 11)	ACTUAL 2023	ACTUAL 2022
Wages and benefits	\$ 5,379,769	\$ 5,400,223	\$ 4,738,778
Interest on municipal debt	420,523	259,919	287,499
Materials and services	4,420,500	4,538,464	4,956,809
Contracted services	1,944,060	1,746,120	1,610,090
Insurance and other financial costs	474,297	469,684	447,141
Third party transfers	99,754	97,079	131,279
Amortization	3,781,196	4,939,345	3,737,486
	\$ 16,520,099	\$ 17,450,834	\$ 15,909,082

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

17. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$106,139 (2022 - \$105,382) have not been included in the Consolidated Statement of Financial Activities.

18. CONTINGENCIES

Legal action

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

Contaminated sites

The Municipality identified one parcel of land that is 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 consolidated financial statements because the Municipality's expectation of future economic benefits being given up to remediate this site is unlikely and the liability cost of remediation cannot be determined.

19. SUBSEQUENT EVENT

The Municipality dissolved the Morrisburg Downtown Business Improvement Area local board on June 24, 2024 as approved by Council and absorbed its remaining assets and liabilities within the Municipality's operations.

20. SEGMENTED INFORMATION

The Municipality is responsible for providing a range of services to its citizens. For administration reporting purposes the Municipality's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the consolidated financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Municipality and expanded 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 consolidated 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 Municipality. Administration as a segment includes operating and maintaining municipal 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 include 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 animal control services.

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

20. SEGMENTED INFORMATION (Continued)

(c) Transportation services

Transportation services include administration and operation of traffic and parking services for the Municipality. In addition, services are provided for the 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 Municipality.

(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 Municipality.

(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, community development and maintenance of municipal drains. 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.

21. FINANCIAL INSTRUMENTS

The Municipality, as part of its operations, carries a number of financial instruments. It is management's opinion that the Municipality 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 Municipality to concentrations of credit risk consist primarily of taxes and accounts receivable. However, credit exposure is limited due to the Municipality'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 Municipality 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 Municipality will not be able to meet its financial obligations as they become due.

The Municipality 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 MUNICIPALITY OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2023

FINANCIAL ACTIVITIES (000's)

	2023	2022	2021	2020	2019
Revenues					
Taxation	\$ 8,585	\$ 8,071	\$ 7,720	\$ 7,610	\$ 7,232
Fees and service charges	4,598	4,456	3,903	3,515	3,567
Grants	1,603	1,573	1,648	1,537	1,950
Investment income	759	463	379	333	501
Permits and licenses	230	241	249	209	218
Donations and other revenue	17	65	25	48	173
Equity (decrease) increase	63	(3)	11	74	(3)
	15,855	14,866	13,935	13,326	13,638
Expenses					
General government	2,256	2,042	1,932	1,975	1,998
Protection to persons and property	1,633	1,453	1,592	1,416	1,341
Transportation services	4,811	3,492	3,377	3,553	3,369
Environmental	5,377	6,102	4,646	4,298	9,072
Health services	50	51	26	38	34
Recreation and cultural services	2,812	2,268	1,947	1,786	1,856
Planning and development	511	501	499	559	498
	17,450	15,909	14,019	13,625	18,168
Annual deficit before other items	(1,595)	(1,043)	(84)	(299)	(4,530)
Other revenue for capital purposes					
Deferred revenue earned	1,338	855	940	2,207	621
Grants and donations	182	2,590	875	730	163
Contributions and transfers	3,774	2,583	665	165	115
Other	3,795	(306)	(31)	(40)	104
	9,089	5,722	2,449	3,062	1,003
Annual surplus	\$ 7,494	\$ 4,679	\$ 2,365	\$ 2,763	\$ (3,527)

PROPERTY TAXES BILLED (000's)

	2023	2022	2021	2020	2019
Own purposes	\$ 8,585	\$ 8,071	\$ 7,720	\$ 7,610	\$ 7,232
Upper-Tier Municipality	8,958	8,577	8,331	8,350	8,044
School Boards	5,067	5,110	5,057	5,895	5,987
	\$ 22,610	\$ 21,758	\$ 21,108	\$ 21,855	\$ 21,263

CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2023

TAXABLE ASSESSMENT (000's)

	2023	2022	2021	2020	2019
Residential and farm	\$ 1,525,962	\$ 1,499,442	\$ 1,491,540	\$ 1,408,054	\$ 1,326,180
Commercial and industrial	202,615	201,186	201,397	194,186	186,990
	1,728,577	1,700,628	1,692,937	1,602,240	1,513,170
Exempt	50,610	50,237	50,484	46,808	43,730
	\$ 1,779,187	\$ 1,750,865	\$ 1,743,421	\$ 1,649,048	\$ 1,556,900
Commercial and industrial	11.72%	11.83%	11.90%	12.12%	12.36%
Municipal residential tax rate	0.561%	0.517%	0.511%	0.498%	0.500%

FINANCIAL INDICATORS

	2023	2022	2021	2020	2019
Tax arrears					
Percentage of own levy	13 %	13 %	10 %	15 %	19 %
Percentage of total levy	5 %	5 %	4 %	5 %	6 %
Municipal debt	\$ 7,508,887	\$ 8,301,480	\$ 8,759,861	\$ 7,862,063	\$ 6,578,176
Long-term debt charges	\$ 1,076,287	\$ 1,097,921	\$ 1,033,407	\$ 936,986	\$ 866,349
Sustainability					
Financial assets to liabilities	1.16	0.96	0.97	0.96	1.01
Financial assets to liabilities excluding long-term debt	2.13	1.77	1.83	1.78	1.43
Long-term debt to tangible capital assets	6.56 %	7.55 %	8.32 %	7.64 %	6.54 %
Flexibility					
Debt charges to total operating revenue	6.79 %	7.39 %	7.42 %	7.03 %	6.35 %
Total operating revenue to taxable assessment	8.91 %	8.49 %	7.99 %	8.10 %	8.65 %
Vulnerability					
Operating grants to operating revenue	10.11 %	10.58 %	11.83 %	11.55 %	14.38 %
Total grants to total revenues	12.52 %	24.37 %	21.14 %	27.30 %	18.67 %
Reserve coverage					
Reserves	\$ 6,053,668	\$ 7,376,820	\$ 7,284,167	\$ 6,132,140	\$ 6,237,355
Reserves to operating expenses	34.69 %	46.37 %	51.96 %	45.01 %	34.33 %
Working capital reserve	\$ 1,871,561	\$ 2,066,956	\$ 2,003,362	\$ 1,777,932	\$ 1,324,199
Working capital reserve to operating expenses	10.73 %	13.03 %	12.63 %	11.21 %	8.35 %
Reserves to working capital	1.06	0.99	0.97	0.88	0.82