Consolidated Financial Statements of

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Year ended December 31, 2023

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

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Year ended December 31, 2023

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Township of Fauquier and Strickland (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described 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 KPMG LLP, 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.

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Madeleine Tremblay
Mayor
December 20, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Fauquier and Strickland

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Fauquier and Strickland (the Township), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net financial debt and its consolidated 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 responsibility under those standards are further described in the **"*Auditor's Responsibilities for the Audit of the Financial Statements*"** section of our auditor's report.

We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated as a result of the modified retroactive adoption of the asset retirement obligation standard. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022 as a result of a change in accounting policy. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 risk 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, internal 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 purposes 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 the events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Sudbury, Canada
December 20, 2024

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 2)
Financial assets		
Investments (note 5)	$ 34,401	$ 131,670
Taxes and user charges receivable (note 6)	77,773	91,484
Accounts receivable (note 7)	45,128	449,371
	157,302	672,525
Financial liabilities		
Bank indebtedness	466,813	436,875
Accounts payable and accrued liabilities	278,251	570,092
Deferred revenue (note 9)	327,299	210,798
Asset retirement obligation (note 10)	490,785	490,785
Capital lease obligation	-	37,311
Construction loan (note 11)	2,000,000	1,300,000
Long-term debt (note 12)	1,198,036	1,289,033
	4,761,184	4,334,894
Net financial debt	(4,603,882)	(3,662,369)
Non-financial assets		
Tangible capital assets (note 13)	12,477,046	11,459,244
Prepaid expenses	10,836	93,990
	12,487,882	11,553,234
Commitments (note 17)		
Accumulated surplus (note 14)	$ 7,884,000	$ 7,890,865

The accompanying notes are an integral part of these consolidated financial statements.

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On behalf of Council:

_____ Mayor

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (note 15)	Actual 2023	Actual 2022 (Restated - note 2)
Revenue:			
Taxation	$ 1,301,461	$ 1,304,469	$ 1,253,880
User charges	182,646	176,813	166,759
Province of Ontario grants	825,131	732,614	1,270,115
Government of Canada grants	137,647	138,313	130,034
Investment gain (loss)	3,500	3,876	(47)
Rental income	30,000	42,779	40,949
Interest and penalties	15,000	13,255	12,732
Other	164,586	158,187	120,845
Total revenue	2,659,971	2,570,306	2,995,267
Expenses:			
General government	452,674	479,168	422,278
Protection to persons and property	246,722	247,776	238,476
Transportation services	527,555	517,727	555,040
Environmental services	523,958	744,014	804,916
Health services	92,970	173,641	162,951
Social and family services	191,885	116,073	109,339
Recreational and culture	218,716	263,762	348,518
Planning and development	48,210	35,010	24,690
Total expenses	2,302,690	2,577,171	2,666,208
Annual (deficit) surplus	357,281	(6,865)	329,059
Accumulated surplus, beginning of year	7,890,865	7,890,865	7,931,591
Change in accounting policy (note 2)	-	-	(369,785)
		7,890,865	7,561,806
Accumulated surplus, end of year	$ 8,248,146	$ 7,884,000	$ 7,890,865

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Change in Net Financial Debt

Year ended December 31, 2023, with comparative information for 2022

	2022 Budget (note 15)	Actual 2023	Actual 2022 (Restated - note 2)
Annual surplus	$ 357,281	$ (6,865)	$ 329,059
Acquisition of tangible capital assets		(1,410,411)	(2,839,301)
Amortization of tangible capital assets		392,609	392,057
Use of prepaid expenses	-	83,154	4,952
	-	(934,648)	(2,442,292)
Change in net financial debt	357,281	(941,513)	(2,113,233)
Net financial debt, beginning of year	(3,662,369)	(3,662,369)	(1,179,351)
Change in accounting policy (note 2)	-	-	(369,785)
		(3,662,369)	(1,549,136)
Net financial debt, end of year	$ (3,305,088)	$ (4,603,882)	$ (3,662,369)

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ (6,865)	$ 329,059
Items not involving cash:		
Amortization of tangible capital assets	392,609	392,057
	385,744	721,116
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes and user charges receivable	13,711	(3,603)
Decrease in accounts receivable	404,243	52,286
Decrease in prepaid expenses	83,154	4,952
Increase (decrease) in accounts payable and accrued liabilities	(291,841)	188,378
Increase (decrease) in deferred revenue	116,501	(190,228)
Net change in cash from operating activities	711,512	772,901
Capital activities:		
Cash used to acquire tangible capital assets	(1,410,411)	(2,839,301)
Investing activities:		
Disposal of investments	97,269	133,765
Financing activities:		
Capital lease repayment	(37,311)	(26,259)
Issuance of long-term debt	-	135,000
Issuance of construction loan	700,000	1,300,000
Principal repayment of long-term debt	(90,997)	(62,381)
Net change in cash from financing activities	571,692	1,346,360
Net change in cash (bank indebtedness)	(29,938)	(586,275)
Cash (bank indebtedness), beginning of year	(436,875)	149,400
Bank indebtedness, end of year	$ (466,813)	$ (436,875)

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2023

The Corporation of the Township of Fauquier and Strickland (the "Township") is a Municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 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. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. 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, which includes the Public Library Board.

All inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

(b) Non-consolidated entities:

The following joint local boards are not consolidated within these financial statements:

The District of Cochrane Social Services Administration Board

Porcupine Health Unit

(c) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	7 - 50
Buildings	20 - 50
Roads	7 - 75
Furniture and fixtures	5 - 10
Vehicles, machinery and equipment	10 - 25
Computer equipment	5
Water and sewer systems	50
Assets under capital lease	Over the lease term

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(e) Revenue recognition:

The Township prepares tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

1. Significant accounting policies (continued):

(f) 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/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(g) School Boards:

The Township collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

(h) Asset retirement obligations:

A liability for an asset retirement obligation is recognized when, at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a 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.

(i) Pensions and employee benefits:

The Township is an employer member of the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Authority has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Authority records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for the past employee service.

Payroll liabilities include vacation entitlements which are accrued as the entitlements are earned.

(j) 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 when the related expenses are incurred, or the services are performed.

A requirement for local governments is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. Given the restriction in use until spent on qualifying projects or expenses these amounts are deferred.

1. Significant accounting policies (continued):

(k) Financial instruments:

The Township initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Township subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of operations.

Financial assets measured at amortized cost include cash, taxes and user charges receivables and account receivables.

Financial liabilities measured at amortized cost include bank indebtedness accounts payable and accrued liabilities, construction loan and long-term debt.

(l) Use of estimates and measurement uncertainty:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards require management 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 period. Significant estimates and assumptions, which include property tax assessment appeals; property, liability and accident claims provisions; landfill closure and post-closure liabilities; and environment provisions, are based on management's best information and judgement. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

2. Change in accounting policies:

The Town adopted the following standards concurrently beginning January 1, 2022 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

2. Change in accounting policies (continued):

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date.

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. There was no impact from the adoption of this standard.

2. Change in accounting policies (continued):

PS 3280 *Asset Retirement Obligations*:

On January 1, 2022, the Township adopted Public Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

The Township removed the landfill liability that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 on January 1, 2022, using the modified retrospective method. The liability represents the required closure and post-closure care for the landfill site owned by the Township. The liability is measured as of the date of purchase of the site, when the liability was assumed. As of the date of adoption of the standard, the relevant discount rate is 3% per annum.

On January 1, 2022, the Township recognized an additional asset retirement obligation relating to several buildings owned by the Township that may contain asbestos.

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

(a) Landfill obligation:

(i) A decrease of $121,000 to landfill closure liabilities to remove the liability recognized to date under the old standard, and an accompanying increase of $121,000 to opening Accumulated Surplus.

(ii) An increase of $196,000 to the infrastructure capital asset account, representing the original estimate of the obligation as of the commencement of the use of the landfill, and an accompanying increase of $196,000 to accumulated amortization, representing increased amortization for the landfill had the liability originally been recognized.

(iii) An asset retirement obligation in the amount of $196,000, representing the original obligation discounted to the present value amount using a rate of 3%.

(iv) A decrease to opening accumulated surplus of $196,000, as a result of the recognition of the liability and accompanying increase in amortization expense and accretion expense for the years since commencement of operations of the landfill sites.

Furthermore, the Township reflected the following adjustment at December 31, 2022:

(i) A decrease of $60,000 to landfill closure liabilities to remove the adjustment to the liability recognized at December 31, 2022 under the old standard, and an accompanying decrease of $60,000 to environmental expenses.

2. Change in accounting policies (continued):

PS 3280 *Asset Retirement Obligations (continued):*

(ii) An increase to the asset retirement obligation of $44,801, and an accompanying increase to environmental expenses representing the annual accretion of the asset retirement obligation.

(iii) An increase to amortization expense of $33,455, and an accompanying increase to accumulated amortization, representing the amortization of the increased infrastructure capital asset.

(b) Asbestos obligation:

(i) An increase of $19,744 to the building capital asset account and an increase of $275,042 to the water and sewer systems asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of $19,744 to buildings accumulated amortization and $275,042 to water and sewer systems accumulated amortization , representing increased amortization recorded over the useful life of the asset had the liability originally been recognized.

(ii) An asset retirement obligation in the amount of $294,785, representing an estimate of the current obligation.

(iii) A decrease to accumulated surplus of $294,785, as a result of the recognition of the liability and accompanying increase in amortization expense.

3. Operations of School Boards:

Further to note 1(g), the taxation, other revenues and expenses relating to the school boards are comprised of the following:

	Public	Separate	2023	2022
Revenues raised and transferred to boards	$ 126,669	$ 124,662	$ 251,331	$ 250,912

4. Contributions to Non-Consolidated Entities:

Further to note 1(b), the following contributions were made by the Township to these boards:

	2023	2022
The District of Cochrane Social Service Administration Board	$ 171,885	$ 164,708
Porcupine Health Unit	22,439	22,293
	$ 194,324	$ 187,001

5. Investments:

The investments are made up of term deposits and are accounted for at amortized cost:

	Cost Plus Accrued Interest	Interest Rate	Maturity Date
Term deposit #1 – Library	10,579	4.25%	March 14, 2024
Term deposit #1 - Town	8,738	2.75%	February 16, 2025
Term deposit #2 - Library	14,363	4.00%	March 21, 2026
Term deposit #2 - Town	721	4.50%	February 16, 2028
	$ 34,401		

6. Taxes and user charges receivable:

	2023	2022
Current year	$ 53,448	$ 64,983
Prior years	29,822	31,922
Penalties and interest	14,503	14,579
Allowance for uncollectable taxes	(20,000)	(20,000)
	$ 77,773	$ 91,484

7. Accounts receivable:

	2023	2022
Province of Ontario	$ –	$ 175,717
Government of Canada	43,285	270,301
Other	1,843	3,353
	$ 45,128	$ 449,371

8. Credit facilities:

The Township has an authorized line of credit of $350,000 (2022 - $350,000) bearing interest at prime plus 0.5%. The line of credit is secured by a general assignment of the Township assets. At December 31, 2023, $319,471 (2022 - $293,217) has been drawn against this facility.

9. Deferred revenue:

Revenues received that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position. These revenues may only be used in the conduct of certain programs or in the completion of specific work.

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may be refunded.

	Balance at December 31, 2022	Contributions received	Amounts taken to revenue	Balance at December 31, 2023
Deferred revenue:				
Other	$ 16,136	$ –	$ –	$ 16,136
OCIF	–	116,250	–	116,250
	16,136	116,250	–	132,386
Obligatory reserve funds:				
Federal gas tax fund	194,662	35,477	(35,226)	194,913
	$ 210,798	$ 151,727	$ (35,226)	$ 327,299

10. Asset retirement obligation:

(a) Landfill obligation:

The Township has recorded asset retirement obligations with respect to its landfill closure and post-closure care requirements, which have been defined in accordance with industry standards and include final cover and landscaping of the landfill site, management of groundwater and leachates, and ongoing environmental monitoring and site inspection.

In the past, the Township reported its obligations related to landfill closure and post-closure care requirements in accordance with PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. Under this standard, estimated expenditures related to the closure and subsequent maintenance of a landfill site were recognized in the financial statements over the operating life of the site.

New standard PS 3280 Asset Retirement Obligations (ARO) requires the recognition of the liability in full when the legal obligation arose. The liability is initially recorded at the estimated present value of future cash flows for closure and post-closure costs, and subsequently adjusted as the result of revisions to the estimated cost of the obligation (arising from a change in cost, timing, inflation, discount rate, or change in the legal obligation), for accretion of the discounted liability and for activities that occurred to settle all or part of the obligation. When initially recording this obligation, the estimated present value of future cash flows for closure and post-closure costs for active sites are capitalized to the carrying amount of the associated assets, and amortized over the operating life of the site, on the same basis of the amortization for the land improvements included in note 1 d).

Subsequent revisions to the estimated cost are also capitalized and amortized as part of the asset. When a site becomes inactive, the related assets are derecognized. For both active and inactive sites, accretion of the discounted liability due to the passage of time is recorded as an in-year expense.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at Township's discount rate (1.19%) (2022 - of 0.53%). The estimated total landfill closure and post-closure care expenses including monitoring costs are calculated to be $183,000. The estimated liability for these expenses is recognized as the landfill site’s capacity is used. At December 31, 2023, an amount of $196,000 (2022 - $196,000) with respect to asset retirement obligations for the landfill has been accrued.

The estimated remaining capacity of the landfill site is 95% of its total estimated capacity and its estimated closure date is 2025. The period for post-closure care is estimated to be 25 years.

(b) Asbestos obligation:

The Township owns and operates buildings and maintains water and sewage infrastructure that may contain asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove or remediate it. Following the adoption of PS3280 *Asset Retirement Obligations*, the Township recognized an obligation relating to the removal and post-removal care of the asbestos in the buildings and water and sewage infrastructure as estimated at January 1, 2022. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

10. Asset retirement obligation (continued):

The transition and recognition of asset retirement obligations involved an accompanying increase to the landfill and building capital assets and the restatement of prior year numbers (see note 2).

In 2023, the Township adopted the new standard on a modified retroactive basis and has restated the amounts previously recorded for the asset retirement obligation associated with the landfill. The continuity of the asset retirement obligation for the site is shown below:

Changes to the asset retirement obligation in the year are as follows:

Asset Retirement Obligation	Landfill closure	Asbestos removal	Balance at December 31, 2023
Opening balance	$ 196,000	$ 294,785	$ 490,785
Increase in the obligation	–	–	–
Closing balance	$ 196,000	$ 294,785	$ 490,785

Asset Retirement Obligation	Landfill closure	Asbestos removal	Balance at December 31, 2022
Opening balance	$ –	$ –	$ –
Adjustment on adoption of the asset retirement obligation standard (note 2)	196,000	294,785	490,785
Opening balance as restated	196,000	294,785	490,785
Increase in the obligation	–	–	–
Closing balance	$ 196,000	$ 294,785	$ 490,785

11. Construction loan:

The Ontario Infrastructure and Lands Corporation ("OILC") has agreed to make financing available to the Township up to a maximum principal amount of $2,000,000 for the construction of the Medical Centre. The Township is required to make interest only payments at a floating rate determined by OILC until the project is deemed to be substantially complete. At December 31, 2023 a total of $2,000,000 has been drawn on this facility. Upon substantial completion of the project, which is expected to occur during fiscal 2024, the advances will be converted to long-term debt agreement and repaid over a term agreed to by the Township and the lender. The terms of repayment and the interest rate will be determined by upon issuance of the long-term debt.

12. Long-term debt:

	2023	2022
Unsecured loan payable to Infrastructure Ontario bearing interest at a fixed rate of 3.09%, payable in blended monthly payments of $5,965, due February 2028	$ 279,497	$ 341,395
Unsecured loan payable to Infrastructure Ontario bearing interest at a variable rate of 4.81%, due November 2042	918,539	947,638
	$ 1,198,036	$ 1,289,033

(i) The long-term debt issued in the name of the Township have been approved by by-law.

Principal payments in the next five years and thereafter are as follows:

2024	$ 94,750
2025	98,223
2026	101,830
2027	105,575
2028	48,320
2029 and subsequent years	749,338
	$ 1,198,036

13. Tangible capital assets:

Cost	Balance at December 31, 2022 (Restated - note 2)	Additions	Disposals	Balance at December 31, 2023
Land	$ 105,669	$ -	$ -	$ 105,669
Land improvements	261,803	-	-	261,803
Buildings	6,371,053	1,261,191	-	7,632,244
Roads	2,784,088	-	-	2,784,088
Water and sewer systems	4,700,141	68,044	-	4,768,185
Computer equipment	77,117	-	-	77,117
Vehicles, machinery and equipment	2,239,864	81,176	-	2,321,040
Assets under capital lease	239,122	-	-	239,122
Furniture and fixtures	128,256	-	-	128,256
Construction in progress	1,852,275	-	-	1,852,275
Total	$ 18,759,388	$ 1,410,411	$ -	$ 20,169,799

Accumulated Amortization	Balance at December 31, 2022 (Restated - note 2)	Disposals /Transfers	Amortization	Balance at December 31, 2023
Land improvements	$ 226,780	$ -	$ 1,117	$ 227,897
Buildings	1,361,891	-	154,087	1,515,978
Roads	2,060,341	-	58,194	2,118,535
Water and sewer systems	1,717,407	-	76,112	1,793,519
Computer equipment	71,550	-	1,841	73,391
Vehicles, machinery and equipment	1,699,495	-	86,046	1,785,541
Assets under capital lease	76,520	-	9,565	86,085
Furniture and fixtures	86,160	-	5,647	91,807
Total	$ 7,300,144	$ -	$ 392,609	$ 7,692,753

	Net book value, December 31, 2022 (Restated - note 2)	Net book value, December 31, 2023
Land	$ 105,669	$ 105,669
Land improvements	35,023	33,906
Buildings	5,009,162	6,116,266
Roads	723,747	665,553
Water and sewer systems	2,982,734	2,974,666
Computer equipment	5,567	3,726
Vehicles, machinery and equipment	540,369	535,499
Assets under capital lease	162,602	153,037
Furniture and fixtures	42,096	36,449
Construction in progress	1,852,275	1,852,275
Total	$ 11,459,244	$ 12,477,046

13. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
				(Restated - note 2)
Land	$ 105,669	$ -	$ -	$ 105,669
Land improvements	232,098	29,705	-	261,803
Buildings	2,976,747	3,394,306	-	6,371,053
Roads	2,784,088	-	-	2,784,088
Water and sewer systems	4,700,141	-	-	4,700,141
Computer equipment	74,278	2,839	-	77,117
Vehicles, machinery and equipment	2,105,032	134,832	-	2,239,864
Assets under capital lease	239,122	-	-	239,122
Furniture and fixtures	126,371	1,885	-	128,256
Construction in progress	2,576,541	1,419,841	(2,144,107)	1,852,275
Total	$ 15,920,087	$ 4,983,408	$ (2,144,107)	$ 18,759,388

Accumulated Amortization	Balance at December 31, 2021	Disposals /Transfers	Amortization	Balance at December 31, 2022
				(Restated - note 2)
Land improvements	$ 225,663	$ -	$ 1,117	$ 226,780
Buildings	1,228,045	-	133,846	1,361,891
Roads	2,002,147	-	58,194	2,060,341
Water and sewer systems	1,637,807	-	79,600	1,717,407
Computer equipment	69,883	-	1,667	71,550
Vehicles, machinery and equipment	1,597,816	-	101,679	1,699,495
Assets under capital lease	66,955	-	9,565	76,520
Furniture and fixtures	79,771	-	6,389	86,160
Total	$ 6,908,087	$ -	$ 392,057	$ 7,300,144

	Net book value, December 31, 2021	Net book value, December 31, 2022
		(Restated - note 2)
Land	$ 105,669	$ 105,669
Land improvements	6,435	35,023
Buildings	1,748,702	5,009,162
Roads	781,941	723,747
Water and sewer systems	3,062,334	2,982,734
Computer equipment	4,395	5,567
Vehicles, machinery and equipment	507,216	540,369
Assets under capital lease	172,167	162,602
Furniture and fixtures	46,600	42,096
Construction in progress	2,576,541	1,852,275
Total	$ 9,012,000	$ 11,459,244

14. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2023	2022
		(Restated – note 2)
Surplus:		
Invested in tangible capital assets	$ 9,279,010	$ 8,832,900
General deficit	(2,622,052)	(2,108,072)
Unfunded:		
Employee benefit obligations	(17,342)	(18,021)
Asset retirement obligation	(490,785)	(490,785)
Total surplus	6,148,831	6,216,022
Reserves set aside for specific purpose by Council:		
Capital reserve	803,060	905,352
OCIF reserve	201,982	201,982
Fire capital	71,606	69,106
Community hall	47,454	43,954
Economic Development	7,000	7,000
Landfill site – Haggart dump	58,196	85,000
Beautification committee	16,368	16,368
Cemetery reserve	19,412	19,412
General reserve	135,990	65,385
Water and sewer reserve	53,919	53,919
Recreation	19,357	19,357
Roads	85,386	37,500
Trestle bridge	215,439	150,508
Total reserves	1,735,169	1,674,843
	$ 7,884,000	$ 7,890,865

15. Budget:

The budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by Council on October 10th, 2023. The reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is listed below.

Budgeted surplus approved by Council	$ –
Less:	
Proceeds from issuance of long-term debt	(934,000)
Net reserve transfers and other items	50,204
Add:	
Capital acquisitions	1,198,986
Principal payments on long-term debt	42,091
Budgeted surplus per financial statements	$ 357,281

16. Pension agreements:

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2023. The results of this valuation disclosed total going concern actuarial liabilities of $136,186 million (2022 - $130,306 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of $131,983 million (2022 - $123,628 million) indicating a going concern actuarial deficit of $4,202 million (2022 - $6,678 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees and the Authority's share is not determinable. As a result, the Authority does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2023 was $36,328 (2022 - $32,925) and is included as an expense in the consolidated statement of operations and accumulated surplus.

17. Commitments:

The Township has entered into the following long-term agreements:

(a) The Township has entered into an agreement with the Ontario Clean Water Agency ("OCWA") for a ten year period up to December 31, 2032 which may be renewed for successive five-year periods to provide to provide supervision, operation and maintenance services for the water treatment plant and lagoon. The total amounts paid to OCWA in 2023 were $174,200 (2022 - $173,620).

17. Commitments (continued):

(b) The Township has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. An annual fee estimate is provided for the upcoming year. The fee estimate for 2023 is $122,871. During 2023, $100,687 (2022 - $116,930) was expended on police services.

18. Public sector salary disclosure:

During 2023, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of $100,000 or more by the Township.

19. Trust funds:

Trust funds administered by the Township amounting to $27,415 (2022 - $60,215) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

20. Financial instruments:

(a) Risks arising from financial instruments and risk management:

The Township is exposed to various risks through its financial instruments.

(b) Credit risk:

Credit risk is the risk of financial loss to the Township if a debtor fails to honour its contractual obligations. The Township is exposed to this risk as a result of its cash, investments and accounts receivable. The carrying amounts of these financial assets on the Consolidated Statement of Financial Position represent the maximum credit risk of the Township as at the reporting date.

The Township holds its cash and investments with a provincially regulated credit union who are insured by the Financial Services Regulatory Authority of Ontario ("FSRA"). The FSRA insurance is up to $250,000 in aggregate.

Accounts receivable are primarily due from other levels of government. Credit risk is mitigated by the financial solvency of the governments. The amounts outstanding at year-end were as follows:

2023	Current	Past due	Indeterminable due date	Total
Federal	$ 43,285	$ –	$ –	$ 43,285
Provincial	–	–	–	–
Other	1,843	–	–	1,843
	$ 45,128	$ –	$ –	$ 45,128

20. Financial instruments (continued):

(b) Credit risk (continued):

2022	Current	Past due	Indeterminable due date	Total
Federal	$ 270,301	$ –	$ –	$ 270,301
Provincial	175,717	–	–	175,717
Other	3,353	–	–	3,353
	$ 449,371	$ –	$ –	$ 449,371

There have been no significant changes from the previous year in exposure to credit risk or policies, procedures and methods used to measure the risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet its financial obligations as they become due. The Township is exposed to this risk with respect to its accounts payable and accrued liabilities, bank indebtedness, construction loan and long-term debt. The Township has access to temporary borrowings to meet its obligations, and does not believe it is subject to significant liquidity risk.

The table below sets out the payable dates of the Township's accounts payable and accrued liabilities. This includes a construction loan where the payment terms will be determined upon completion of the capital project and the negotiation of the long-term debt agreement with the lender. The long-term debt repayment schedule is disclosed in Note 12.

2023	Within 6 months	6 monnths to 1 year	1 to 5 years	Total
Accounts payable and accrued liabilities	$ 278,251	$ –	$ –	$ 278,251
Bank indebtedness	466,813	–	–	466,813
Construction loan	2,000,000	–	–	2,000,000
Long-term debts	47,375	47,375	1,103,286	1,198,036

2022	Within 6 months	6 monnths to 1 year	1 to 5 years	Total
Accounts payable and accrued liabilities	$ 570,092	$ –	$ –	$ 570,092
Bank indebtedness	436,875	–	–	436,875
Construction loan	1,300,000	–	–	1,300,000
Long-term debts	45,702	45,702	1,197,629	1,289,033

There have been no significant changes from the previous year in exposure to liquidity risk or policies, procedures and methods used to measure the risk.

20. Financial instruments (continued):

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk. The Township is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments. It is primarily exposed to interest rate risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Township is exposed to interest rate risk on its interest-bearing investments and long-term debt.

There have been no significant changes from the prior year in exposure to market risk or the policies, procedures and methods used to measure the risk.

21. Comparative information:

Certain 2022 comparative information has been reclassified to conform with the presentation adopted in the current year. Such reclassifications have no impact on the annual surplus of the current or comparative period.

22. Segmented information:

The Township is a municipal government institution that provides a range of services to its citizens. Township services are reported by function and their activities are separately disclosed in the Schedule of Segmented Information. The nature of the segments and the activities they encompass are as follows:

(a) General Government:

General government consist of the activities of Council and general financial and administrative management of the Township and its programs and services.

(b) Protection Services:

Protection Services include police and fire services.

(c) Transportation Services:

The activities of the transportation function include construction and maintenance of the Township roads and bridges, winter control and street lighting.

(d) Environmental Services:

This function is responsible for providing water and sewer services to certain areas within the Township. It is also responsible for providing waste collection, waste disposal and recycling services.

(e) Health Services:

The health services function consists of the activities of the cemetery activities and other medical services.

(f) Social and Family Services:

This function provides general assistance for social and family services.

(g) Recreation and Cultural Services:

The recreation and cultural services function provides indoor and outdoor recreational facilities and programs and library services.

(h) Planning and Development:

The planning and development services function manages commercial, industrial and residential development within the Township.

The accounting policies used in these segments are the same as those described in note 1. For each reported segment, revenues and expenses represent amounts that are directly attributable to each segment. Tax revenues are reported as part of General Government.

22. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2023 Total
Revenues:									
Taxation	$ 1,304,469	-	-	-	-	-	-	-	$ 1,304,469
User charges	-	-	-	176,813	-	-	-	-	176,813
Province of Ontario grants	728,417	-	-	-	-	-	4,197	-	732,614
Government of Canada grants	36,143	-	-	2,170	-	-	100,000	-	138,313
Investment (loss)	3,876	-	-	-	-	-	-	-	3,876
Rental income	-	-	-	-	42,779	-	-	-	42,779
Interest and penalties	13,255	-	-	-	-	-	-	-	13,255
Other	95,068	15,557	3,626	6,205	32,845	-	4,886	-	158,187
	2,181,228	15,557	3,626	185,188	75,624	-	109,083	-	2,570,306
Expenses:									
Salaries, wages and benefits	163,637	49,877	232,017	46,974	9,330	-	127,393	13,010	642,238
Materials	169,106	76,456	181,726	177,007	79,164	-	71,809	22,000	777,268
Contracted services	53,710	3,124	3,666	290,765	-	-	10,446	-	361,711
Rents, financial expenses and other	5,543	-	3,064	-	-	16,541	-	-	25,148
External transfers	-	100,687	-	-	20,570	99,532	-	-	220,789
Interest on long-term debt	54,433	-	1,669	51,526	46,683	-	3,097	-	157,408
Amortization of tangible capital assets	32,739	17,632	95,585	177,742	17,894	-	51,016	-	392,608
	479,168	247,776	517,727	744,014	173,641	116,073	263,761	35,010	2,577,170
Excess (deficiency) of revenues over expenses	$ 1,702,060	(232,219)	(514,101)	(558,826)	(98,017)	(116,073)	(154,678)	(35,010)	$ (6,864)

22. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2022 Total
									(Restated - note 2)
Revenues:									
Taxation	$ 1,253,880	-	-	-	-	-	-	-	$ 1,253,880
User charges	-	-	-	169,123	-	-	-	-	169,123
Province of Ontario grants	1,165,139	-	-	100,000	-	-	4,976	-	1,270,115
Government of Canada grants	125,984	-	-	4,050	-	-	-	-	130,034
Investment loss	(47)	-	-	-	-	-	-	-	(47)
Rental income	-	-	-	-	40,949	-	-	-	40,949
Interest and penalties	12,732	-	-	-	-	-	-	-	12,732
Other	53,342	8,462	2,165	6,692	5,185	-	3,957	-	79,803
	2,611,030	8,462	2,165	279,865	46,134	-	8,933	-	2,956,589
Expenses:									
Salaries, wages and benefits	171,807	35,489	233,007	41,205	11,277	35,830	140,245	6,007	674,867
Materials	170,223	170,992	196,525	107,494	87,196	-	148,562	18,683	899,675
Contracted services	52,409	2,947	14,309	344,978	-	-	7,133	-	421,776
Rents, financial expenses and other	1,455	-	610	92,356	-	-	-	-	94,421
External transfers	-	-	-	-	56,052	73,509	-	-	129,561
Interest on long-term debt	4,880	-	17,635	26,165	1,472	-	3,699	-	53,851
Amortization of tangible capital assets	21,504	29,048	92,954	192,718	6,954	-	48,879	-	392,057
	422,278	238,476	555,040	804,916	162,951	109,339	348,518	24,690	2,666,208
Excess (deficiency) of revenues over expenses	$ 2,188,752	(230,014)	(552,875)	(525,051)	(116,817)	(109,339)	(339,585)	(24,690)	$ 290,381