

Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF MONTAGUE**

Year ended December 31, 2023

CORPORATION OF THE TOWNSHIP OF MONTAGUE

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the Corporation of the Township of Montague (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 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.

Management 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.

Allison Vereyken, Clerk Administrator

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Montague

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated municipal equity 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 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 – Change in Accounting Policy

We draw attention to note 2 to the financial statements which indicates that the Entity has changes its accounting policy for Asset Retirement Obligations, as a result of the adoption of PS 3280, Asset Retirement Obligations, and has applied the change using the perspective method.

Our opinion is not modified in respect of this matter.

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.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(date)

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	\$ 6,826,953	\$ 7,483,427
Taxes receivable	501,458	422,230
Accounts receivable	213,287	420,342
Inventory held for resale	24,000	24,000
	<u>7,565,698</u>	<u>8,349,999</u>
Financial liabilities:		
Accounts payable and accrued liabilities	297,910	1,532,481
Other current liabilities	74,705	89,149
Prepaid taxes	115,250	113,244
Deferred revenue - obligatory reserve funds (note 5)	664,172	556,590
Asset retirement obligation (note 6)	211,271	—
	<u>1,363,308</u>	<u>2,291,464</u>
Net financial assets	6,202,390	6,058,535
Non-financial assets:		
Tangible capital assets (note 12)	7,655,849	7,205,584
Inventory	40,669	57,694
Prepaid expenses	10,342	3,785
	<u>7,706,860</u>	<u>7,267,063</u>
Commitments (note 10)		
Contingent liabilities (note 11)		
Accumulated municipal equity (note 7)	\$ 13,909,250	\$ 13,325,598

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

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Statement of Operations and Accumulated Municipal Equity

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

	Budget 2023	Actual 2023	Actual 2022
	(note 14)		
Revenue:			
Property taxation	\$ 3,842,660	\$ 3,848,146	\$ 3,717,783
User charges	417,140	413,894	606,115
Government grants	630,100	861,623	1,232,882
Licenses and permits	45,000	35,709	54,925
Contributions from developers	40,000	33,431	77,450
Investment income	50,000	329,109	132,334
Penalties and interest on taxes	85,800	73,728	77,272
Provincial offenses	–	1,341	8,208
Other	–	19,253	16,321
Gain on sale of asset	–	30,835	–
	5,110,700	5,647,069	5,923,290
Expenses (note 13):			
General government	767,670	773,347	658,383
Protection to persons and property	1,002,410	944,071	927,361
Transportation services	1,659,480	2,244,757	1,941,462
Environmental services	652,790	628,220	686,607
Social and health services	15,900	12,440	14,500
Recreation and cultural services	149,900	245,861	200,756
Planning and development	150,550	214,721	170,039
	4,398,700	5,063,417	4,599,108
Annual surplus	712,000	583,652	1,324,182
Accumulated municipal equity, beginning of year	13,325,598	13,325,598	12,001,416
Accumulated municipal equity, end of year	\$ 14,037,598	\$ 13,909,250	\$ 13,325,598

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

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Statement of Change in Net Financial Assets

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

	Budget 2023	Actual 2023	Actual 2022
	(note 14)		
Annual surplus	\$ 712,000	\$ 583,652	\$ 1,324,182
Acquisition of tangible capital assets	(2,025,000)	(1,319,896)	(1,627,158)
Amortization of tangible capital assets	—	869,631	631,573
Gain on disposal of tangible capital assets	—	(30,835)	(2,579)
Proceeds on disposal of tangible capital assets	—	30,835	—
Change in inventory	—	17,025	5,515
Change in prepaid expenses	—	(6,557)	139,147
Increase (decrease) in net financial assets	(1,313,000)	143,855	470,680
Net financial assets, beginning of year	6,058,535	6,058,535	5,587,855
Net financial assets, end of year	\$ 4,745,535	\$ 6,202,390	\$ 6,058,535

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

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Statement of Cash Flows

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

	2023	2022
Operating activities:		
Annual surplus	\$ 583,652	\$ 1,324,182
Item not involving cash:		
Amortization of tangible capital assets	869,631	631,573
Gain on disposal of tangible capital assets	(30,835)	(2,579)
Asset retirement obligation	211,271	–
Change in non-cash operating working capital:		
Taxes receivable	(79,228)	(4,315)
Accounts receivable	207,055	(201,495)
Inventory	17,025	5,515
Accounts payable and accrued liabilities	(1,234,571)	1,222,133
Other current liabilities	(14,444)	(6,454)
Prepaid taxes	2,006	(12,652)
Prepaid expenses	(6,557)	139,147
Deferred revenue - obligatory reserve funds	107,582	(416,265)
Net change in cash from operations	632,587	2,678,790
Capital activities:		
Acquisition of tangible capital assets	(1,319,896)	(1,627,158)
Proceeds on disposal of tangible capital assets	30,835	–
	(1,289,061)	(1,627,158)
Increase (decrease) in cash	(656,474)	1,051,632
Cash, beginning of year	7,483,427	6,431,795
Cash, end of year	\$ 6,826,953	\$ 7,483,427

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

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements

Year ended December 31, 2023

The Corporation of the Township of Montague (the “Township”) was incorporated January 1, 1850 and assumed its responsibilities under the authority of the Provincial Legislation. The Township operates as a lower tier government in the Corporation of the County of Lanark (the “County”), in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The financial statements of the Corporation of the Township of Montague (the “Township”) are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Reporting Entity:

The financial statements of the Township are the representations of management and have been prepared in all material respects in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Township are as follows:

- (i) The financial statements reflect financial assets, liabilities, operating revenue and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Township.
- (ii) The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements.

(b) 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.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(c) 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 the Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark 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.

(d) Tangible capital assets:

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

Asset	Useful Life - Years
Buildings	20 to 60
Machinery and equipment	5 to 30
Vehicles	3 to 25
Linear assets:	
Roads	5 to 20
Bridges and culverts	50 to 75
Airport	20
Sidewalks	20
Underground networks:	
Water and sewer	60

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Statement of Operations and Accumulated Municipal Equity in the year of disposal.

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 is reported as an expense on the Statement of Operations and Accumulated Municipal Equity.

(e) Inventories and prepaid expenses:

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

(f) 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.

(g) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts 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.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments will generally be measured at cost or amortized cost unless management has elected to carry the instruments at fair value.

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

Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations and Accumulated Municipal Equity.

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 any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

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 Municipal Equity and the unrealized balances are reversed from the Statement of Remeasurement gains and losses.

(i) 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 December 31, 2022.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Deferred revenue:

The Township receives pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

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

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Township has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(k) Asset retirement:

An asset retirement obligation 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.

Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations arise from the acquisition, construction or development and normal use of an asset. Asset retirement obligation liabilities for the closure and post-closure care of landfill sites, facilities containing asbestos and decommissioning of wells are initially recognized at the best estimate of future expenses.

The liability for the removal of asbestos in several of the buildings owned by the Township has also been recognized based on estimated future expenses and post-closure care expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in note 1(c).

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(l) Liability for contaminated sites:

The Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Township:
 - is directly responsible; or
 - accepts responsibility;
- (iv) it is expected that future economic benefit will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(m) 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. Actual results could differ from these estimates.

The implementation of PS 3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs.

Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they became known.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policies - adoption of new accounting standards

- (a) On January 1, 2023, the Township adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations ("ARO"). The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. An ARO liability 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 prospective basis.

In the past, 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. 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 component of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from the Township's buildings. 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's ongoing efforts to assess the extent to which designated substances exist in Township's assets, and new information obtained through regular maintenance and renewal of Township's assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to the estimated cost to fulfil the obligation. The measurement of asset 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 adjustment to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policies - adoption of new accounting standards (continued):

(a) Continued:

In accordance with the provisions of PS 3280 Asset Retirement Obligations, the Township reflected the following adjustments at January 1, 2023:

	January 1, 2023
Increase in asset retirement obligations	
Tangible capital assets – building asbestos	\$ 140,071
Tangible capital assets – fuel tank removal	71,200
	<u>\$ 211,271</u>

(b) The Township adopted the following standards concurrently beginning January 1, 2023 prospectively with no impact to the financial statements: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, and PS 3450 Financial Instruments.

(i) 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.

(ii) 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.

(iii) 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.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policies - adoption of new accounting standards (continued):

(b) Continued:

(iv) 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.

3. Operations of school boards:

During the year, the Township collected and made property tax transfers including payments in lieu of property taxes, to the County and to the School Boards as follows:

	School Boards		County	
	2023	2022	2023	2022
Property taxes	\$ 766,911	\$ 745,103	\$ 1,761,981	\$ 1,690,773
Taxation from other governments	34,082	33,812	49,612	42,612
Amounts requisitioned and paid	\$ 800,993	\$ 778,915	\$ 1,811,593	\$ 1,733,385

4. Bank indebtedness:

The Township's financial agreement with its bank provides for an operating credit facility of up to \$500,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the bank's prime rate. As at December 31, 2023, there was \$nil (2022 - \$Nil) drawn on the facility.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Deferred revenue - obligatory reserve funds:

A requirement of the CPA Canada Public Sector Accounting Handbook is that obligatory reserve funds be reported as a liability in the Statement of Financial Position. This requirement is in place as provincial and municipal legislation restricts how these funds may be used and under certain circumstances the funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are:

	Development Charges	Parkland	Canada Community - Building Fund	OCIF	2023 Total	2022 Total
January 1, 2023	\$ 131,048	\$ 93,685	\$ 307,116	\$ 24,741	\$ 556,590	\$ 972,855
Government grants	–	–	124,467	8,922	133,389	219,281
Interest earned	8,622	2,788	17,817	4,736	33,963	13,946
Contributions	71,649	12,500	–	–	84,149	125,893
Transfer for:						
Capital purposes	(28,431)	–	(90,984)	(19,504)	(138,919)	(768,885)
Operating purposes	(5,000)	–	–	–	(5,000)	(6,500)
December 31, 2023	\$ 177,888	\$ 108,973	\$ 358,416	\$ 18,895	\$ 664,172	\$ 556,590

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Asset retirement obligation:

The Township has recorded ARO as of the January 1, 2023 implementation date on a prospective basis.

The Township discounts significant obligations where there is a high degree of confidence on the amount and timing of cash flows and the obligation will not be settled for at least five years from the reporting date. The discount and inflation rate is reflective of the risks specific to the asset retirement liability

As at December 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO liability is below:

	2023	2022
Liabilities for asset retirement obligations, beginning of year	\$ —	\$ —
Opening adjustments for PSAB adjustments	211,271	—
Liabilities incurred during the year	—	—
Liabilities settled during the year	—	—
Liabilities for asset retirement obligations, end of year	\$ 211,271	\$ —

7. Accumulated municipal equity:

	2023	2022
Investment in tangible capital assets:		
Tangible capital assets	\$ 7,655,849	\$ 7,205,584
Unfunded asset retirement obligation	(211,271)	—
Surplus	492,930	456,640
Reserves (Schedule 1)	5,971,742	5,663,374
Accumulated municipal equity	\$ 13,909,250	\$ 13,325,598

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

8. Pension contributions:

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Township does not recognize any share of the OMERS pension surplus or deficit in these financial statements. The last available report was as 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 service in 2023 was \$85,718 (2022 - \$63,200) and is included as an expense on the Statement of Operations and Accumulated Municipal Equity.

9. Provincial Offences Administration (POA):

The Corporation of the Town of Perth ("Town of Perth") has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of the Attorney General to the Town of Perth was a result of the Provincial Offences Act ("POA") 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor License Act, Municipal Bylaws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Township's share of net revenues arising from operation of the POA office has been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and 111 (including delay penalties) for POA charges filed in the Town of Perth court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Township shares net POA revenues based on weighted assessment.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

10. Commitments:

- (a) Effective December 30, 2022, the Township renewed its long-term contract with the Province of Ontario which will see the Province provide police services to the Township of a five year period. The contract was extended for a three-year period, ending on December 31, 2024. Annual charges under the contract are determined based on the level of service and are reconciled to actual costs in a subsequent year. Payments made under the contract for the year 2023 were \$597,899 (2022 - \$538,538).
- (b) The Township has negotiated a contract with Glenview Iron & Metal Ltd. For the collection and disposal of garbage. The contract ends May 2025. Annual charges under the contract are determined based on the number of households, waste volumes handled and is adjusted annually for inflation. Payments made under the contract for 2023 were \$243,318 (2022 - \$240,220).

11. 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 at December 31, 2023, management believes that the Township has valid defences and appropriate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable; therefore, no amount has been accrued in the financial statements.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

12. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Land	\$ 83,494	\$ -	\$ -	\$ 83,494
Buildings	932,218	375,414	-	1,307,632
Machinery and equipment	312,037	161,749	-	473,786
Vehicles	3,374,846	85,395	(260,972)	3,199,269
Linear assets	14,400,729	589,349	-	14,990,078
Underground networks	1,844,259	-	-	1,844,259
Work in progress	-	107,989	-	107,989
Total	\$ 20,947,583	\$ 1,319,896	\$ (260,972)	\$ 22,006,507

Accumulated amortization	Balance at December 31, 2022	Amortization	Disposals	Balance at December 31, 2023
Buildings	\$ 512,455	\$ 71,097	\$ -	\$ 583,552
Machinery and equipment	226,460	101,727	-	328,187
Vehicles	1,430,472	180,012	(260,972)	1,349,512
Linear assets	10,589,007	486,057	-	11,075,064
Underground networks	983,605	30,738	-	1,014,343
Total	\$ 13,741,999	\$ 869,631	\$ (260,972)	\$ 14,350,658

	Net book value December 31, 2022	Net book value December 31, 2023
Land	\$ 83,494	\$ 83,494
Buildings	419,763	724,080
Machinery and equipment	85,577	145,599
Vehicles	1,944,374	1,849,757
Linear assets	3,811,722	3,915,014
Underground networks	860,654	829,916
Work-in-progress	-	107,989
Total	\$ 7,205,584	\$ 7,655,849

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Segmented information:

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the statement of financial activities.

Departments have been separately disclosed in the segmented information, along with the service they provide, and are set out in the schedule below.

For each reported segment, expenditures 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.

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

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Segmented information (continued):

2023

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and culture services	Planning and development	Total
Revenue:								
Contributions from developers	\$ -	-	\$ 28,431	\$ -	\$ -	\$ 5,000	\$ -	\$ 33,431
Government conditional grants	322,822	12,673	263,767	73,317	-	189,044	-	861,623
Licenses and permits	183	-	-	\$ -	-	\$ 35,526	-	35,709
Use charges	5,032	13,536	102,264	263,514	-	-	29,548	413,894
Provincial offenses	-	1,341	-	-	-	-	-	1,341
Other	1,268	-	-	352	17,633	-	-	19,253
Gail on sale of an asset	-	-	30,835	-	-	-	-	30,835
	329,305	27,550	425,297	337,183	17,633	229,570	29,548	1,396,086
Expenses:								
Salaries and wages	443,089	166,916	476,550	50,275	-	-	145,595	1,282,425
Materials and services	310,418	682,156	1,096,944	541,757	-	86,359	69,126	2,786,760
External transfers	-	25,689	-	-	12,440	86,472	-	124,601
Amortization	29,948	94,182	681,717	36,188	-	108,543	-	950,578
	783,455	968,943	2,255,211	628,220	12,440	281,374	214,721	5,144,364
Excess of expenses over revenue	(454,150)	(941,393)	(1,829,914)	(291,037)	5,193	(51,804)	(185,173)	(3,748,278)
Funding through:								
Taxation								3,848,146
Penalties and interest								73,728
Investment income								329,109
Annual surplus for the year								\$ 502,705

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

13. Segmented information (continued):

2022

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and culture services	Planning and development	Total
Revenue:								
Contributions from developers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,450	\$ 77,450
Government grants	414,118	14,096	729,770	68,123	-	6,775	-	1,232,882
Licenses and permits	-	-	-	-	-	-	54,925	54,925
User charges	6,690	13,488	316,866	254,703	-	-	14,368	606,115
Provincial offenses	-	8,208	-	-	-	-	-	8,208
Other	145	-	4,831	719	-	10,626	-	16,321
	420,953	35,792	1,051,467	323,545	-	17,401	146,743	1,995,901
Expenses:								
Salaries and wages	391,056	155,521	435,303	48,968	-	-	92,092	1,122,940
Materials and services	259,770	684,928	1,012,841	601,451	-	66,229	77,947	2,703,166
External transfers	-	24,701	-	-	14,500	102,229	-	141,430
Amortization	7,557	62,211	493,318	36,188	-	32,298	-	631,572
	658,383	927,361	1,941,462	686,607	14,500	200,756	170,039	4,599,108
Excess of expenses over revenue	(237,430)	(891,569)	(889,995)	(363,062)	(14,500)	(183,355)	(23,296)	(2,603,207)
Funding through:								
Taxation								3,717,783
Penalties and interest on taxes								77,272
Investment income								132,334
Annual surplus for the year								\$ 1,324,182

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

14. Budget figures:

The 2023 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Statement of Operations and Accumulated Municipal Equity. The revenues attributable to these items continue to be included in the Statement of Operations and Accumulated Municipal Equity, resulting in a significant variance.

The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Actual 2023	Budget 2023
Total revenues	\$ 5,647,069	\$ 5,110,700
Total expenses	(5,063,417)	(4,398,700)
Net earnings	583,652	712,000
Amortization	869,631	–
Funds available	1,453,283	712,000
Capital expenses	(1,319,896)	(2,025,000)
Gain on disposal of tangible capital assets	–	–
Increase (decrease) in operating surplus	\$ 133,387	\$ (1,313,000)
Allocated as follows:		
Current surplus (deficiency)	\$ 36,290	\$ –
Asset retirement obligation	(211,271)	–
Net transfers from reserves (Schedule 1)	308,368	(1,313,000)
	\$ 133,387	\$ (1,313,000)

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Notes to Financial Statements (continued)

Year ended December 31, 2023

15. Financial risks:

(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 the receivables.

The Township assesses, on a continuous basis, 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 as 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. Subsequent recoveries of impairment losses related to receivable are credited to the Statement of Operations. The balance of the allowance for doubtful accounts is \$15,000 (2022 - \$15,000).

(b) Liquidity risk:

Liquidity risk is the risk that the Township will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Township manages its liquidity risk by monitoring its operating requirements. The Township prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and liabilities with variable interest rates expose the Township to cash flow interest rate risk.

There have been no changes to the risk exposures from 2022.

CORPORATION OF THE TOWNSHIP OF MONTAGUE

Schedule 1: Continuity of Reserves

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

	Budget 2023	Actual 2023	Actual 2022
	(note 14)		
Net transfers from (to) other funds			
Transfers from operations	\$ 588,000	\$ 931,411	\$ 1,150,929
Transfers to capital acquisitions	(1,901,000)	(623,043)	(871,342)
Total net transfers	(1,313,000)	308,368	279,587
Reserves balances, beginning of year	5,663,374	5,663,374	5,383,787
Reserves balances, end of year	\$ 4,350,374	\$ 5,971,742	\$ 5,663,374

Composition of Reserves

	2023	2022
Reserves set aside for specific purposes by Council		
Working capital	\$ 602,831	\$ 602,831
Contingency	491,859	394,298
Elections	13,930	8,930
Police-purposes	88,073	92,693
Fire-area	19,149	19,149
Municipal drains	35,746	35,746
Winter control	40,000	—
Water and sewer	260,113	225,113
	1,551,701	1,378,760
For capital purposes:		
Acquisition of capital assets	1,736,602	1,621,008
Airport	58,512	48,512
Fire-purposes	578,521	469,629
Roadways	1,775,814	1,922,774
Recreation	270,592	222,691
	4,420,041	4,284,614
Total reserves	\$ 5,971,742	\$ 5,663,374