

**THE CORPORATION OF THE
TOWNSHIP OF MCKELLAR
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023**

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
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THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Management's Responsibility for the Consolidated Financial Statements

The management of the Corporation of the Township of McKellar (the "Municipality") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying financial statements.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA"). A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements.

The Municipality's management maintains a system of internal controls designed to provide a reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded 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 Audit Committee 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 the approval of the consolidated financial statements.

The consolidated financial statements have been audited by Pahapill and Associates Professional Corporation, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Karlee Britton
Karlee Britton (2023, 2024) CPA EST
 Karlee Britton
 Clerk/Administrator

Roshan
Roshan Kantiya (2023, 2024) CPA
 Roshan Kantiya
 Treasurer/Tax Collector

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of McKellar

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of McKellar, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, the consolidated change in its net financial assets (debt) and its consolidated cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Canadian public sector accounting standards, 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 Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Municipality 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 Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Pahapill and Associates

Huntsville, Ontario
December 17, 2024

Pahapill and Associates Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
2023 FINANCIAL HIGHLIGHTS

TAX RATES

	2023 Tax Rates (%)		2022 Tax Rates (%)	
	Township purposes	School Board purposes	Township purposes	School Board purposes
Residential and Farm	0.569540	0.153000	0.544300	0.153000
Farmland and Managed Forest	0.142385	0.038250	0.136075	0.038250
Commercial Occupied	0.626494	0.880000	0.598730	0.880000
Industrial Occupied	0.626494	0.880000	0.598730	0.880000

TRANSACTIONS FOR THE SCHOOL BOARDS

	2023	2022
Payable (Receivable) at the beginning of the year	\$ 32,709	\$ 17,168
Taxation and payments-in-lieu, net of adjustments	1,095,120	1,079,288
Remitted during the year	(1,125,979)	(1,063,747)
Payable (Receivable) at the end of the year	\$ 1,850	\$ 32,709

These revenues and expenditures are not reflected in the Consolidated Statement of Operations.

YEAR END BALANCE OF TRUST FUNDS UNDER ADMINISTRATION

	2023	2022
Trust Funds	\$ 56,997	\$ 51,485

NOTES

1. The 2023 financial report consolidates the operations, assets and liabilities of the Township and its local library board.
2. The above data has been extracted from the audited 2023 Consolidated Financial Report of the Township and its local boards and committees as described in Note 1. Copies of the 2023 Consolidated Financial Report and the Auditors' Report of Pahapill and Associates Professional Corporation, Chartered Professional Accountants, Huntsville, Ontario are available at the Township office to any resident who wishes to review or analyze the financial operations of the Township in greater detail.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 3,834,304	\$ 4,071,488
Accounts receivable, net of allowance of \$10,000 (2022 - \$10,000)	773,817	634,020
	4,608,121	4,705,508
LIABILITIES		
Accounts payable and accrued liabilities	691,038	680,872
Deferred revenue (Note 6)	175,838	62,188
Municipal debt (Note 7)	799,192	896,556
Employee benefits payable (Note 10)	18,121	5,708
Landfill closure and post-closure liability (Note 11)	-	13,400
Asset retirement obligation (Note 12)	13,400	-
	1,697,589	1,658,724
NET FINANCIAL ASSETS	2,910,532	3,046,784
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Schedule 1)	14,685,029	13,867,155
Inventories of supplies	106,324	61,954
Prepaid expenses	84,174	70,673
	14,875,527	13,999,782
ACCUMULATED SURPLUS	\$ 17,786,059	\$ 17,046,566

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget 2023 (Note 14)	Actual 2023	Actual 2022
REVENUE			
Property taxes	\$ 3,915,941	\$ 3,995,944	\$ 3,761,132
User fees	56,220	91,971	55,451
Government transfers	1,440,600	1,244,010	1,249,368
Other	369,520	508,795	532,962
TOTAL REVENUE	5,782,281	5,840,720	5,598,913
EXPENSES			
General government	1,144,996	1,071,374	922,590
Protection to persons and property	987,360	941,339	874,484
Transportation services	1,873,034	1,681,729	1,500,118
Environmental services	271,771	282,601	242,725
Health services	280,560	277,742	263,635
Social and family services	377,645	377,645	368,768
Recreation and culture	461,313	368,019	279,909
Planning and development	133,416	100,778	99,650
TOTAL EXPENSES	5,530,095	5,101,227	4,551,879
ANNUAL SURPLUS (DEFICIT)	252,186	739,493	1,047,034
ACCUMULATED SURPLUS, BEGINNING OF YEAR	17,046,566	17,046,566	15,999,532
ACCUMULATED SURPLUS, END OF YEAR	\$ 17,298,752	\$ 17,786,059	\$ 17,046,566

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget 2023 (Note 14)	Actual 2023	Actual 2022
Annual surplus (deficit)	\$ 252,186	\$ 739,493	\$ 1,047,034
Acquisition of tangible capital assets	(2,243,959)	(1,748,588)	(999,719)
Amortization of tangible capital assets	835,506	835,506	813,544
(Gain)/loss on sale of tangible capital assets	-	86,219	-
Proceeds on sale of tangible capital assets	-	8,989	-
Change in supplies inventories	-	(44,370)	(26,231)
Change in prepaid expense	-	(13,501)	(9,109)
Increase (decrease) in net financial assets	(1,156,267)	(136,252)	825,519
Net financial assets, beginning of year	3,046,784	3,046,784	2,221,265
Net financial assets, end of year	\$ 1,890,517	\$ 2,910,532	\$ 3,046,784

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Operating transactions		
Annual surplus	\$ 739,493	\$ 1,047,034
Non-cash charges to operations:		
Amortization	835,506	813,544
(Gain)/loss on sale of tangible capital assets	86,219	-
	1,661,218	1,860,578
Changes in non-cash items:		
Accounts receivable	(139,797)	(139,548)
Accounts payable and accrued liabilities	10,166	141,609
Deferred revenue	113,650	(2,610)
Employee benefits payable	12,413	2,920
Inventories of supplies	(44,370)	(26,231)
Prepaid expenses	(13,501)	(9,109)
	(61,439)	(32,969)
Cash provided by operating transactions	1,599,779	1,827,609
Capital transactions		
Acquisition of tangible capital assets	(1,748,588)	(999,719)
Proceeds on disposal of tangible capital asset	8,989	-
Cash applied to capital transactions	(1,739,599)	(999,719)
Financing transactions		
Proceeds of municipal debt	-	775,000
Debt principal repayments	(97,364)	(33,737)
Cash applied to financing transactions	(97,364)	741,263
Net change in cash and cash equivalents	(237,184)	1,569,153
Cash and cash equivalents, beginning of year	4,071,488	2,502,335
Cash and cash equivalents, end of year	\$ 3,834,304	\$ 4,071,488
Cash flow supplementary information:		
Interest income received	\$ 217,178	\$ 85,588
Net interest received	\$ 217,178	\$ 85,588

The accompanying notes and schedules are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2023

The Corporation of the Township of McKellar 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, 2001, Planning Act, Building Code Act and other related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of McKellar (the "Municipality") are prepared by management in accordance with public sector accounting standards for local governments as recommended in the Public Sector Accounting Board "PSAB" of the Chartered Professional Accountants Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues, expenses and reserve and reserve fund balances of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated and Proportionally Consolidated entities

The following local boards are consolidated:

Library

The following joint local boards and committees are proportionally consolidated:

West Parry Sound Recreation and Cultural Centre

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Non-consolidated entities

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit

Parry Sound District Social Services Administration Board

District of Parry Sound (East) Home for the Aged.

(iii) Accounting for school board transactions

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.

(iv) Trust funds

Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

(b) Basis of Accounting

(i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. This method recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of Municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2023

(a) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt. 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 - 20 years
Buildings - 50 years
Machinery, equipment and furniture - 10 to 20 years
Vehicles - 8 to 20 years
Roads - 10 to 60 years
Bridges - 60 years

One half of the 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.

Estimated closure and post-closure expenses for active landfill sites as well as the land occupied by the sites are amortized annually on the basis of capacity used during the year as a percentage of the estimated total capacity of the landfill site.

The Municipality has a capitalization threshold of \$3,000; individual tangible capital assets, or pooled assets of lesser value are expensed in the year of purchase.

The Municipality has a policy of expensing borrowing costs related to the acquisition of tangible capital assets.

(b) Inventories of supplies

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(iii) Reserves and reserve funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.

(iv) Government transfers

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

(v) Deferred revenue

The Municipality receives gas tax revenue from the Federal Government and payments in lieu of parkland under the authority of provincial legislation and Municipal by-laws. These funds are restricted in their use and until applied to the applicable expenditures are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended. The Municipality also defers recognition of certain government grants which have been collected but for which the related expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the services are performed.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2023

(vi) Taxation and related revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(vii) Pensions and employee benefits

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Municipality's employ.

(viii) Asset retirement obligations

A liability for asset retirement obligation (ARO) is recognized when, as at the financial reporting date:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is initially recorded at the best estimate of the expenditures required to retire a tangible capital asset, and the resulting costs are capitalized as part of the carrying amount of the related tangible capital asset if the asset is recognized and in productive use. This liability is subsequently reviewed at each financial reporting date and adjusted for any revisions to the timing or amount required to settle the obligation. The changes in the liability for the passage of time are recorded as accretion expenses in the Statement of Operations and all other changes are adjusted to the tangible capital asset. This cost is amortized over the useful life of the tangible capital asset (Note 1(b)(ii)(a)). If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

The liability for closure and post-closure care relating to landfill sites has been recognized based on estimated future expenditures. The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the landfill tangible capital asset. The landfill tangible capital asset is being amortized over the asset's useful life (Note 1(b)(ii)(a)). Assumptions used in the calculations are revised yearly.

Recoveries related to tangible capital asset retirement obligations are recognized when the recovery can be appropriately measured, a reasonable estimate of the amount can be made and it is expected that future economic benefits will be obtained. A recovery is recognized on a gross basis from the asset retirement obligations liability.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2023

(ix) Use of estimates

The preparation of consolidated financial statements in conformity with public sector accounting standards requires 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 financial statements, and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable and solid waste landfill closure and post-closure liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future. The estimates are reviewed periodically and any resulting adjustments are reported in earnings in the year in which they become known.

2. CHANGE IN ACCOUNTING POLICIES

On January 1, 2023 the Municipality adopted Public Accounting Standards PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3280 Asset Retirement Obligations, and PS 3450 Financial Instruments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions. Other than PS 3280 changes described below, these standards have no significant impact on the presentation of the financial statements.

In accordance with the provisions of the PS 3280 Asset Retirement Obligations standard, as at January 1, 2023, the Municipality derecognized the landfill closure and post-closure liability and recognized an asset retirement obligation (Note 12).

3. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to Note 1(a)(ii), the following contributions were made by the Municipality to these boards:

	2023	2022
District of Parry Sound Social Services Administration Board	\$ 298,962	\$ 289,814
North Bay Parry Sound District Health Unit	40,957	39,548
Belvedere Heights Home for the Aged	78,683	78,954
EMS Ambulance Levy	228,488	217,956
Total contributions made	\$ 647,090	\$ 626,272

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. In 2007 the Municipality signed a loan guarantee of \$268,357 to the Canadian Imperial Bank of Commerce relating to Belvedere Heights Home for the Aged. In January 2009 an additional guarantee of up to \$100,000 was provided for the Belvedere Heights Life Lease project.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2023

4. OPERATIONS OF SCHOOL BOARDS

Further to Note 1(a)(iii), the Municipality is required to collect property taxes and payments-in-lieu of taxes on the behalf of the school boards. The amounts collected, remitted and outstanding are as follows:

	2023	2022
Payable at the beginning of the year	\$ 32,709	\$ 17,168
Taxation and payments-in-lieu, net of adjustments	1,095,120	1,079,288
Remitted during the year	(1,125,979)	(1,063,747)
Payable (Receivable) at the end of the year	\$ 1,850	\$ 32,709

5. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$56,997 (2022 \$51,485) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

6. DEFERRED REVENUE

The 2023 continuity of transactions within the obligatory reserve funds are described below:

	Balance beginning of year	Contributions received	Interest earned	Amounts taken into revenue	Balance end of year
Federal gas tax	-	74,544	(215)	(74,329)	-
Parkland	55,959	57,200	3,569	-	116,728
Library	1,605	49,836	-	-	51,441
Other	4,624	3,045	-	-	7,669
	\$ 62,188	\$ 184,625	\$ 3,354	\$ (74,329)	\$ 175,838

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2023

7. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2023	2022
Infrastructure Ontario, due June 2026, repayable in semi-annual payments of \$17,816 including interest calculated at 1.29% and is unsecured	\$ 87,382	\$ 121,556
Infrastructure Ontario, due October 2032, repayable in semi-annual payments of \$48,339 including interest calculated at 4.41%	711,810	775,000
	\$ 799,192	\$ 896,556

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2024	\$ 100,624	\$ 31,687
2025	104,014	28,296
2026	89,727	24,768
2027	75,236	21,442
2028	78,591	18,087
2029 onwards	351,000	35,715
	\$ 799,192	\$ 159,995

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2023	2022
Principal payments	\$ 97,364	\$ 33,737
Interest	34,947	1,895
	\$ 132,311	\$ 35,632

The annual principal and interest payments required to service the Municipality's debt were within the annual debt repayment limit of \$1,066,983 prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2023

8. CREDIT FACILITY AGREEMENT

The Municipality has a credit facility agreement with the Canadian Imperial Bank of Commerce of \$800,000 (2022 \$800,000), of which NIL (2022 NIL) was used at the end of the year. The loan is payable on demand and bears interest at the rate of prime.

9. LONG-TERM COMMITMENTS

During 2022, the Township entered into an agreement to establish a joint municipal service board for the construction, maintaining and operating of the West Parry Sound Area Recreation and Culture Centre. The Township has committed to 8.5% of the annual operating and capital budget up to a maximum of \$29,750 annually. McKellar had committed a total of \$723,174 by March 31, 2023, the balance of \$561,539 was paid in 2023. The West Parry Sound Area Recreation and Culture Centre is proportionately consolidated and the total commitment is included in work in process.

10. EMPLOYEE BENEFITS PAYABLE

Under the sick leave benefits plan, unused sick leave can accumulate and employees may become entitled to, after 10 years of continuous service, a cash payment of 20 percent of the accumulated credits (to a maximum of 120 days), rising two percent for each additional year beyond 10 years to a maximum of 50 percent divided by 120 multiplied by the annual salary when they leave the Municipality's employment. The liability for these accumulated days amounted to \$18,121 (2022 \$5,708) at the end of the year.

The municipality also has a liability related to unused employee vacation and overtime and retiring allowances amounting to \$184,110 (2022 \$149,133). This liability is reported under accounts payable on the Consolidated Statement of Financial Position.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2023

11. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

Commencing in 2001, the local government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants require that municipalities recognize a liability related to the closure of solid waste landfill sites. The closure and post-closure care requirements are mandated by the Environmental Protection Act and encompasses all costs related to the closure and subsequent maintenance of such sites including final covering and landscaping of the landfill, gas management, on-going monitoring, site inspections, and maintenance. The liability is recognized in the financial statements over the operating life of the solid waste disposal site, in proportion to its utilized capacity.

The Municipality is in the process of closing the Lee's Road Landfill site, which stopped receiving waste in 2003. Total remaining closure and post-closure costs of \$13,400 are anticipated. The balance of these estimated expenditures is reported as a liability on the consolidated statement of financial position.

As of January 1, 2023 the Municipality adopted PS 3280 Asset Retirement Obligations (Note 12) and derecognized the landfill closure and post-closure liability.

12. ASSET RETIREMENT OBLIGATIONS

The Municipality's asset retirement obligations consist of the following:

Landfill obligation

The Township is responsible for the operation and maintenance of one waste disposal site. The costs are based on the currently known obligations that existed at the year of closure of the site and for 25 years after this date. The landfill site closed in 2006 with post-closure care estimated to be required for 25 years from the date of site closure. These costs were discounted to December 31, 2023 using a discount rate of 2.0% per annum. As the landfill site is closed, there is no related asset and expenses related to the landfill costs are expensed as incurred.

Closure date	2006
Total capacity (m ²)	18,000
Discount rate (%)	2
Inflation rate (%)	2
Undiscounted expenditures	\$ 13,400

Changes in the Landfill closure and post-closure asset retirement obligations in the year are as follows:

	2023	2022
Opening balance	\$ -	\$ -
Adjustment on adoption of PS 3280 (Note 2)	13,400	-
Accretion expense	-	-
Less: settlement of obligations	-	-
	\$ 13,400	\$ -

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2023

13. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule and segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

General Government

This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

Protection to Persons and Property

This segment includes fire, police, building inspection, and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

Transportation Services

Transportation Services include roadway systems and winter control.

Environmental Services

This segment includes sanitary sewers, waterworks and solid waste management.

Health Services

This segment includes cemeteries, ambulance services as well as payments to the district health unit.

Social and Family Services

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

Recreation and Culture

This segment includes parks, recreation programs, recreation facilities and library services.

Planning and Development

This segment includes activities related to planning, zoning and economic development.

Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and the municipality's annual Ontario Municipal Partnership Fund unconditional grant.

In preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of rent to specific segments.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023

13. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,995,944	\$ 3,995,944
User fees	225	-	-	6,138	-	-	3,397	82,211	-	91,971
Government transfers	275,295	-	74,329	-	-	-	140,586	-	753,800	1,244,010
Other	2,274	18,424	-	-	-	-	26,928	154,222	306,947	508,795
TOTAL REVENUE	277,794	18,424	74,329	6,138	-	-	170,911	236,433	5,056,691	5,840,720
EXPENSES										
Salaries, wages and benefits	668,381	330,825	493,606	78,290	8,296	-	101,098	26,313	-	1,706,809
Long-term debt charges (interest)	1,458	13,259	-	-	-	-	33,488	-	-	48,205
Operating expenses	370,739	489,843	600,769	180,940	269,446	377,645	146,860	74,465	-	2,510,707
Amortization	30,796	107,412	587,354	23,371	-	-	86,573	-	-	835,506
TOTAL EXPENSES	1,071,374	941,339	1,681,729	282,601	277,742	377,645	368,019	100,778	-	5,101,227
ANNUAL SURPLUS (DEFICIT)	\$ (793,580)	\$ (922,915)	\$ (1,607,400)	\$ (276,463)	\$ (277,742)	\$ (377,645)	\$ (197,108)	\$ 135,655	\$ 5,056,691	\$ 739,493

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023

13. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2022

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Unallocated Amounts	Consolidated
REVENUE										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,761,132	\$ 3,761,132
User fees	360	-	-	5,383	-	-	15,259	34,449	-	55,451
Government transfers	251,924	-	86,617	-	-	-	159,827	-	751,000	1,249,368
Other	2,340	15,629	-	-	-	-	27,637	268,390	218,966	532,962
TOTAL REVENUE	254,624	15,629	86,617	5,383	-	-	202,723	302,839	4,731,098	5,598,913
EXPENSES										
Salaries, wages and benefits	582,563	285,210	421,953	54,588	6,131	-	86,124	26,361	-	1,462,930
Long-term debt charges (interest)	1,895	-	-	-	-	-	-	-	-	1,895
Operating expenses	300,468	489,146	511,282	164,065	257,504	368,768	108,989	73,289	-	2,273,511
Amortization	37,664	100,128	566,883	24,072	-	-	84,796	-	-	813,543
TOTAL EXPENSES	922,590	874,484	1,500,118	242,725	263,635	368,768	279,909	99,650	-	4,551,879
ANNUAL SURPLUS (DEFICIT)	\$ (667,966)	\$ (858,855)	\$(1,413,501)	\$(237,342)	\$(263,635)	\$(368,768)	\$(77,186)	\$ 203,189	\$ 4,731,098	\$ 1,047,034

THE CORPORATION OF THE TOWNSHIP OF MCKELLARNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2023

14. BUDGET FIGURES

The unaudited budget adopted for the current year was prepared on a fund basis, and has been amended to conform with the accounting and reporting standards adopted for the current year actual results.

15. COMPARATIVE FIGURES

Certain 2022 amounts in these financial statements have been reclassified to conform with their presentation in 2023.

16. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. 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 actuarial liabilities of \$134,574 million with respect to benefits accrued for service with actuarial assets at that date of \$130,372 million indicating an actuarial deficit of \$4,202 million. Because OMERS is a multi employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2023 was \$102,336 (2022 \$78,186) for current service and is included as an expense on the Consolidated Statement of Operations.

**THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

2023

Schedule 1

	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL 2023	TOTAL 2022
COST								
Balance, beginning of year	\$ 1,495,451	\$ 4,782,751	\$ 992,312	\$ 2,833,690	\$ 18,584,987	\$ 309,493	\$ 28,998,684	\$ 28,071,127
Additions and betterments	8,629	47,963	71,838	256,207	561,908	802,043	1,748,588	999,719
Allocation from work in progress	-	-	-	-	147,858	(147,858)	-	-
Disposals and writedowns	(4,101)	(4,101)	(49,253)	(49,253)	(132,065)	-	(185,419)	(72,162)
BALANCE, END OF YEAR	1,504,080	4,830,714	1,060,049	3,040,644	19,162,688	963,678	30,561,853	28,998,684
ACCUMULATED AMORTIZATION								
Balance, beginning of year	270,771	1,426,329	493,981	1,015,283	11,925,165	-	15,131,529	14,390,147
Annual amortization	32,408	98,602	76,503	168,569	459,424	-	835,506	813,544
Amortization disposals	-	-	(4,101)	(49,253)	(36,857)	-	(90,211)	(72,162)
BALANCE, END OF YEAR	303,179	1,524,931	566,383	1,134,599	12,347,732	-	15,876,824	15,131,529
TANGIBLE CAPITAL ASSETS-NET	\$ 1,200,901	\$ 3,305,783	\$ 493,666	\$ 1,906,045	\$ 6,814,956	\$ 963,678	\$ 14,685,029	\$ 13,867,155

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
SUPPLEMENTARY FINANCIAL INFORMATION
MCKELLAR LIBRARY

Condensed financial information in respect to McKellar Library Board is provided below.

	Budget 2023 (Note 14)	Actual 2023	Actual 2022
REVENUE			
Municipal contributions	\$ 57,800	\$ 58,300	\$ 55,584
Provincial grants	6,421	6,421	6,421
Other	6,168	6,260	5,864
TOTAL REVENUE	70,389	70,981	67,869
EXPENSES			
Wages and benefits	45,173	42,061	41,416
Books, magazines and videos	-	1,574	1,628
Rent and insurance	7,800	8,300	8,300
Telephone and internet	2,950	3,090	3,066
Postage and supplies	3,150	2,492	1,364
Miscellaneous	7,088	5,116	3,924
Amortization	6,106	6,106	6,333
TOTAL EXPENSES	72,267	68,739	66,031
ANNUAL SURPLUS (DEFICIT)	(1,878)	2,242	1,838
ACCUMULATED SURPLUS, BEGINNING OF YEAR	72,129	72,129	70,291
ACCUMULATED SURPLUS, END OF YEAR	\$ 70,251	\$ 74,371	\$ 72,129