Financial Statements of

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Year ended December 31, 2023

CORPORATION OF THE TOWNSHIP OF STONE MILLS

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Year ended December 31, 2023

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Corporation of the Township of Stone Mills (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of 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 financial statements. These systems are monitored and evaluated by management.

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

The 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 financial statements.

Jason Ault

Chief Administrative Officer

CRaymond

Treasurer

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Stone Mills

Opinion

We have audited the financial statements of the Corporation of the Township of Stone Mills (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2023, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our Auditor's report.

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

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

Emphasis of Matter - Comparative Information

We draw attention to Note 16 to the financial statements ("Note 16") which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 16 explains the reasons 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. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

December 16, 2024

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(restated Note 16)
Financial assets:		
Cash	$ 12,501,792	$ 10,655,519
Investments (note 2)	1,719,959	1,559,276
Taxes receivable	822,279	598,016
Accounts receivable	679,661	1,773,338
Long-term receivables	94,543	48,200
	15,818,234	14,634,349
Financial liabilities:		
Accounts payable and accrued liabilities	574,718	630,222
Employee post-employment benefits liability (note 6)	85,920	85,384
Asset retirement obligations (note 8)	11,777,839	11,529,693
Deferred revenue - obligatory reserve funds (note 7)	1,162,401	1,050,098
Long-term liabilities (note 9)	299,949	350,194
	13,900,827	13,645,591
Net financial assets	1,917,407	988,758
Non-financial assets:		
Tangible capital assets (note 11)	41,249,632	40,833,506
Inventories of supplies	1,076,393	867,577
Prepaid expenses	2,739	10,275
	42,328,764	41,711,358
Contingent liabilities (note 13)		
Commitment (note 14)		
Accumulated surplus (note 3)	$ 44,246,171	$ 42,700,116

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Operations and Accumulated Surplus

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

	Budget	2023	2022
	(note 10)		(restated Note 16)
Revenue:			
Property taxation	$ 6,376,020	$ 6,496,477	$ 6,076,898
Government grants	1,963,026	2,088,143	3,048,970
County road maintenance	1,029,203	1,030,400	1,086,570
Investment income	145,000	681,220	279,627
User charges	553,550	502,464	408,343
Other road services	50,000	475,419	231,534
Licenses, permits and rents	382,106	380,921	369,902
Penalties and interest on taxes	130,000	148,478	133,634
Other	39,000	112,018	78,530
Taxation from other governments	30,000	46,380	34,877
Contribution from developers	46,500	42,974	403,788
Donations	7,500	6,500	18,189
Gain on disposal of tangible capital assets	–	6,414	20,617
Total revenue	10,751,905	12,017,808	12,191,479
Expenses (note 12):			
General government	1,110,665	1,089,919	1,119,418
Fire	900,498	860,355	787,705
Police	1,075,405	1,074,452	1,093,936
Conservation authority	134,533	126,233	121,102
Protection to persons and property	868,406	687,465	406,545
Transportation services	4,345,256	4,868,122	4,820,699
Environmental	503,498	677,448	749,181
Recreational and cultural services	762,600	961,080	762,788
Libraries	–	39,131	48,664
Planning and development	152,187	87,548	111,237
Total expenses	9,853,048	10,471,753	10,021,275
Annual surplus	898,857	1,546,055	2,170,204
Accumulated surplus, as previously stated	42,700,116	42,700,116	48,445,936
Adjustment on adoption of asset retirement obligation standard (note 16)	–	–	(7,916,024)
Accumulated surplus, as restated	42,700,116	42,700,116	40,529,912
Accumulated surplus, end of year	$ 43,598,973	$ 44,246,171	$ 42,700,116

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Change in Net Financial Assets

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

	Budget	2023	2022
	(note 10)		(restated Note 16)
Annual surplus	$ 898,857	$ 1,546,055	$ 2,170,204
Acquisition of tangible capital assets	(3,725,880)	(2,784,808)	(4,224,467)
Amortization of tangible capital assets	2,200,000	2,349,451	2,266,648
Gain on disposal of tangible capital assets	–	(6,414)	(20,617)
Proceeds on disposal of tangible capital assets	–	25,645	204,923
	(627,023)	1,129,929	396,691
Change in inventories of supplies	–	(208,816)	111,688
Change in prepaid expenses	–	7,536	7,125
Change in net financial assets	(627,023)	928,649	515,504
Net financial assets, beginning of year, as previously stated	988,758	988,758	9,774,455
Adjustment on adoption of asset retirement obligation standard (note 16)	–	–	(9,301,201)
Net financial assets, beginning of year, as restated	988,758	988,758	473,254
Net financial assets, end of year	$ 361,735	$ 1,917,407	$ 988,758

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

CORPORATION OF THE TOWNSHIP OF STONE MILLS

Statement of Cash Flows

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

	2023	2022
		(restated Note 16)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 1,546,055	$ 2,170,204
Items not involving cash:		
Amortization of tangible capital assets	2,349,451	2,266,648
Change in asset retirement obligation	248,146	242,804
Gain on disposal of tangible capital assets	(6,414)	(20,617)
Change in non-cash operating working capital:		
Taxes receivable	(224,263)	31,808
Accounts receivable	1,093,677	107,936
Prepaid expenses	7,536	7,125
Long-term receivables	(46,343)	–
Accounts payable and accrued liabilities	(55,504)	(91,921)
Employee post-employment benefits liability	536	14,920
Deferred revenue - obligatory reserve funds	112,303	(54,196)
Inventories of supplies	(208,816)	111,688
Net change in cash from operations	4,816,364	4,786,399
Capital activities:		
Purchase of tangible capital assets	(2,784,808)	(4,224,467)
Proceeds on disposal of tangible capital assets	25,645	204,923
	(2,759,163)	(4,019,544)
Investing activities:		
Purchase (redemption) of investments	(160,683)	105,379
Financing activities:		
Principal repayments on long-term liabilities	(100,245)	(92,729)
Proceeds of long-term debt for tile loans	50,000	–
	(50,245)	(92,729)
Increase in cash	1,846,273	779,505
Cash, beginning of year	10,655,519	9,876,014
Cash, end of year	$ 12,501,792	$ 10,655,519

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

1. Accounting policies:

(a) Basis of presentation:

The financial statements of the Corporation of the Township of Stone Mills (the “Township”) are prepared by management in accordance with Canadian public sector accounting standards.

(b) Reporting entity:

(i) The financial statements reflect the assets, liabilities, revenue and expenses 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. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Accounting for County and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Corporation of the County of Lennox & Addington and the school boards are not reflected in these financial statements.

(c) Basis of accounting:

(i) The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

(ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

(d) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lennox and Addington for regional services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

1. Accounting policies (continued):

(e) Financial instruments:

On January 1, 2023, the Township adopted PS 3450 Financial Instruments which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 15. 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.

Management has not elected to record any investments at fair value as they are not managed and evaluated on a fair value basis.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Statement of Operations and Accumulated Surplus. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Operations and Accumulated Surplus.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and Accumulated Surplus and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

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. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

1. Accounting policies (continued):

(e) Financial instruments (continued):

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.

(f) Foreign currency

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and Accumulated Surplus and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(g) Statement of Remeasurement Gains and Losses:

A Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

1. Accounting policies (continued):

(h) Government transfers:

Government transfers are recognized as revenue when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(i) Deferred revenue - obligatory reserve funds:

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

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes and recreational land collected under the Planning Act are reported as deferred revenues in the Statement of Financial Position. These amounts will be recognized as revenue in the fiscal year the services are performed.

(j) Asset retirement obligations:

An asset retirement obligation ("ARO") is recognized when, as 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 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 for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Under the modified retroactive method, the discount rate and assumptions used on the initial recognition are those as of the date of adoption in the standard. Assumptions used in subsequent calculations are revised annually.

The liability for the removal of asbestos in several of the buildings owned by the Township has been recognized based on estimated undiscounted future expenses. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

1. Accounting policies (continued):

(j) Asset retirement obligations (continued):

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Statement of Operations and Accumulated Surplus at the time of remediation.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(m).

(k) Pension and employee benefits:

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

(l) Employee future benefits:

The Township accrues its obligations for the employee benefit plan. The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service life of the related employee groups, which is estimated to be 13 years (2022 - 17 years).

(m) Non-financial assets:

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

1. Accounting policies (continued):

(m) Non-financial assets (continued):

(i) 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 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	25 to 40
Buildings and building improvements	30 to 50
Vehicles, machinery and equipment	5 to 25
Wastewater infrastructure	65
Roads infrastructure	20 to 50

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment would be reported as an expense on the Statement of Operations and Accumulated Surplus.

Assets under construction are not amortized until the asset is available for productive use.

(ii) 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.

(iii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

1. Accounting policies (continued):

(m) Non-financial assets (continued):

(v) Interest capitalization:

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Inventories of supplies:

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

(n) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the period. Amounts subject to estimates include employee future benefits, asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from these estimates.

2. Investments:

Investments reported on the Statement of Financial Position have cost and market values as follows:

	Level	2023 Cost	2023 Market Value
GICs	1	$ 1,719,959	$ 1,750,811

	Level	2022 Cost	2022 Market Value
GICs	1	$ 1,559,276	$ 1,559,276

The fixed income securities yield interest between 1.75% and 5.37% and have maturities ranging from November 2024 to December 2027.

2. Investments (continued):

All of the above investments are valued as Level 1 investments. The investments are valued based on the degree to which the fair value is observable, as follows:

(i)	Level 1	Unadjusted quoted market prices in active markets for identical assets or liabilities;
(ii)	Level 2	Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
(iii)	Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

3. Accumulated surplus:

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

	2023	2022 (restated Note 16)
Surplus	$ 2,978,216	$ 2,575,572
Invested in tangible capital assets	41,249,632	40,833,506
Long-term liabilities	(205,406)	(301,994)
Asset retirement obligations	(11,777,839)	(11,529,693)
Total surplus	32,244,603	31,577,391
Reserves set aside for specific purposes by Council:		
Working funds	827,994	1,106,451
Stability	45,685	45,685
Contingencies	119,235	119,235
Election	19,571	7,071
Municipal office	664,630	619,134
Environmental	385,234	234,068
Roadways	6,153,814	5,408,733
Protection	1,036,139	1,059,736
Parks and recreation	348,966	391,189
Municipal properties	1,035,128	1,042,733
Planning reserve	40,973	40,973
Total reserves	10,677,369	10,075,008
Reserve funds set aside for specific purposes by Council:		
General government	49,139	56,683
Roads capital expenses	19	17
Waste disposal landfill	1,275,041	991,017
Total reserve funds	1,324,199	1,047,717
	$ 44,246,171	$ 42,700,116

4. Operations of school boards and the County of Lennox & Addington:

During the year, requisitions were made by the school boards and the County of Lennox & Addington requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		County of Lennox & Addington	
	2023	2022	2023	2022
Amounts requisitioned and collected	$ 1,697,753	$ 1,664,002	$ 5,610,823	$ 5,248,132

5. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a contributory 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. Employers and employees contribute to the Plan. As a result, the Township does not recognize any share of OMERS pension surplus or deficit. The last available report was at December 31, 2023. At that time, the Plan reported a $4.2 billion actuarial deficit (2022 - $6.7 billion actuarial deficit).

The amount contributed to OMERS for current services in 2023 was $204,558 (2022 - $196,808) and is included in expenses on the Statement of Operations and Accumulated Surplus.

6. Employee post-employment benefit liability:

Effective January 29, 2018, the Township began to provide extended health and dental care (“employee non-pension retirement benefit”) to its employees. Extended health care is available to early retirees for two years after retirement but not past the age of 65.

An independent actuarial study of the employee non-pension retirement benefit has been undertaken. The most recent valuation of the employee non-pension retirement benefit was completed for the December 31, 2022 fiscal year.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services.

6. Employee post-employment benefit liability (continued):

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligation are as follows:

Discount rate	5.05% per annum
Health benefits escalation	8.66% per annum, scaling down over 10 years to 5.0% thereafter
Dental benefits escalation	5.0% per annum

Information with respect to the Township's non-pension retirement obligations is as follows:

	2023	2022
Accrued benefit liability, beginning of year	$ 85,384	$ 70,464
Expense recognized for the year	2,599	5,012
Interest cost	1,818	3,122
Amortization of actuarial loss (gain)	(3,881)	6,786
Accrued benefit liability, end of year	$ 85,920	$ 85,384
Accrued future benefit obligation	$ 39,460	$ 35,053
Unamortized actuarial gain	46,460	50,331
Accrued benefit liability at December 31, 2023	$ 85,920	$ 85,384

7. Deferred revenue – obligatory reserve funds:

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

	Building Code Act	Recreation	Infrastructure	Canada Community Building Fund	2023	2022
Balance, beginning of year	$ 242,451	$ 265,006	$ 60,041	$ 482,600	$ 1,050,098	$ 1,104,294
Government grants	–	–	–	254,891	254,891	652,172
Building permit surplus	92,674	–	–	–	92,674	118,500
Contributions from developers	–	60,000	–	–	60,000	84,578
Interest	8,514	24,583	–	29,547	62,644	28,745
Utilization of reserve funds	–	(42,974)	(60,041)	(254,891)	(357,906)	(938,191)
Balance, end of year	$ 343,639	$ 306,615	$ –	$ 512,147	$ 1,162,401	$ 1,050,098

8. Asset retirement obligations:

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

(a) Landfill obligation:

The Township owns and operates three active landfill sites. The liability for the closure of operational sites and post-closure care for all the sites has been recognized under PS 3280 Asset Retirement Obligations. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for a minimum of 25 years post this date. As at December 31, 2023 , the landfills had an estimated remaining useful life of:

Camden East 14 years

Moscow 29 years

Sheffield 19 years

Post-closure care is estimated to be required for a minimum 25 years from the date of site closure. The Township recognized an obligation relating to the removal and post-removal care of the landfill. These costs were discounted using a discount rate of 2.20% (2022 – 3.27%) per annum and an inflation rate of 4.53% (2022 – 4.25%) per annum.

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management. Future events may result in significant changes to the estimated total expenses, and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

8. Asset retirement obligations(continued):

(b) Asbestos obligation:

The Township owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the Township assessed an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at January 1, 2022 . Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have not been discounted as the date of demolition is unknown.

The change in the estimated obligation during the year consists of the following:

	Landfill closure	Asbestos and fuel tank removal	Total
Balance, January 1, 2022 as previously stated	$ 1,985,688	$ –	$ 1,985,688
Adjustment on adoption of PS 3280 asset retirement obligations (note 16)	9,050,853	250,347	9,301,200
Balance, January 1, 2022, as restated	11,036,541	250,347	11,286,888
Accretion expense	242,804	–	242,804
Balance, December 31, 2022, as restated	11,279,345	250,347	11,529,692
Accretion expense	248,145	–	248,145
Balance, December 31, 2023	$ 11,527,490	$ 250,347	$ 11,777,837

9. Long-term liabilities:

(a) The balance of long-term liabilities reported on the Statement of Financial Position is made up of the following:

	2023	2022
Infrastructure Ontario loan for Dewey Road and Municipal Garage repayable in blended semi-annual payments of $54,023, bearing interest at 4.12%. The loan is due December 2025.	$ 205,406	$ 301,994
Instalment debentures with the Province of Ontario under the Ontario Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals.	94,543	48,200
	$ 299,949	$ 350,194

(b) Principal due on total long-term liabilities is summarized as follows:

2024	$ 108,279
2025	112,927
2026	8,618
2027	9,135
2028	9,682
2029 and thereafter	51,308
	$ 299,949

10. Budget figures:

The budget data presented in these financial statements is based upon the 2023 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included. The approved budget to the budget figures reported in these financial statements is listed below.

	2023 Budget	2023 Actual
Reported on Statement of Operations and Accumulated Surplus:		
Revenue	$ 10,751,905	$ 12,017,808
Expenses	9,853,048	10,471,753
Net revenues	898,857	1,546,055
Amortization	2,200,000	2,349,451
Funds available	3,098,857	3,895,506
Capital expenditures	(3,725,880)	(2,784,808)
Gain on sale of tangible capital assets	–	(6,414)
Disposal of tangible capital assets	–	25,645
Principal repayments	(96,588)	(96,588)
Increased in unfunded asset retirement obligation	–	248,146
(Decrease) increase in operating surplus	$ (723,611)	$ 1,281,487

	2023 Budget	2023 Actual
Allocated as follows:		
Net transfers (from) to reserves	$ (723,611)	$ 878,843
Increase in surplus	–	402,644
	$ (723,611)	$ 1,281,487

11. Tangible capital assets:

Cost	Balance at 2022 as previously stated	Reclassify	Adjustments on adoption of PS 3280	December 31, 2022, restated	Additions	Disposals	Balance at December 31, 2023
			(restated Note 16)				
Land	$ 1,406,203	$ (59,696)	$ –	$ 1,346,507	$ 146,724	$ –	$ 1,493,231
Land improvements	906,125	283,362	–	1,189,487	316,418	–	1,505,905
Landfill asset retirement obligation	–	–	4,108,840	4,108,840	–	–	4,108,840
Buildings and building improvements	10,696,565	443,487	–	11,140,052	214,359	–	11,354,411
Building asset retirement obligations	–	–	250,348	250,348	–	–	250,348
Machinery and equipment	–	2,804,454	–	2,804,454	235,050	–	3,039,504
Vehicles	12,685,975	(3,887,839)	–	8,798,136	120,025	(169,940)	8,748,221
Wastewater infrastructure	514,249	–	–	514,249	–	–	514,249
Roads infrastructure	54,451,104	425,711	–	54,876,815	1,361,094	–	56,237,909
Assets under construction	260,006	(9,479)	–	250,527	391,138	–	641,665
Total	$ 80,920,227	$ –	$ 4,359,188	$ 85,279,415	$ 2,784,808	$ (169,940)	$ 87,894,283

Accumulated amortization	Balance at 2022 as previously stated	Reclassify	Adjustments on adoption of PS 3280	December 31, 2022, restated	Amortization	Disposals	Balance at December 31, 2023
			(restated Note 16)				
Land	$ 4,248	$ (4,248)	$ –	$ –	$ –	$ –	$ –
Land improvements	476,155	356,847	–	833,002	28,604	–	861,606
Landfill asset retirement obligation	–	–	2,828,475	2,828,475	61,604	–	2,890,079
Buildings and building improvements	4,808,000	250,622	–	5,058,622	280,685	–	5,339,307
Building asset retirement obligations	–	–	209,364	209,364	2,224	–	211,588
Machinery and equipment	–	1,069,192	–	1,069,192	121,067	–	1,190,259
Vehicles	6,102,200	(1,624,843)	–	4,477,357	402,622	(150,709)	4,729,270
Wastewater infrastructure	106,812	–	–	106,812	7,927	–	114,739
Roads infrastructure	29,910,655	(47,570)	–	29,863,085	1,444,718	–	31,307,803
Total	$ 41,408,070	$ –	$ 3,037,839	$ 44,445,909	$ 2,349,451	$ (150,709)	$ 46,644,651

11. Tangible capital assets (continued):

	Net book value December 31, 2022	Net book value December 31, 2023
Land	$ 1,346,507	$ 1,493,231
Land improvements	356,485	644,299
Landfill asset retirement obligation	1,280,365	1,218,761
Buildings and building improvements	6,081,430	6,015,104
Building asset retirement obligations	40,984	38,760
Machinery and equipment	1,735,262	1,849,245
Vehicles	4,320,779	4,018,951
Wastewater infrastructure	407,437	399,510
Roads infrastructure	25,013,730	24,930,106
Assets under construction	250,527	641,665
Total	$ 40,833,506	$ 41,249,632

(a) Assets under construction

Assets under construction having a value of $641,665 (2022 - $250,527) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Works of art and historical treasures

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

12. Segmented information:

The Township is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Township services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

12. Segmented information (continued):

(a) Administration:

Includes corporate services and governance of the Township. Administration is responsible for human resource management. Support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

(b) Protection Services:

Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation Services:

This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.

(d) Environmental Services:

Includes the management and maintenance of the three landfill sites and recycling depots that service the Township as well as the pre-amalgamation waste and recycling pick-up service for Ward 1.

(e) Parks and Recreation:

Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields and the arena.

(f) Planning and Development:

Manages rural development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

12. Segmented information (continued):

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

12. Segmented information (continued):

2023	Administration	Protection	Transportation Services	Environmental Services	Parks and recreation	Planning and Development	Total
Revenue:							
Government grants	1,366,446	5,169	556,155	114,355	46,018	-	2,088,143
Other municipalities	-	-	1,505,819	-	-	-	1,505,819
Licenses, permits and rents	837	365,884	2,700	-	-	11,500	380,921
User fees and service charges	8,100	38,934	-	159,869	271,064	24,497	502,464
Contribution from developers	-	-	-	-	42,974	-	42,974
Other	58,675	28,342	-	7,534	12,222	5,245	112,018
Donations	-	6,500	-	-	-	-	6,500
Gain on disposal of tangible capital assets	-	-	6,414	-	-	-	6,414
	1,434,058	444,829	2,071,088	281,758	372,278	41,242	4,645,253
Expenses:							
Salaries, wages and employee benefits	685,498	710,514	1,591,907	137,825	195,457	69,498	3,390,699
Materials	114,981	488,975	1,219,831	33,763	396,372	4,689	2,258,611
Contracted services	258,426	1,231,594	305,189	173,076	89,603	10,469	2,068,357
Rents and financial expenses	4,160	-	-	248,146	-	-	252,306
External transfers	11,747	126,233	-	-	-	-	137,980
Amortization	15,107	191,189	1,739,738	84,638	318,779		2,349,451
Interest on debt	-	-	11,457	-	-	2,892	14,349
	1,089,919	2,748,505	4,868,122	677,448	1,000,211	87,548	10,471,753
Annual surplus (deficit) before the undernoted	344,139	(2,303,676)	(2,797,034)	(395,690)	(627,933)	(46,306)	(5,826,500)
Funded through:							
Taxation							6,496,477
Payment in lieu of taxation							46,380
Penalties and interest							148,478
Investment income							681,220
Annual surplus							$1,546,055

12. Segmented information (continued):

2022

	Administration	Protection	Transportation Services	Environmental Services	Parks and recreation	Planning and Development	Total
Revenue:							
Government grants	1,363,446	109,868	446,299	85,133	1,044,224	-	3,048,970
Other municipalities	-	-	1,318,104	-	-	-	1,318,104
Licenses, permits and rents	332	349,170	6,400	-	-	14,000	369,902
User fees and service charges	10,500	21,975	-	166,039	202,379	7,450	408,343
Other	23,443	36,911	(22,394)	32,876	411,482	-	482,318
Donations	-	-	-	-	18,189	-	18,189
Gain on disposal of tangible capital assets	-	-	20,617	-	-	-	20,617
	1,397,721	517,924	1,769,026	284,048	1,676,274	21,450	5,666,443
Expenses:							
Salaries, wages and employee benefits	656,514	590,813	1,523,896	127,384	174,296	82,542	3,155,445
Materials	168,903	302,765	1,527,160	79,799	222,329	4,681	2,305,637
Contracted services	272,924	1,244,095	5,252	206,543	130,752	24,014	1,883,580
Rents and financial expenses	13,453	-	-	242,804	-	-	256,257
External transfers	-	121,102	-	-	-	-	121,102
Amortization	7,624	150,513	1,731,785	92,651	284,075	-	2,266,648
Interest on debt	-	-	32,606	-	-	-	32,606
	1,119,418	2,409,288	4,820,699	749,181	811,452	111,237	10,021,275
Annual surplus (deficit) before the undernoted	278,303	(1,891,364)	(3,051,673)	(465,133)	864,822	(89,787)	(4,354,832)
Funded through:							
Taxation							6,076,898
Payment in lieu of taxation							34,877
Penalties and interest							133,634
Investment income							279,627
Annual surplus							$2,170,204

13. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2023, management believes that the Township has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Township's financial position.

14. Commitment:

The Township entered into an agreement with the Ontario Provincial Police for the provision of police services commencing on January 1, 2015. The total expense included on the Statement of Operations and Accumulated Surplus for the year ended December 31, 2023 is $1,074,420 (2022 - $1,074,415). The Ministry of Community and Safety and Correctional Services has developed a new cost-recovery billing model that was implemented January 1, 2015, that includes two components, base policing for items such as crime prevention, proactive policing, officer training and administrative duties that will make up approximately 60%, with the second component for reactive calls for services that make up the remaining 40% of the cost invoiced.

15. Financial instruments:

a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Township is exposed to credit risk with respect to accounts receivable on the Statement of Financial Position.

The Township assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Township at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations and Accumulated Surplus. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations and Accumulated Surplus.

	Current	Past due	Gross receivables	Allowances	Net receivables
Accounts receivable	$ 592,699	$ 86,962	$ 679,661	$ –	$ 679,661
Taxes receivable	512,374	309,905	822,279	–	822,279
Total	$ 1,105,073	$ 396,867	$ 1,501,940	$ –	$ 1,501,940

15. Financial instruments:

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Township's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

(i) Currency risk:

Currency risk arises from the Township's operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Township does not have any material transactions or financial instruments denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Township to cash flow interest rate risk.

The Township's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in note 9 and for fixed income investments as described in note 2. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

There has been no change to the interest rate risk exposure from 2022.

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Township is not exposed to this risk based on the current investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet all of its cash outflow obligations as they come due. The Township mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 9.

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

16. Change in accounting policy – adoption of new accounting standards:

(a) The Township adopted the following standards concurrently beginning January 1, 2023 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.

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 denoted 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.

(i) 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. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

16. Change in accounting policy – adoption of new accounting standards (continued):

(a) (continued)

(ii) 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.

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

On application of this standard, a new statement, the Statement of Remeasurement Gains and Losses has not been included in these financial statements as there are no unrealized gains or losses to report.

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses, were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses. Hence, no comparative amounts are reported in the Statement of Remeasurement Gains and Losses due to prospective application of this standard.

16. Change in accounting policy – adoption of new accounting standards (continued):

(b) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

In the past, the Township has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Township buildings and landfill closure and post-closure activities. The Township reports liabilities related to the legal obligations where the Township is obligated to incur costs to retire a tangible capital asset.

The Township removed the accrued landfill obligation that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 *Asset Retirement Obligations* on January 1, 2022. The liability represents the required closure and post-closure care costs for the landfill sites owned by the Township.

16. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued):

The Township's ongoing efforts to assess the extent to which designated substances exist in Township assets, and new information obtained through regular maintenance and renewal of Township assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Township uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

16. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued):

In accordance with the provisions of the new standard, the Township reflected the following adjustments as at December 31, 2022:

	As previously reported	Adjustments	As restated
Statement of Financial Position:			
Accrued landfill closure and post closure liability	$ 3,002,285	$ (3,002,285)	$ –
Asset retirement obligations	–	11,529,693	11,529,693
Tangible capital assets	39,512,157	1,321,349	40,833,506
Accumulated surplus	49,906,175	(7,206,059)	42,700,116
Statement of Change in Net Financial Debt:			
Annual surplus (deficit) for the year	1,460,239	709,965	2,170,204
Amortization of tangible capital assets	2,202,820	63,828	2,266,648
Change in net financial assets	(258,289)	773,793	515,504
Statement of Operations:			
Accretion expense	–	(242,804)	(242,804)
Amortization	–	(63,828)	(63,828)
Adjustment to landfill liability	1,016,597	(1,016,597)	–
Annual surplus for the year	1,460,239	709,965	2,170,204