

Township of Brudenell, Lyndoch and Raglan

Financial Statements

For the year ended 31 December 2023

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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



Virginia Phanehour
Clerk - Treasurer

Township of Brudenell, Lyndoch and Raglan
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For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Brudenell, Lyndoch and Raglan.

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Mae Kilham + Associates

RENFREW, Ontario.
1 May 2024.

**Chartered Professional Accountants,
Licensed Public Accountants.**

Township of Brudenell, Lyndoch and Raglan

Consolidated Statement of Financial Position

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

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash in bank	\$ 2,175,115	\$ 1,985,527
Taxes receivable	432,049	394,067
Accounts receivable	<u>93,100</u>	<u>176,540</u>
	<u>\$ 2,700,264</u>	<u>\$ 2,556,134</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 279,082	\$ 172,681
Deferred revenue - obligatory reserve funds (Note 5)	637,214	821,912
Net long term liabilities (Note 3)	346,569	201,040
Landfill closure and post closure costs (Notes 6 and 16)	<u>264,000</u>	<u>254,000</u>
	<u>\$ 1,526,865</u>	<u>\$ 1,449,633</u>
Net financial assets	<u>\$ 1,173,399</u>	<u>\$ 1,106,501</u>
Non-financial assets:		
Tangible capital assets (net) (Notes 1 (d) (i) and 9)	\$ 21,054,883	\$ 21,463,678
Inventories of supplies (Note 1 (e))	137,357	83,454
Prepaid expenses	<u>1,196</u>	<u> </u>
	<u>\$ 21,193,436</u>	<u>\$ 21,547,132</u>
Accumulated surplus	<u>\$ 22,366,835</u>	<u>\$ 22,653,633</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 13)	\$ 20,708,314	\$ 21,065,224
General (Note 15)	45,063	44,998
Reserves and reserve funds	1,877,458	1,797,411
Unfunded - landfill closure and post closure costs (Note 2)	<u>(264,000)</u>	<u>(254,000)</u>
Total accumulated surplus	<u>\$ 22,366,835</u>	<u>\$ 22,653,633</u>

(See accompanying notes)

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

	2023 <u>Budget</u>	2023 <u>Actual</u>	2022 <u>Actual</u>
Revenue:			
Taxation and user charges (Note 17)	\$ 1,478,735	\$ 1,483,409	\$ 1,454,038
Government transfers:			
Ontario	1,406,940	1,403,804	1,032,907
Canada	59,660	55,168	103,835
Other municipalities	2,259	34,995	2,099
Other	<u>171,580</u>	<u>279,870</u>	<u>320,281</u>
	<u>\$ 3,119,174</u>	<u>\$ 3,257,246</u>	<u>\$ 2,913,160</u>
Expenses:			
General government	\$ 541,274	\$ 427,072	\$ 467,032
Protection to persons and property	613,281	619,277	591,949
Transportation services	2,144,545	2,082,784	1,993,580
Environmental services	264,395	241,749	334,318
Recreation and cultural services	162,384	158,035	122,807
Planning and development	<u>3,000</u>	<u>15,127</u>	<u>3,832</u>
	<u>\$ 3,728,879</u>	<u>\$ 3,544,044</u>	<u>\$ 3,513,518</u>
Shortfall of revenue over expenses	\$ (609,705)	\$ (286,798)	\$ (600,358)
Accumulated surplus at the beginning of the year	<u>22,653,633</u>	<u>22,653,633</u>	<u>23,253,991</u>
Accumulated surplus at the end of the year	<u>\$ 22,043,928</u>	<u>\$ 22,366,835</u>	<u>\$ 22,653,633</u>

(See accompanying notes)

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

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Shortfall of revenue over expenses	\$ (609,705)	\$ (286,798)	\$ (600,358)
Amortization of tangible capital assets	1,210,748	1,209,842	1,158,815
Acquisition of tangible capital assets	(975,800)	(801,047)	(1,304,930)
Gain on sale of tangible capital assets		(4,281)	(24,487)
Proceeds on sale of tangible capital assets		4,281	66,054
Use of (acquisition of) inventory		(53,903)	(56,671)
Consumption (acquisition) of prepaid expenses	<u> </u>	<u>(1,196)</u>	<u>10,131</u>
Increase (decrease) in net financial assets	\$ (374,757)	\$ 66,898	\$ (751,446)
Net financial assets at the beginning of the year	<u>1,106,501</u>	<u>1,106,501</u>	<u>1,857,947</u>
Net financial assets at the end of the year	<u>\$ 731,744</u>	<u>\$ 1,173,399</u>	<u>\$ 1,106,501</u>

(See accompanying notes)

Township of Brudenell, Lyndoch and Raglan

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(with 2022 figures for comparison)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Shortfall of revenue over expenses	\$ (286,798)	\$ (600,358)
Add amortization which does not involve cash	1,209,842	1,158,815
Gain on sale of tangible capital assets	<u>(4,281)</u>	<u>(24,487)</u>
	<u>\$ 918,763</u>	<u>\$ 533,970</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ (37,982)	\$ 43,707
- decrease (increase) in accounts receivable	83,440	(109,930)
- increase (decrease) in accounts payable and accrued liabilities	106,401	(73,261)
- increase (decrease) in deferred revenue	(184,698)	174,190
- increase (decrease) in landfill closure post closure costs	10,000	89,544
- decrease (increase) in inventories of supplies	(53,903)	(56,671)
- decrease (increase) in prepaid expenses	<u>(1,196)</u>	<u>10,131</u>
	<u>\$ (77,938)</u>	<u>\$ 77,710</u>
Cash flows from operating activities	<u>\$ 840,825</u>	<u>\$ 611,680</u>
Cash flows used for financing activities:		
Proceeds from Ontario Infrastructure debenture	\$ 197,000	
Repayment of long term liabilities	<u>(51,471)</u>	<u>\$ (31,770)</u>
Cash flows from (used for) financing activities	<u>\$ 145,529</u>	<u>\$ (31,770)</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government	\$ (13,328)	\$ (9,664)
Protection services		(140,934)
Transportation services	(743,200)	(932,351)
Environmental services	(36,633)	(131,932)
Recreation and cultural services	(7,886)	(90,049)
Proceeds on sale of tangible capital assets	<u>4,281</u>	<u>66,054</u>
Cash flows used for capital activities	<u>\$ (796,766)</u>	<u>\$ (1,238,876)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ 189,588	\$ (658,966)
Cash and cash equivalents at the beginning of the year	<u>1,985,527</u>	<u>2,644,493</u>
Cash and cash equivalents at the end of the year	<u>\$ 2,175,115</u>	<u>\$ 1,985,527</u>

(See accompanying notes)

Township of Brudenell, Lyndoch and Raglan

Schedule of General Operations

For the year ended 31 December 2023

(with 2023 budget and 2022 actual figures for comparison)

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 1,478,735	\$ 1,483,409	\$ 1,454,038
Government transfers:			
Ontario	1,406,940	1,403,804	1,032,907
Canada	59,660	55,168	103,835
Other municipalities	2,259	34,995	2,099
Other	<u>171,580</u>	<u>275,195</u>	<u>320,281</u>
	<u>\$ 3,119,174</u>	<u>\$ 3,252,571</u>	<u>\$ 2,913,160</u>
Expenses:			
General government	\$ 541,274	\$ 427,072	\$ 467,032
Protection to persons and property	613,281	619,277	591,949
Transportation services	2,144,545	2,082,784	1,993,580
Environmental services	264,395	231,749	244,774
Recreation and cultural services	162,384	158,035	122,807
Planning and development	<u>3,000</u>	<u>15,127</u>	<u>3,832</u>
	<u>\$ 3,728,879</u>	<u>\$ 3,534,044</u>	<u>\$ 3,423,974</u>
Shortfall of revenue over expenses	<u>\$ (609,705)</u>	<u>\$ (281,473)</u>	<u>\$ (510,814)</u>
Transfers:			
Transfer from (to) reserves	\$ 381,229	\$ (75,372)	\$ 450,131
Transfer from equity in tangible capital assets	<u>183,478</u>	<u>356,910</u>	<u>61,096</u>
Net transfers	<u>\$ 564,707</u>	<u>\$ 281,538</u>	<u>\$ 511,227</u>
Change in general surplus (deficit) for the year	\$ (44,998)	\$ 65	\$ 413
General surplus at the beginning of the year	<u>44,998</u>	<u>44,998</u>	<u>44,585</u>
General surplus at the end of the year	<u><u>\$ -</u></u>	<u><u>\$ 45,063</u></u>	<u><u>\$ 44,998</u></u>

(See accompanying notes)

Township of Brudenell, Lyndoch and Raglan

Schedule of Tangible Capital Assets

For the year ended 31 December 2023

(with 2022 figures for comparison)

Segmented by asset class:	Balance at 31 December <u>2022</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2023</u>
<u>Cost</u>				
Land	\$ 300,905			\$ 300,905
Land improvements	26,327			26,327
Buildings	2,617,709	\$ 7,886		2,625,595
Machinery and equipment	1,077,112	77,937		1,155,049
Vehicles	2,074,034	64,151	\$ (45,555)	2,092,630
Linear assets	46,346,559	651,073	175,594	47,173,226
Capital work in progress	<u>189,707</u>		<u>(175,594)</u>	<u>14,113</u>
Total	<u>\$ 52,632,353</u>	<u>\$ 801,047</u>	<u>\$ (45,555)</u>	<u>\$ 53,387,845</u>

Accumulated <u>amortization</u>	Balance at 31 December <u>2022</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2023</u>
Land improvements	\$ 25,285	\$ 61		\$ 25,346
Buildings	1,109,243	62,583		1,171,826
Machinery and equipment	576,515	41,483		617,998
Vehicles	1,022,002	82,789	\$ (45,555)	1,059,236
Linear assets	<u>28,435,630</u>	<u>1,022,926</u>		<u>29,458,556</u>
Total	<u>\$ 31,168,675</u>	<u>\$ 1,209,842</u>	<u>\$ (45,555)</u>	<u>\$ 32,332,962</u>

<u>Net book value</u>	Balance at 31 December <u>2022</u>	Balance at 31 December <u>2023</u>
Land	\$ 300,905	\$ 300,905
Land improvements	1,042	981
Buildings	1,508,466	1,453,769
Machinery and equipment	500,597	537,051
Vehicles	1,052,032	1,033,394
Linear assets	17,910,929	17,714,670
Capital work in progress	<u>189,707</u>	<u>14,113</u>
Total	<u>\$ 21,463,678</u>	<u>\$ 21,054,883</u>

(See accompanying notes)

Township of Brudenell, Lyndoch and Raglan

Schedule of Tangible Capital Assets

For the year ended 31 December 2023

(with 2022 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2022</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2023</u>
General government (administration)	\$ 593,093	\$ 13,328		\$ 606,421
Protection services (fire)	1,036,739			1,036,739
Transportation services (roads)	48,601,503	743,200	\$ (45,555)	49,299,148
Environmental services (waste, recycling)	509,318	36,633		545,951
Recreation and cultural services (recreation)	<u>1,891,700</u>	<u>7,886</u>		<u>1,899,586</u>
Total	<u>\$ 52,632,353</u>	<u>\$ 801,047</u>	<u>\$ (45,555)</u>	<u>\$ 53,387,845</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2022</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2023</u>
General government (administration)	\$ 218,989	\$ 19,786		\$ 238,775
Protection services (fire)	399,072	41,686		440,758
Transportation services (roads)	29,641,010	1,091,026	\$ (45,555)	30,686,481
Environmental services (waste, recycling)	247,455	12,656		260,111
Recreation and cultural services (recreation)	<u>662,149</u>	<u>44,688</u>		<u>706,837</u>
Total	<u>\$ 31,168,675</u>	<u>\$ 1,209,842</u>	<u>\$ (45,555)</u>	<u>\$ 32,332,962</u>

<u>Net book value</u>	Balance at 31 December <u>2022</u>	Balance at 31 December <u>2023</u>
General government (administration)	\$ 374,104	\$ 367,646
Protection services (fire)	637,667	595,981
Transportation services (roads)	18,960,493	18,612,667
Environmental services (waste, recycling)	261,863	285,840
Recreation and cultural services (recreation)	<u>1,229,551</u>	<u>1,192,749</u>
Total	<u>\$ 21,463,678</u>	<u>\$ 21,054,883</u>

(See accompanying notes)

Township of Brudenell, Lyndoch and Raglan

Schedule of Reserves and Reserve Funds

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

	<u>2023</u>	<u>2022</u>
Contributions:		
From operations	\$ <u>171,673</u>	\$ <u>338,000</u>
Transfers:		
Transfer to operations	\$ 41,985	\$ 81,866
Transfer to tangible capital asset acquisitions	<u>49,641</u>	<u>706,265</u>
	<u>\$ 91,626</u>	<u>\$ 788,131</u>
Change in reserves and reserve funds balance	\$ 80,047	\$ (450,131)
Reserves and reserve funds at the beginning of the year	<u>1,797,411</u>	<u>2,247,542</u>
Reserves and reserve funds at the end of the year	<u>\$ 1,877,458</u>	<u>\$ 1,797,411</u>
Reserves:		
Working funds	\$ 480,702	\$ 468,686
General government	26,800	26,800
Protection services	81,516	56,516
Roadways	690,880	704,638
Solid waste disposal	486,277	426,277
Recreation	<u>85,614</u>	<u>93,500</u>
Total reserves	\$ 1,851,789	\$ 1,776,417
Discretionary reserve fund set aside for specific purpose:		
Recreation facilities - other	<u>25,669</u>	<u>20,994</u>
Total reserves and reserve funds	<u>\$ 1,877,458</u>	<u>\$ 1,797,411</u>

(See accompanying notes)

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Brudenell, Lyndoch and Raglan are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

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

(a) Reporting Entity

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

(ii) Accounting for County and School Board Transactions

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

(b) Basis of Accounting

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

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

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

(c) Non-financial Assets

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

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Tangible Capital Assets

- (i) Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Non-Residential Building Construction Price Index (NRBCPI) for infrastructure and using the Consumer Price Index (CPI) for all other assets. Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 - 25 years
Buildings	15 - 40 years
Machinery and equipment	5 - 15 years
Vehicles	7 - 20 years
Linear assets	15 - 50 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

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

(ii) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expenditure equal to the net book value of the assets as of the date of transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenditure as incurred.

(e) Inventories

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

(f) Investment Income

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

(g) Government Transfers

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

Township of Brudenell, Lyndoch and Raglan

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(h) Deferred Revenue

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(i) Deferred Revenue - Obligatory Reserve Funds

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

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs and amortization.

(k) Cash and Cash Equivalents

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

(l) Revenue Recognition

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

(m) Financial Instruments

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

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

The fair value of net long term liabilities is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

2. AMOUNTS TO BE RECOVERED

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

3. NET LONG TERM LIABILITIES

(a) The balance of net long term liabilities of \$ 346,569 (2022 - \$ 201,040) reported on the "Consolidated Statement of Financial Position" is made up of long term liabilities incurred by the Municipality.

(b) Principal and interest payments required on the long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 71,170	\$ 11,774	\$ 82,944
2025	53,150	9,413	62,563
2026	53,150	7,371	60,521
2027	53,150	5,330	58,480
2028	33,450	3,397	36,847
2029 to 2033	68,750	8,587	77,337
2034 onwards	<u>13,749</u>	<u>343</u>	<u>14,092</u>
	<u>\$ 346,569</u>	<u>\$ 46,215</u>	<u>\$ 392,784</u>

4. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

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

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 387,232	\$ 940,679
Payments in lieu	<u>950</u>	<u>44,802</u>
	<u>\$ 388,182</u>	<u>\$ 985,481</u>

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

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

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

	<u>2023</u>	<u>2022</u>
OCIF Component Based	\$ 604,304	\$ 789,280
Gasoline Tax - Federal	<u>32,910</u>	<u>32,632</u>
	<u>\$ 637,214</u>	<u>\$ 821,912</u>

Township of Brudenell, Lyndoch and Raglan

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS (Continued)

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

Balance at the beginning of the year	\$ 821,912	\$ 647,722
Gas tax revenue	49,740	47,668
OCIF Component Based	371,839	437,029
Interest earned	<u>34,414</u>	<u>13,862</u>
	\$ 1,277,905	\$ 1,146,281
Used to purchase tangible capital assets	<u>(640,691)</u>	<u>(324,369)</u>
Balance at the end of the year	<u>\$ 637,214</u>	<u>\$ 821,912</u>

6. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

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

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation. There are currently no reserves set aside for either closure or post closure activities.

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

Landfill sites' estimated remaining capacity in cubic metres	40,200
Landfill sites' remaining useful life in years	15
Expected years of post closure care	10

The estimated total undiscounted expenses over the 10 year post closure period amount to approximately \$ 264,000.

7. CONTINGENT LIABILITIES

In the normal course of operations the Township becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at 31 December 2023 cannot be predicted with certainty, it is in the opinion of the Township that their resolution will not have a material adverse effect on the Township's financial position or results of operations.

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

8. BUDGET FIGURES

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

9. TANGIBLE CAPITAL ASSETS

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

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. There were no such transfers in 2023.

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances. The 2023 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

10. MUNICIPALITIES BENEFIT COMMITTEE

The Township of Brudenell, Lyndoch and Raglan is a member of the Municipalities Benefit Committee (MBC) which is an employee group benefits plan arranged through Manulife to share in the financial risk of extended health and dental benefits. In the event that a deficit position is incurred, the Township of Brudenell, Lyndoch and Raglan must repay their pro-rata share of the deficit through a lump sum deposit or an increase in future annual premiums collected through the monthly billed rates. In the case of a surplus position, upon full funding of the claims fluctuation reserve (CFR), the surplus is transferred into a deposit account held by Manulife on the MBC's behalf. The surplus funds in the deposit account are to be used to fund premium requirements, enhancements to the benefit plan or fund future deficits. If the Township of Brudenell, Lyndoch and Raglan leaves the MBC, the Township forfeits its right to any surplus.

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

11. CONTRACTUAL OBLIGATIONS

The Township has not negotiated a contract with the Ontario Provincial Police for the provision of policing services, however the Ontario Provincial Police provide policing services on an annual basis. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2023 was \$ 302,933 (2022 - \$ 314,324).

12. SEGMENTED INFORMATION

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

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

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

	<u>Salaries and benefits</u>	<u>Interest on long term debt</u>	<u>Materials and contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 203,588	\$ 5,380	\$ 197,393	\$ 925	\$ 19,786	\$ 427,072
Protection services	122,687		454,904		41,686	619,277
Transportation services	449,327	4,537	537,894		1,091,026	2,082,784
Environmental services	70,976		158,117		12,656	241,749
Recreation	19,842		90,505	3,000	44,688	158,035
Planning and development	<u> </u>	<u> </u>	<u>15,127</u>	<u> </u>	<u> </u>	<u>15,127</u>
	<u>\$ 866,420</u>	<u>\$ 9,917</u>	<u>\$ 1,453,940</u>	<u>\$ 3,925</u>	<u>\$ 1,209,842</u>	<u>\$ 3,544,044</u>

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

12. SEGMENTED INFORMATION (Continued)

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

	<u>Salaries and benefits</u>	<u>Interest on long term debt</u>	<u>Materials and contracted services</u>	<u>Rent and external transfers</u>	<u>Amortization</u>	<u>Total</u>
General government	\$ 176,420	\$ 5,838	\$ 264,711	\$ 1,242	\$ 18,821	\$ 467,032
Protection services	90,840		465,672		35,437	591,949
Transportation services	438,361	1,046	487,869		1,066,304	1,993,580
Environmental services	71,964		248,058		14,296	334,318
Recreation	27,280		68,569	3,000	23,958	122,807
Planning and development	<u> </u>	<u> </u>	<u>3,832</u>	<u> </u>	<u> </u>	<u>3,832</u>
	<u>\$ 804,865</u>	<u>\$ 6,884</u>	<u>\$ 1,538,711</u>	<u>\$ 4,242</u>	<u>\$ 1,158,816</u>	<u>\$ 3,513,518</u>

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

	<u>Taxes</u>	<u>User charges and other revenues</u>	<u>Government transfers - Ontario</u>	<u>Government transfers - Canada</u>	<u>Total</u>
General government	\$ 1,483,409	\$ 155,664	\$ 782,900		\$ 2,421,973
Protection services		51,279	11,493		62,772
Transportation services		3,680	596,325	\$ 55,168	655,173
Environmental services		54,026			54,026
Recreation services		31,708	13,086		44,794
Planning and development	<u> </u>	<u>18,508</u>	<u> </u>	<u> </u>	<u>18,508</u>
	<u>\$ 1,483,409</u>	<u>\$ 314,865</u>	<u>\$ 1,403,804</u>	<u>\$ 55,168</u>	<u>\$ 3,257,246</u>

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

	<u>Taxes</u>	<u>User charges and other revenues</u>	<u>Government transfers - Ontario</u>	<u>Government transfers - Canada</u>	<u>Total</u>
General government	\$ 1,454,038	\$ 195,059	\$ 788,800		\$ 2,437,897
Protection services		26,311	10,492		36,803
Transportation services		25	229,031	\$ 103,835	332,891
Environmental services		80,472			80,472
Recreation services		17,019	4,584		21,603
Planning and development	<u> </u>	<u>3,494</u>	<u> </u>	<u> </u>	<u>3,494</u>
	<u>\$ 1,454,038</u>	<u>\$ 322,380</u>	<u>\$ 1,032,907</u>	<u>\$ 103,835</u>	<u>\$ 2,913,160</u>

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets - net	\$ 21,054,883	\$ 21,463,678
Net long term liabilities (Note 3)	(346,569)	(201,040)
Unexpended capital financing (unfunded capital outlay)	<u> </u>	<u>(197,414)</u>
	<u>\$ 20,708,314</u>	<u>\$ 21,065,224</u>

14. PENSION CONTRIBUTIONS

The Municipality joined this year and made contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan during the year. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2023, the Municipality contributed \$ 41,319 (2022 - \$ Nil) to the plan and is included as an expense in the consolidated statement of operations. The Township does not recognize in its' consolidated financial statements any share of the pension plan surplus as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan had a deficit for 2023 of \$ 7,571,000,000 (2022 - deficit of \$ 6,100,000,000) based on the fair market value of the Plan's assets.

15. CHANGE IN ACCOUNTING POLICIES

On 1 January 2022, the Township adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as landfill closure and post closure costs. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of the standard.

On 1 January 2022, the Township recognized as asset retirement obligation relating to landfills owned by the Township for landfill closure and post closure costs. The landfills were originally opened in the 1970's, with the Township undertaking additions and expansions to the landfills subsequent to their original acquisition.

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

The landfill sites had an expected useful life as follows:

Brudenell	68 years
Quadeville	34 years
Raglan	37 years

The estimate has not been changed since acquisition.

The Brudenell landfill has 18 years left before being fully amortized, both the Quadeville and Raglan landfill sites are fully amortized as at 1 January 2022.

Township of Brudenell, Lyndoch and Raglan
Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

15. CHANGE IN ACCOUNTING POLICIES (Continued)

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

An increase in the tangible capital assets of \$ 1,103, representing the net book value of the landfill sites.

An increase in the opening equity in tangible capital assets of \$ 1,103, to reflect the recognition of the original ARO liability and accompanying increase in amortization expense.

16. ASSET RETIREMENT OBLIGATION

The Township has accrued for asset retirement obligation related to the legal requirement for the remediation of the landfill sites owned by the Township. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remediate the landfills in accordance with current legislation.

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

	<u>2023</u>	<u>2022</u>
Landfill closure and post closure costs	\$ 254,000	\$ 254,000
Accretion expense	<u>10,000</u>	<u> </u>
	<u>\$ 264,000</u>	<u>\$ 254,000</u>

17. TAXATION

	<u>2023</u>	<u>2022</u>
Property taxes	\$ 1,410,166	\$ 1,382,024
Payment in lieu of property taxes	<u>73,243</u>	<u>72,014</u>
	<u>\$ 1,483,409</u>	<u>\$ 1,454,038</u>