

Township of South Algonquin

Financial Statements

For the year ended 31 December 2023

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of South Algonquin (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is contained in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MacKillican & Associates, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Bryan Martin - CAO

Township of South Algonquin
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For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Township as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

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 consolidated 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 consolidated financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Township 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.

RENFREW, Ontario.
15 May 2024.

MacKillicon & Associates

Chartered Professional Accountants,
Licensed Public Accountants.

Township of South Algonquin
Consolidated Statement of Financial Position

As at 31 December 2023
(with 2022 figures for comparison)

	<u>2023</u>	<u>2022</u> (Restated Note 15)
Financial assets:		
Cash	\$ 2,414,258	\$ 2,438,299
Taxes receivable	275,486	224,666
Accounts receivable	183,943	148,265
Investments	<u>25,000</u>	<u>76,000</u>
	<u>\$ 2,898,687</u>	<u>\$ 2,887,230</u>
Financial liabilities:		
Accounts payable and accrued liabilities	\$ 332,796	\$ 311,633
Deferred revenue - obligatory reserve funds (Note 6 (a))	465,049	205,301
Deferred revenue - other (Note 6 (b))		2,022
Asset retirement obligation (Note 10)	<u>394,066</u>	<u>394,066</u>
	<u>\$ 1,191,911</u>	<u>\$ 913,022</u>
Net financial assets	<u>\$ 1,706,776</u>	<u>\$ 1,974,208</u>
Non-financial assets:		
Tangible capital assets (net) (Note 11)	\$ 9,907,861	\$ 10,053,695
Inventory of supplies	44,245	29,896
Prepaid expenses	<u>34,490</u>	<u>33,115</u>
	<u>\$ 9,986,596</u>	<u>\$ 10,116,706</u>
Accumulated surplus	<u>\$ 11,693,372</u>	<u>\$ 12,090,914</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 12)	\$ 9,907,861	\$ 10,053,695
Reserves	2,179,577	2,431,285
Unfunded - asset retirement obligation (Note 5)	<u>(394,066)</u>	<u>(394,066)</u>
Total accumulated surplus	<u>\$ 11,693,372</u>	<u>\$ 12,090,914</u>

(See accompanying notes)

Township of South Algonquin
Consolidated Statement of Operations and Accumulated Surplus
For the year ended 31 December 2023
(with 2023 budget and 2022 actual figures for comparison)

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u> (Restated Note 15)
Revenue:			
Taxation and user charges	\$ 2,625,198	\$ 2,647,718	\$ 2,464,058
Government transfers			
Ontario	1,267,920	1,040,928	1,193,884
Canada	76,540	68,715	230,755
Other	251,200	407,089	417,904
Gain on disposal of tangible capital assets	<u> </u>	<u>12,000</u>	<u>16,271</u>
	<u>\$ 4,220,858</u>	<u>\$ 4,176,450</u>	<u>\$ 4,322,872</u>
Expenses:			
General government	\$ 816,876	\$ 851,838	\$ 702,208
Protection to persons and property	762,569	744,452	658,386
Transportation services	1,369,840	1,331,607	1,210,478
Environmental services	407,838	421,806	507,118
Health services	47,998	43,651	30,811
Social and family services	686,073	681,314	680,555
Recreation and cultural services	377,929	380,707	318,891
Planning and development	<u>132,170</u>	<u>118,617</u>	<u>142,156</u>
	<u>\$ 4,601,293</u>	<u>\$ 4,573,992</u>	<u>\$ 4,250,603</u>
Excess (shortfall) of revenue over expenses	\$ (380,435)	\$ (397,542)	\$ 72,269
Accumulated surplus at the beginning of the year	<u>12,090,914</u>	<u>12,090,914</u>	<u>12,018,645</u>
Accumulated surplus at the end of the year	<u>\$ 11,710,479</u>	<u>\$ 11,693,372</u>	<u>\$ 12,090,914</u>

(See accompanying notes)

Township of South Algonquin
Consolidated Statement of Changes in Net Financial Assets
For the year ended 31 December 2023
(with 2023 budget and 2022 actual figures for comparison)

	2023 <u>Budget</u>	2023 <u>Actual</u>	2022 <u>Actual</u> (Restated Note 15)
Excess (shortfall) of revenue over expenses	\$ (380,435)	\$ (397,542)	\$ 72,269
Amortization of tangible capital assets	506,365	506,365	474,143
Acquisition of tangible capital assets	(180,500)	(360,531)	(1,154,322)
Loss (gain) on disposal of capital assets		(12,000)	(16,271)
Proceeds on disposal of capital assets		12,000	53,105
Use of (acquisition of) prepaid expenses		(1,375)	192,986
Use of (acquisition of) inventory		<u>(14,349)</u>	<u>(29,896)</u>
Decrease in net financial assets	\$ (54,570)	\$ (267,432)	\$ (407,986)
Net financial assets at the beginning of the year	<u>1,974,208</u>	<u>1,974,208</u>	<u>2,382,194</u>
Net financial assets at the end of the year	<u>\$ 1,919,638</u>	<u>\$ 1,706,776</u>	<u>\$ 1,974,208</u>

(See accompanying notes)

Township of South Algonquin
Consolidated Statement of Cash Flows
For the year ended 31 December 2023
(with 2022 figures for comparison)

	<u>2023</u>	<u>2022</u> (Restated Note 15)
Cash flows from operating activities:		
Excess (shortfall) of revenue over expenses	\$ (397,542)	\$ 72,269
Add (deduct) items which do not involve cash:		
- amortization	506,365	474,143
- loss (gain) on disposal of assets	(12,000)	(16,271)
- asset retirement obligation		113,433
- contributed capital asset		(65,700)
	<u>\$ 96,823</u>	<u>\$ 577,874</u>
Net change in non cash working capital balances related to operations:		
- increase (decrease) in taxes receivable	\$ (50,820)	\$ (33,267)
- decrease (increase) in accounts receivable	(35,678)	34,926
- decrease (increase) in accounts payable and accrued liabilities	21,163	102,070
- increase (decrease) in deferred revenue	257,726	81,119
- increase (decrease) in prepaid expenses	(1,375)	192,986
- decrease (increase) in inventory of supplies	(14,349)	(29,896)
	<u>\$ 176,667</u>	<u>\$ 347,938</u>
Cash flows from operating activities	<u>\$ 273,490</u>	<u>\$ 925,812</u>
Cash flows used for capital activities:		
Additions to tangible capital assets		
General government	\$ (99,149)	\$ (248,493)
Protection services	(13,604)	(125,289)
Transportation	(221,013)	(654,806)
Environmental	(2,819)	
Recreation and cultural services	(23,946)	(60,034)
Proceeds on disposal of capital assets	<u>12,000</u>	<u>53,105</u>
Cash flows used for capital activities	<u>\$ (348,531)</u>	<u>\$ (1,035,517)</u>
Decrease in cash and cash equivalents during the year	\$ (75,041)	\$ (109,705)
Cash and cash equivalents at the beginning of the year	<u>2,514,299</u>	<u>2,624,004</u>
Cash and cash equivalents at the end of the year	<u>\$ 2,439,258</u>	<u>\$ 2,514,299</u>
Comprised of:		
Cash	\$ 2,414,258	\$ 2,438,299
Investments	<u>25,000</u>	<u>76,000</u>
	<u>\$ 2,439,258</u>	<u>\$ 2,514,299</u>

(See accompanying notes)

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

The Corporation of the Township of South Algonquin (the "Township") is a single-tier municipal corporation located in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Planning Act, Building Code Act and other related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Basis of Consolidation:

(i) Reporting Entity

The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

- South Algonquin Public Library Board

(ii) Non-consolidated Entities

The following joint boards are not consolidated:

- District of Nipissing Social Services Administration Board
- Renfrew County and District Health Unit
- East Nipissing District Home for the Aged

(iii) Accounting for School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal position of these consolidated financial statements.

(b) Basis of Accounting:

The consolidated financial statements are prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain users charges and fees are collected for which the related services have yet to be performed.

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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 expenditures, provides the consolidated change in net financial assets for the year.

(d) Tangible Capital Assets:

(i) Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Non-Residential Building Construction Price Index (NRBCPI) for infrastructure, storm sewers and sanitary sewers and using the Consumer Price Index (CPI) for all other assets. Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. 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	15 - 40 years
Buildings	20 - 60 years
Machinery and Equipment	5 - 20 years
Vehicles	5 - 25 years
Roads, bridges and sidewalks	20 - 40 years

A full year of amortization is taken in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use. Interest during the period of construction is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have a significant value, or for operational reasons.

(ii) Contribution 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 assets as of the date of 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) Inventories

Inventories held for consumption are recorded at average cost.

(e) Investment Income:

Short term and long term investments are recorded at cost plus accrual interest. If the market value of the investments become lower than cost and decline in value is considered to be other than temporary, the investments are written down to market value.

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment income earned on current funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

(f) Government Transfers:

Government transfers are the transfers of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of direct financial return.

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(g) Deferred Revenue:

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period in which the related expenses are incurred or the services are performed.

(h) Deferred Revenue - Obligatory Reserve Funds:

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

(i) Use of Estimates:

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Significant estimates include asset retirement obligation and amortization.

(j) Cash and Cash Equivalents:

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(k) Revenue Recognition:

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Fees and user charges relate to utility charges [water, wastewater, and solid waste] licensing fees, fees for use of various programming, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments:

Financial instruments include cash, accounts receivable, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Township is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash, accounts receivable, investments and accounts payable and accrued liabilities, approximates their fair values, due to the immediate and short term maturities of these financial instruments.

2. CONTRIBUTIONS TO NON-CONSOLIDATED JOINT LOCAL BOARDS

Further to Note 1(a) (ii), contributions were made by the Township to these Boards:

	<u>2023</u>	<u>2022</u>
District of Nipissing Social Services		
Administration Board	\$ 563,508	\$ 551,989
Renfrew County and District Health Unit	23,521	23,060
East Nipissing District Home for the Aged	110,599	110,507

The Township is contingently liable for its share of any accumulated deficit as at the end of the year for these Boards.

East Nipissing District Home for the Aged ("Casselholme") is expanding the existing facility. The Township of South Algonquin will continue to be responsible for the operating portion but will be excluded from the capital contributions related to the redevelopment. The Township's capital portion related to the redevelopment will be in the form of a loan at 0% that will be forgiven upon the completion of the project and compliance with the terms of the agreement.

3. OPERATIONS OF SCHOOL BOARDS

Requisitions were made by the School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	<u>School Boards</u>
Property taxes	\$ 463,855
Payments in lieu	<u>4,191</u>
	<u>\$ 468,046</u>

4. TAXES AND USER CHARGES RECEIVABLE

	<u>2023</u>	<u>2022</u>
Current	\$ 187,620	\$ 156,364
Prior years	69,612	53,999
Penalties and interest	<u>18,254</u>	<u>14,303</u>
	<u>\$ 275,486</u>	<u>\$ 224,666</u>

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

5. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the Township to raise funds in subsequent periods to finance unfunded liabilities, comprised of the landfill closure and post closure liabilities.

6. DEFERRED REVENUE

a) Obligatory Reserve Funds:

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

- (i) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2023</u>	<u>2022</u>
Ontario Community Infrastructure Fund	\$ 30,809	
Northern Ontario Resource Development Support Fund (NORDS)	287,646	\$ 191,139
Canada Community-Building Fund	<u>146,594</u>	<u>14,162</u>
	<u>\$ 465,049</u>	<u>\$ 205,301</u>

- (ii) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 205,301	\$ 109,654
Canada Community-Building Fund revenue received	72,542	69,520
NORDS Fund revenue received	93,028	189,445
Ontario Community Infrastructure Fund	137,916	
Interest earned	18,159	4,160
Used for purchases	<u>(61,897)</u>	<u>(167,478)</u>
Balance at the end of the year	<u>\$ 465,049</u>	<u>\$ 205,301</u>

b) Other Deferred Revenue:

Other deferred revenue consists of miscellaneous advances to be used in 2024.

7. CONTRACTUAL OBLIGATIONS

The Township has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. The contract expires May 2025, with an annual fee estimate provided for the upcoming year. During 2023, \$ 310,072 (2022 - \$ 323,188) was expended on police services.

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

8. PENSION CONTRIBUTIONS

The Township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2023, the Municipality contributed \$ 98,680 (2022 - \$ 82,140) to the plan and is included as an expense in the Consolidated Statement of Operations and Accumulated Surplus. The Township does not recognize in its consolidated financial statements any share of the pension plan deficit as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan deficit for 2023 is \$ 7,571,000,000 (the deficit for 2022 was \$ 6,100,000,000) based on the fair market value of the Plan's assets.

9. BUDGET FIGURES

The operating budget approved by the Township of South Algonquin for 2023 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements.

10. ASSET RETIREMENT OBLIGATION

Asset retirement obligation at year end is as follows:

	<u>2023</u>	<u>2022</u>
Landfill	\$ 345,080	\$ 345,080
Aggregate Pits	<u>48,986</u>	<u>48,986</u>
Balance end of year	<u>\$ 394,066</u>	<u>\$ 394,066</u>

Landfill

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill sites based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All the remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation.

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

10. ASSET RETIREMENT OBLIGATION (continued)

The reported liability is based on estimates and assumptions with respect to events extending over useful life and estimated post-closure care period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Airy Site

This landfill is expected to reach its capacity in 32 years, and the estimated remaining capacity is 32,235 cubic meters, which is 30% of the site's total capacity. The total undiscounted future expenditures for closure and post-closure care are \$ 220,900 (2022 - \$ 220,900). The estimated length of time for post-closure care is 10 years.

Madawaska Site

The landfill is expected to reach its capacity in 25 years, and the estimated remaining capacity is 32,750 cubic meters, which is 41% of the site's total capacity. The total undiscounted future expenditures for closure and post-closure care are \$ 124,180 (2022 - \$ 124,180). The estimated length of time for post-closure care is 10 years.

Aggregate Pits

The Ministry of Natural Resources and Forestry regulates pits and quarries. The costs to rehabilitate the two aggregate pits requires progressive rehabilitation using topsoil, the overburden stripped before excavation and application of grass/legume seed mixture. Rehabilitation will include seeding of grass and/or planting of trees.

The asset retirement obligation is based on the current year's expectation for closure and post-closure cost of the Municipality's aggregate pits. Costs were estimated by a third party engineer with expertise in asset retirement. The total undiscounted future expenditures for closure and post-closure costs are \$ 26,380 for Gaffney Road Pit and \$ 22,506 for McCauley Lake Road Pit.

11. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. Tangible capital assets contributed during year were \$ Nil (2022 - \$ 67,500).

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances.

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u> (Restated Note 15)
Tangible capital assets - net	\$ 9,907,861	\$ 10,053,695
Net long term liabilities	<u>-</u>	<u>-</u>
Equity in tangible capital assets	<u>\$ 9,907,861</u>	<u>\$ 10,053,695</u>

13. COMPARATIVE INFORMATION

The financial statements have been reclassified, where applicable to conform to the presentation used in the current year. The changes do not affect prior year earnings.

14. SEGMENTED INFORMATION

(a) The Township is responsible for providing a wide range of services to its citizens. The Township reports on functional areas and programs in its consolidated financial statements. A brief description of each segment follows:

- i) General government is comprised of Council and administration and is responsible for the overall governance and management of the Municipality.
- ii) Protection is comprised of police, fire, and other protective services.
- iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
- iv) Environmental services include water supply and distribution, wastewater treatment, and solid waste and recycling services.
- v) Recreation and cultural services include parks, recreation and libraries.
- vi) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.

(b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2023 are as follows:

	<u>Salaries and benefits</u>	<u>Materials</u>	<u>Contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 530,012	\$ 106,641	\$ 133,019	\$ 65,063	\$ 17,103	\$ 851,838
Protection services	253,181	99,489	326,540	14,428	50,814	744,452
Transportation services	509,972	426,180	39,252	4,528	351,675	1,331,607
Environmental services	187,521	202,470	4,211	14,456	13,148	421,806
Health services		7,692	5,343	24,708	5,908	43,651
Social services		4,547	1,272	674,107	1,388	681,314
Recreation services	165,868	126,879	20,516	1,115	66,329	380,707
Planning and development	<u>29,515</u>	<u>74,741</u>	<u>12,607</u>	<u>1,754</u>		<u>118,617</u>
	<u>\$ 1,676,069</u>	<u>\$ 1,048,639</u>	<u>\$ 542,760</u>	<u>\$ 800,159</u>	<u>\$ 506,365</u>	<u>\$ 4,573,992</u>

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

14. SEGMENTED INFORMATION (Continued)

(c) The expenditures for 31 December 2022 are as follows:

	<u>Salaries and benefits</u>	<u>Materials</u>	<u>Contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u> (Restated Note 15)
General government	\$ 432,005	\$ 87,938	\$ 121,174	\$ 44,969	\$ 16,122	\$ 702,208
Protection services	200,649	65,949	336,885	17,111	37,792	658,386
Transportation services	557,731	281,782	27,631	5,989	337,345	1,210,478
Environmental services	194,561	278,956	2,745	17,708	13,148	507,118
Health services			1,843	23,060	5,908	30,811
Social services		9,388	7,283	662,496	1,388	680,555
Recreation services	156,434	82,126	16,962	929	62,440	318,891
Planning and development	<u>41,857</u>	<u>68,913</u>	<u>29,729</u>	<u>1,657</u>		<u>142,156</u>
	<u>\$ 1,583,237</u>	<u>\$ 875,052</u>	<u>\$ 544,252</u>	<u>\$ 773,919</u>	<u>\$ 474,143</u>	<u>\$ 4,250,603</u>

(d) For each functional area, revenues represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The revenues for 31 December 2023 are as follows:

	<u>Taxes</u>	<u>User charges and other revenues</u>	<u>Government transfers - Ontario</u>	<u>Government transfers - Canada</u>	<u>Total</u>
General government	\$ 2,647,718	\$ 339,002	\$ 1,013,100	\$ 64,005	\$ 4,063,825
Protection services		36,491	2,813		39,304
Transportation services		8,360	10,000		18,360
Environmental services		33,769	4,688		38,457
Recreation services		<u>1,467</u>	<u>10,327</u>	<u>4,710</u>	<u>16,504</u>
	<u>\$ 2,647,718</u>	<u>\$ 419,089</u>	<u>\$ 1,040,928</u>	<u>\$ 68,715</u>	<u>\$ 4,176,450</u>

(e) The revenues for 31 December 2022 are as follows:

	<u>Taxes</u>	<u>User charges and other revenues</u>	<u>Government transfers - Ontario</u>	<u>Government transfers - Canada</u>	<u>Total</u>
General government	\$ 2,464,058	\$ 345,637	\$ 1,034,700	\$ 2,245	\$ 3,846,640
Protection services		42,723	2,606		45,329
Transportation services		13,950	134,155	224,390	372,495
Environmental services		30,430	5,242		35,672
Recreation services		<u>1,435</u>	<u>17,181</u>	<u>4,120</u>	<u>22,736</u>
	<u>\$ 2,464,058</u>	<u>\$ 434,175</u>	<u>\$ 1,193,884</u>	<u>\$ 230,755</u>	<u>\$ 4,322,872</u>

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

15. CHANGE IN ACCOUNTING POLICIES

On 1 January 2022, the Township adopted Public Accounting Standard PS 3280 Asset Retirement Obligations on a (ARO) modified retrospective basis.

PS 3280 Asset Retirement Obligations (ARO) establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

Previously, the Municipality reported its obligations relating to the retirement of its landfill including closure and post-closure activities provided for over the estimated remaining life of the landfill site based on usage.

The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as landfill closure and post-closure costs and the closure and post-closure costs related to the aggregate pits. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate used for the application of the standard was 5%.

On 1 January 2022, the Township recognized an asset retirement obligation relating to landfills and the aggregate pits that are owned by the Township for closure and post-closure costs.

The ARO liability relating to the landfill closure and post-closure costs is measured as of the date of acquisition of the landfills, when the liability was created and is calculated based on current costs without discounting to the date of the initial landfill acquisition.

The ARO liability for Gaffney Road Pit and McCauley Lake Road Pit is based on the current year's expectation for closure and post-closure cost of the Municipality's aggregate pits. Costs were estimated by a third party engineer with expertise in asset retirement.

In accordance with the provisions of this new standard, the Township reflected the following adjustments at 1 January 2022:

An increase in the tangible capital assets of \$ 74,619, representing the net book value of the landfill sites.

An increase in the opening equity in tangible capital assets of \$ 74,619 to reflect the recognition of the original ARO liability and accompanying increase in amortization expense.

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

15. CHANGE IN ACCOUNTING POLICIES (Continued)

The adoption of PS 3280 Asset Retirement Obligations (ARO) has been applied to the comparative period as follows:

	<u>As Previously Stated</u>	<u>Adjustments</u>	<u>Restated</u>
<u>Statement of Financial Position</u>			
Tangible capital assets including ARO	\$ 9,980,359	\$ 73,336	\$ 10,053,695
Asset retirement obligation liability	345,080	48,986	394,066
Accumulated surplus (deficit)	12,066,564	24,350	12,090,914
<u>Statement of Changes in Net Financial Assets</u>			
Excess of revenue over expenses	\$ 73,552	\$ (1,283)	\$ 72,269
Amortization of TCA (incl. TCA-ARO)	472,860	1,283	474,143
Net financial assets, end of year	2,023,194	(48,986)	1,974,208
<u>Statement of Operations</u>			
Environmental services	\$ 505,835	\$ 1,283	\$ 507,118
Excess of revenue over expenses	73,552	(1,283)	72,269
<u>Statement of Cash Flows</u>			
Excess of revenue over expenses	\$ 73,552	\$ (1,283)	\$ 72,269
Amortization of TCA (incl. TCA-ARO)	472,860	1,283	474,143
<u>Note 12 Equity in Tangible Capital Asset</u>			
Tangible capital assets - net	\$ 9,980,359	\$ 73,336	\$ 10,053,695
<u>Note 14 Segmented Information</u>			
Amortization of TCA (incl. TCA-ARO)	\$ 472,860	\$ 1,283	\$ 474,143
<u>Schedule of General Operations</u>			
Environmental services	\$ 392,401	\$ 1,283	\$ 393,684
Transfer from (to) equity in TCA	(630,698)	1,283	(629,415)

Township of South Algonquin
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

16. SUPPLEMENTARY FINANCIAL INFORMATION - SOUTH ALGONQUIN LIBRARY BOARD

	<u>2023</u>	<u>2022</u>	
Financial assets:			
Cash in bank	\$ 3,219	\$ 4,074	
Due from Municipality	<u>31,760</u>	<u>55,190</u>	
	<u>\$ 34,979</u>	<u>\$ 59,264</u>	
Non-financial assets:			
Tangible capital assets - net	<u>\$ 21,636</u>	<u>\$ 26,045</u>	
Reserve	<u>\$ 56,615</u>	<u>\$ 85,309</u>	
	<u>2023</u>	<u>2023</u>	<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue:			
Municipal contributions	\$ 77,180	\$ 77,180	\$ 81,905
Provincial grants	10,280	10,327	17,181
Other	<u>100</u>	<u>959</u>	<u>206</u>
	<u>\$ 87,560</u>	<u>\$ 88,466</u>	<u>\$ 99,292</u>
Expenses:			
Wages and benefits	\$ 57,480	\$ 79,795	\$ 56,384
Books, periodicals and small equipment	7,000	7,215	5,969
Operating supplies and maintenance	23,080	25,742	20,586
Amortization	<u>4,408</u>	<u>4,408</u>	<u>2,423</u>
	<u>\$ 91,968</u>	<u>\$ 117,160</u>	<u>\$ 85,362</u>
Excess (shortfall) of revenue over expenses	\$ (4,408)	\$ (28,694)	\$ 13,930
Transfer from (to) reserve	<u>4,408</u>	<u>28,694</u>	<u>(13,930)</u>
Change in surplus (deficit) for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Township of South Algonquin
Schedule of General Operations
For the year ended 31 December 2023
(with 2023 budget and 2022 actual figures for comparison)

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u> (Restated Note 15)
Revenue:			
Net municipal taxation	\$ 2,625,198	\$ 2,647,718	\$ 2,464,058
Government transfers:			
Ontario	1,257,640	1,030,601	1,176,703
Canada	76,540	68,715	230,755
Other	251,100	406,129	417,698
Gain on disposal of tangible capital assets	<u> </u>	<u>12,000</u>	<u>16,271</u>
	<u>\$ 4,210,478</u>	<u>\$ 4,165,163</u>	<u>\$ 4,305,485</u>
Expenses:			
General government	\$ 816,876	\$ 851,838	\$ 702,208
Protection to persons and property	762,569	754,247	658,386
Transportation services	1,369,840	1,321,812	1,210,478
Environmental services	407,838	421,806	393,684
Health services	47,998	43,651	30,811
Social services	686,073	681,314	680,555
Recreation and cultural services	285,961	263,548	233,529
Planning and development	<u>132,170</u>	<u>118,617</u>	<u>142,157</u>
	<u>\$ 4,509,325</u>	<u>\$ 4,456,833</u>	<u>\$ 4,051,808</u>
Excess (shortfall) of revenue over expenses	<u>\$ (298,847)</u>	<u>\$ (291,670)</u>	<u>\$ 253,677</u>
Transfers:			
Transfer to Library Board	\$ (77,180)	\$ (77,180)	\$ (81,905)
Transfer from (to) reserves	54,570	141,426	(997,169)
Transfer from (to) equity in tangible capital assets	<u>321,457</u>	<u>227,424</u>	<u>(629,415)</u>
Net transfers	<u>\$ 298,847</u>	<u>\$ 291,670</u>	<u>\$ (1,708,489)</u>
Change in general surplus (deficit) for the year	\$ -	\$ -	\$ (1,454,812)
General surplus at the beginning of the year	<u>-</u>	<u>-</u>	<u>1,454,812</u>
General surplus at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Township of South Algonquin
Consolidated Schedule of Reserves
For the year ended 31 December 2023
(with 2022 figures for comparison)

	<u>2023</u>	<u>2022</u>
Contributions:		
From operations	\$ <u>78,561</u>	\$ <u>1,742,602</u>
Transfers:		
Transfer to operations	\$ 157,763	\$ 670,858
Transfer to tangible capital asset acquisitions	<u>172,506</u>	<u>74,575</u>
	\$ <u>330,269</u>	\$ <u>745,433</u>
Change in reserves	\$ (251,708)	\$ 997,169
Reserves at the beginning of the year	<u>2,431,285</u>	<u>1,434,116</u>
Reserves at the end of the year	<u><u>\$ 2,179,577</u></u>	<u><u>\$ 2,431,285</u></u>
Reserves:		
General government	\$ 643,080	\$ 843,348
Library	56,615	85,309
Protection	305,738	288,711
Roadways	573,182	630,902
Landfill	344,050	344,050
Health	31,500	28,000
Social	4,000	4,000
Recreation and culture	200,615	201,168
Planning	<u>20,797</u>	<u>5,797</u>
Total reserves	<u><u>\$ 2,179,577</u></u>	<u><u>\$ 2,431,285</u></u>

(See accompanying notes)

Township of South Algonquin
Consolidated Schedule of Tangible Capital Assets

For the year ended 31 December 2023
(with 2022 figures for comparison)

Segmented by asset class: <u>Cost</u>	Balance at 31 December <u>2022</u> (Restated Note 15)	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2023</u>
Land	\$ 43,942			\$ 43,942
Land improvements	696,240	\$ 5,182		701,422
Buildings	3,589,170	37,090		3,626,260
Machinery and equipment	1,303,568	107,919	\$ 228,879	1,640,366
Vehicles	1,697,678	80,964	(37,856)	1,740,786
Linear assets	11,451,443	129,376		11,580,819
Capital work in progress	<u>245,263</u>		<u>(228,879)</u>	<u>16,384</u>
Total	<u>\$ 19,027,304</u>	<u>\$ 360,531</u>	<u>\$ (37,856)</u>	<u>\$ 19,349,979</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2022</u> (Restated Note 15)	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2023</u>
Land improvements	\$ 393,552	\$ 30,425		\$ 423,977
Buildings	1,083,151	69,733		1,152,884
Machinery and equipment	689,718	66,613		756,331
Vehicles	868,913	102,635	\$ (37,856)	933,692
Linear assets	<u>5,938,275</u>	<u>236,959</u>		<u>6,175,234</u>
Total	<u>\$ 8,973,609</u>	<u>\$ 506,365</u>	<u>\$ (37,856)</u>	<u>\$ 9,442,118</u>

<u>Net book value</u>	Balance at 31 December <u>2022</u> (Restated Note 15)	Balance at 31 December <u>2023</u>
Land	\$ 43,942	\$ 43,942
Land improvements	302,688	277,445
Buildings	2,506,019	2,473,376
Machinery and equipment	613,850	884,035
Vehicles	828,765	807,094
Linear assets	5,513,168	5,405,585
Capital work in progress	<u>245,263</u>	<u>16,384</u>
Total	<u>\$ 10,053,695</u>	<u>\$ 9,907,861</u>

(See accompanying notes)

Township of South Algonquin
Consolidated Schedule of Tangible Capital Assets
For the year ended 31 December 2023
(with 2022 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2022</u> (Restated Note 15)	<u>Additions</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2023</u>
General government	\$ 1,067,419	\$ 99,149		\$ 1,166,568
Protection services	1,509,417	13,604		1,523,021
Transportation services	13,255,581	221,013	\$ (37,856)	13,438,738
Environmental services	433,256	2,819		436,075
Health services	279,890			279,890
Social services	86,012			86,012
Recreation services	2,392,444	23,946		2,416,390
Planning and development	<u>3,285</u>			<u>3,285</u>
Total	<u>\$ 19,027,304</u>	<u>\$ 360,531</u>	<u>\$ (37,856)</u>	<u>\$ 19,349,979</u>
<u>Accumulated amortization</u>	Balance at 31 December <u>2022</u> (Restated Note 15)	<u>Amortization</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2023</u>
General government	\$ 254,073	\$ 17,103		\$ 271,176
Protection services	611,093	50,814		661,907
Transportation services	6,737,746	351,675	\$ (37,856)	7,051,565
Environmental services	250,044	13,148		263,192
Health services	151,055	5,908		156,963
Social services	26,967	1,388		28,355
Recreation services	939,346	66,329		1,005,675
Planning and development	<u>3,285</u>			<u>3,285</u>
Total	<u>\$ 8,973,609</u>	<u>\$ 506,365</u>	<u>\$ (37,856)</u>	<u>\$ 9,442,118</u>
<u>Net book value</u>			Balance at 31 December <u>2022</u> (Restated Note 15)	Balance at 31 December <u>2023</u>
General government			\$ 813,346	\$ 895,392
Protection services			898,324	861,114
Transportation services			6,517,835	6,387,173
Environmental services			183,212	172,883
Health services			128,835	122,927
Social services			59,045	57,657
Recreation services			<u>1,453,098</u>	<u>1,410,715</u>
Total			<u>\$ 10,053,695</u>	<u>\$ 9,907,861</u>

(See accompanying notes)