

Consolidated Financial Statements of

**THE CORPORATION OF THE  
MUNICIPALITY OF TEMAGAMI**

Year ended December 31, 2023

Draft

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

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Year ended December 31, 2023

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## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of The Corporation of the Municipality of Temagami (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality'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.

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

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

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Treasurer/Administrator

## INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Temagami

### ***Opinion***

We have audited the consolidated financial statements of The Corporation of the Municipality of Temagami (the Municipality), which comprise:

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

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

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

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

***Emphasis of Matter – Comparative Information***

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

Our opinion is not modified in respect of this matter.

***Other Matter – Comparative Information***

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

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

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

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

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

***Auditors’ Responsibilities for the Audit of the Financial Statements***

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

November 14, 2024

Draft

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
<b>Financial assets</b>		
Cash	\$ 4,002,225	\$ 2,555,161
Taxes receivable	1,085,959	894,005
Accounts receivable (note 4)	257,216	604,077
	<u>5,345,400</u>	<u>4,053,243</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 5)	1,310,609	378,802
Long-term debt (note 6)	283,894	293,702
Asset retirement obligation (note 7)	4,214,314	2,695,300
	<u>5,808,817</u>	<u>3,367,804</u>
Net financial assets (debt)	(463,417)	685,439
<b>Non-financial assets</b>		
Tangible capital assets (note 8)	16,121,338	15,701,860
Prepaid expenses	1,375	12,457
	<u>16,122,713</u>	<u>15,714,317</u>
Accumulated surplus (note 9)	<u>\$ 15,659,296</u>	<u>\$ 16,399,756</u>

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



# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

## Consolidated Statement of Operations and Accumulated Surplus

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

	Budget 2023 (note 12)	Actual 2023	Actual 2022 (Restated - note 2)
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Municipal taxation	\$ 4,506,687	\$ 4,518,264	\$ 4,196,918
User charges	1,118,610	1,017,537	948,653
Provincial grants	864,752	881,986	1,641,400
Federal grants	67,500	66,682	9,365
Investment income	80,000	184,188	100,217
Penalties and interest on taxes	80,000	119,558	103,942
Provincial Offences Act	10,000	179	31
Other	109,300	240,424	205,834
	6,836,849	7,028,818	7,206,360
<b>Capital revenues:</b>			
Provincial grants	226,724	231,706	428,656
Federal grants	396,381	396,380	184,475
	623,105	628,086	613,131
<b>Total revenues</b>	<b>7,459,954</b>	<b>7,656,904</b>	<b>7,819,491</b>
<b>Expenses:</b>			
General government	1,147,725	1,264,686	1,225,567
Protection to persons and property	744,735	798,677	771,084
Transportation services	1,108,842	1,334,768	1,444,069
Environmental services	1,031,698	2,562,182	1,353,820
Health services	59,180	67,042	854,279
Social and family services	1,507,698	1,520,198	1,438,262
Recreational and cultural services	394,596	519,408	459,870
Planning and development	257,550	330,403	225,491
<b>Total expenses</b>	<b>6,252,024</b>	<b>8,397,364</b>	<b>7,772,442</b>
<b>Annual surplus (deficit)</b>	<b>1,207,930</b>	<b>(740,460)</b>	<b>47,049</b>
<b>Accumulated surplus, beginning of year</b>	<b>16,399,756</b>	<b>16,399,756</b>	<b>18,140,827</b>
<b>Adjustment on adoption of the asset retirement obligation standard (note 2)</b>	<b>-</b>	<b>-</b>	<b>(1,788,120)</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 17,607,686</b>	<b>\$ 15,659,296</b>	<b>\$ 16,399,756</b>

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

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Changes in Net Financial Assets (Debt)

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

	2023	2022 (Restated - note 2)
Annual surplus (deficit)	\$ (740,460)	\$ 47,049
Acquisition of tangible capital assets	(2,889,985)	(1,647,605)
Amortization of tangible capital assets	2,470,507	1,259,556
Change in prepaid expenses	11,082	5,818
Change in net financial assets	(1,148,856)	(335,182)
Net financial assets, beginning of year	685,439	3,336,921
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	(2,316,300)
<b>Net financial assets (debt), end of year</b>	<b>\$ (463,417)</b>	<b>\$ 685,439</b>

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

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

## Consolidated Statement of Cash Flows

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

	2023	2022
		(Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (740,460)	\$ 47,049
Items not involving cash:		
Amortization of tangible capital assets	2,470,507	1,259,556
	1,730,047	1,306,605
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	(191,954)	(55,711)
Decrease (increase) in accounts receivable	346,861	(308,302)
Increase (decrease) in accounts payable and accrued liabilities	931,807	(119,896)
Increase prepaid expenses	11,082	5,818
Net change in cash from operating activities	2,827,843	828,514
Financing activities:		
Issuance of long-term debt	56,885	-
Principal repayment on net long-term debt	(66,693)	(66,693)
Net change in financing activities	(9,808)	(66,693)
Capital activities:		
Acquisition of tangible capital assets	(1,370,971)	(1,647,605)
Net change in cash from capital activities	(1,370,971)	(1,647,605)
Net change in cash	1,447,064	(885,784)
Cash, beginning of year	2,555,161	3,440,945
Cash, end of year	\$ 4,002,225	\$ 2,555,161

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

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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The Corporation of the Municipality of Temagami (the "Municipality") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and other related legislation.

## 1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board and the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses and include the activities of all committees of Council and the following boards which are under the control of Council:

Parks and Recreation Committee  
Committee of Adjustment  
Planning and Advisory Committee  
Water Supply System  
Temagami Community Library  
Cemetery Board  
Temagami Ambulance Service

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

- (ii) Non-consolidated entities:

The following entities are not consolidated within the consolidated financial statements of the Municipality:

The District of Nipissing Social Services Administration Board  
Temiskaming Health Unit

- (iii) The Municipality collects taxation revenue on behalf of the school boards.

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances on these financial statements (note 9).

- (iv) Trust funds and their related operations administered by the Municipality are not included in these financial statements but are reported on separately on the Trust Funds Financial Statements.

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (a) Reporting entity (continued):

#### (v) Revenue recognition:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amount the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of supplementary assessment and appeals are estimated based on historical results.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the accounts in the period the interest and penalties are levied.

Government transfers which include provincial and federal grants are recognized in the period that the events giving rise to the transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met and the amount can be reasonable estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred revenue and are recognized as revenue in the period in which all of these criteria are met.

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

### (b) Basis of accounting:

#### (i) Accrual accounting:

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Amounts applied to specific operating and capital projects are recorded as revenue in the fiscal period in which the funds are expended on these projects.

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting (continued):

#### (ii) Pension plan and employee benefits:

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

Vacation entitlements are accrued for as entitlements are earned.

### (c) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	10 - 50
Buildings	10 - 50
Vehicles	10 - 25
Equipment	5 - 20
Heavy equipment	10 - 25
Roads	10 - 30
Water distribution lines	40 - 50
Sewer distribution lines	40 - 50

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Landfill sites are amortized using the units of production method based upon capacity used during the year.

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

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (d) Deferred revenues:

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, or the services are performed.

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

### (e) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) The past transaction or event giving rise to the liability has occurred;
- (iii) It is expected that the future economic benefits will be given up; and
- (iv) A reasonable estimate of the amount can be made.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. An additional liability for the removal of asbestos in one building owned by the Municipality has also been recognized based on estimated future expenses on closure of the site and post-closure care.

The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the depreciation accounting policies outlined in note 1 (c).

### (f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for 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 combined with the annual surplus provides the change in net financial assets for the year.

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (g) Reserves:

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are recorded as an adjustment to the respective fund when approved.

### (h) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the valuation allowances for taxes and accounts receivable, the carrying value of tangible capital assets and provisions for accrued liabilities and landfill closure liabilities.

Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

## 2. Change in accounting policies:

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

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

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



# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 2. Change in accounting policies (continued):

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

Establishing fair value:

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

Fair value hierarchy:

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

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

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

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

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

PS 3280 *Asset Retirement Obligations*:

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

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 2. Change in accounting policies (continued):

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

### PS 3280 *Asset Retirement Obligations* (continued):

On January 1, 2022, the Municipality recognized an additional asset retirement obligation relating to a buildings owned by the Municipality that may contain asbestos. The buildings were originally purchased at various dates from 1968 to 2005, and the liability was measured as of the date of purchase of the buildings when the liability was assumed. The buildings have an expected useful life of between 10 and 50 years, and the estimate has not been changed since purchase.

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

#### (a) Landfill obligation:

- (i) A decrease of \$379,000 to landfill closure liabilities to remove the liability recognized to date under the old standard, and an increase of \$379,000 to opening Accumulated Surplus reflecting the removal of the landfill closure obligation under the old standards.
- (ii) An increase of \$2,640,900 to the landfill capital asset account, representing the original estimate of the obligation as of the commencement of the use of the landfill, and an accompanying increase of \$2,112,720 to accumulated amortization, representing increased amortization for the landfill had the liability originally been recognized.
- (iii) An asset retirement obligation in the amount of \$2,640,900, representing the original obligation discounted to the present value amount using a rate of 3%.
- (iv) A decrease to opening accumulated surplus of \$1,788,120, as a result of the recognition of the liability and accompanying increase in amortization expense and accretion expense for the years since purchase of the landfill sites.

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

- (i) A decrease of \$55,700 to landfill closure liabilities to remove the adjustment to the liability recognized at December 31, 2022 under the old standard, and an accompanying decrease of \$55,700 to environmental expenses.
- (iii) An increase to amortization expense of \$52,818, and an accompanying increase to accumulated amortization, representing the amortization of the increased landfill capital asset.

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 2. Change in accounting policies (continued):

PS 3280 *Asset Retirement Obligations* (continued):

(b) Asbestos obligation:

- (i) An increase of \$54,400 to the building capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$54,400 to accumulated amortization, representing the increased amortization had the liability originally been recognized.
- (ii) An asset retirement obligation in the amount of \$54,400, representing an estimate of the current obligation.
- (ii) A decrease to accumulated surplus of \$9,915 as a result of the recognition of the liability and accompanying increase in amortization expense.

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

- (i) An increase to amortization expense of \$9,915, and an accompanying increase to accumulated amortization, representing the amortization of the increased building capital asset.

## 3. Contributions to non-consolidated entities:

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

	2023	2022
The District of Nipissing Social Services Administration Board	\$ 1,018,348	\$ 988,551
Temiskaming Health Unit	48,929	42,722
	\$ 1,067,277	\$ 1,031,273

## 4. Accounts receivable:

	2023	2022
Government of Canada - HST	\$ 140,379	\$ 132,551
Province of Ontario - Grants	89,433	253,747
Other	37,404	227,779
Allowance for doubtful accounts	(10,000)	(10,000)
	\$ 257,216	\$ 604,077

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 5. Accounts payable and accrued liabilities:

	2023	2022
Trade and miscellaneous	\$ 1,260,306	\$ 287,806
Personnel related obligations	50,303	90,996
	<b>\$ 1,310,609</b>	<b>\$ 378,802</b>

## 6. Long-term debt:

Municipal debt reported on the consolidated statement of financial position is made up of the following:

	2023	2022
Bank of Nova Scotia demand loan payable \$5,558 monthly plus interest at prime plus 0%, due May 2027	\$ 227,009	\$ 293,702
Infrastructure Ontario variable interest rate due December 6, 2028	56,885	–
	<b>\$ 283,894</b>	<b>\$ 293,702</b>

Principal repayments on the municipal debt are as follows:

2024	\$ 78,070
2025	78,070
2026	78,070
Thereafter	49,684
	<b>\$ 283,894</b>

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 7. **Asset retirement obligation:**

The Municipality's asset retirement obligation consists of several obligations as follows:

### (a) Landfill obligation:

The Municipality owns and operates three landfill sites. The liability for the closure of operational sites and post-closure care has been recognized under PS 3280 *Asset Retirement Obligations*. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for 25 years post this date.

The landfill is expected to reach its capacity as follows:

Briggs: Remaining landfill capacity of 8,026 cubic meters with an anticipated closure date of 2038. The cost were discounted at December 31, 2023 using a discount rate of -3.1%.

Sisk Remaining landfill capacity of 20,040 cubic meters with an anticipated closure date of 2060. The cost were discounted at December 31, 2023 using a discount rate of 3.0%.

Strathy – There is no landfill capacity remaining and the anticipated closure date is 2025. The cost were discounted at December 31, 2023 using a discount rate of -3.1%.

### (b) Asbestos obligation:

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

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

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 7. Asset retirement obligation (continued):

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

Asset Retirement Obligation	Landfill closure	Asbestos removal	Balance at December 31, 2023
Opening balance	\$ 2,640,900	\$ 54,400	\$ 2,695,300
Accretion expense	1,509,100	9,914	1,519,014
Closing balance	\$ 4,150,000	\$ 64,314	\$ 4,214,314

Asset Retirement Obligation	Landfill closure	Asbestos removal	Balance at December 31, 2022
Opening balance	\$ –	\$ –	\$ –
Adjustment on adoption of the asset retirement obligation standard (note 2)	2,640,900	54,400	2,695,300
Opening balance as restated	2,640,900	54,400	2,695,300
Accretion expense	–	–	–
Closing balance	\$ 2,640,900	\$ 54,400	\$ 2,695,300

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 8. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals and Transfers	Balance at December 31, 2023
	(Restated - note 2)			
Land	\$ 144,542	\$ -	\$ -	\$ 144,542
Land improvements	5,941,772	1,965,485	-	7,907,257
Buildings	10,446,171	384,849	-	10,831,020
Vehicles	136,455	22,896	-	159,351
Equipment	6,407,065	182,052	-	6,589,117
Heavy equipment	1,903,467	-	-	1,903,467
Roads	5,144,067	-	-	5,144,067
Water distribution lines	3,213,967	-	-	3,213,967
Sewer distribution lines	3,849,902	-	-	3,849,902
Assets under construction	368,761	799,414	(464,711)	703,464
<b>Total</b>	<b>\$ 37,556,169</b>	<b>\$ 3,354,696</b>	<b>\$ (464,711)</b>	<b>\$ 40,446,154</b>

Accumulated Amortization	Balance at December 31, 2022	Disposals	Amortization	Balance at December 31, 2023
	(Restated - note 2)			
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	2,964,869	-	1,406,260	4,371,129
Buildings	3,877,840	-	250,499	4,128,339
Vehicles	87,257	-	9,319	96,576
Equipment	3,623,507	-	284,181	3,907,688
Heavy equipment	840,213	-	107,910	948,123
Roads	3,820,590	-	271,061	4,091,651
Water distribution lines	3,033,845	-	64,279	3,098,124
Sewer distribution lines	3,606,188	-	76,998	3,683,186
<b>Total</b>	<b>\$ 21,854,309</b>	<b>\$ -</b>	<b>\$ 2,470,507</b>	<b>\$ 24,324,816</b>

	Net book value, December 31, 2022	Net book value, December 31, 2023
	(Restated - note 2)	
Land	\$ 144,542	\$ 144,542
Land improvements	2,976,903	3,536,128
Buildings	6,568,331	6,702,681
Vehicles	49,198	62,775
Equipment	2,783,558	2,681,429
Heavy equipment	1,063,254	955,344
Roads	1,323,477	1,052,416
Water distribution lines	180,122	115,843
Sewer distribution lines	243,714	166,716
Assets under construction	368,761	703,464
<b>Total</b>	<b>\$ 15,701,860</b>	<b>\$ 16,121,338</b>

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 8. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals and Transfers	Balance at December 31, 2022
				(Restated - note 2)
Land	\$ 144,542	\$ -	\$ -	\$ 144,542
Land improvements	4,890,725	1,051,047	-	5,941,772
Buildings	10,373,242	87,929	(15,000)	10,446,171
Vehicles	179,459	-	(43,004)	136,455
Equipment	6,096,206	440,505	(129,646)	6,407,065
Heavy equipment	1,903,467	-	-	1,903,467
Roads	5,123,446	20,621	-	5,144,067
Water distribution lines	3,213,967	-	-	3,213,967
Sewer distribution lines	3,849,902	-	-	3,849,902
Assets under construction	321,258	289,840	(242,337)	368,761
<b>Total</b>	<b>\$ 36,096,214</b>	<b>\$ 1,889,942</b>	<b>\$ (429,987)</b>	<b>\$ 37,556,169</b>

Accumulated Amortization	Balance at December 31, 2021	Disposals	Amortization	Balance at December 31, 2022
				(Restated - note 2)
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	2,773,135	-	191,734	2,964,869
Buildings	3,658,362	(15,000)	234,478	3,877,840
Vehicles	120,147	(43,004)	10,114	87,257
Equipment	3,427,316	(129,646)	325,837	3,623,507
Heavy equipment	732,303	-	107,910	840,213
Roads	3,572,384	-	248,206	3,820,590
Water distribution lines	2,956,847	-	76,998	3,033,845
Sewer distribution lines	3,541,909	-	64,279	3,606,188
<b>Total</b>	<b>\$ 20,782,403</b>	<b>\$ (187,650)</b>	<b>\$ 1,259,556</b>	<b>\$ 21,854,309</b>

	Net book value, December 31, 2021	Net book value, December 31, 2022
		(Restated - note 2)
Land	\$ 144,542	\$ 144,542
Land improvements	2,117,590	2,976,903
Buildings	6,714,880	6,568,331
Vehicles	59,312	49,198
Equipment	2,668,890	2,783,558
Heavy equipment	1,171,164	1,063,254
Roads	1,551,062	1,323,477
Water distribution lines	257,120	180,122
Sewer distribution lines	307,993	243,714
Assets under construction	321,258	368,761
<b>Total</b>	<b>\$ 15,313,811</b>	<b>\$ 15,701,860</b>



# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 9. Accumulated surplus:

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

	2023	2022
	(as restated - note 2)	
Surplus (deficit):		
Invested in tangible capital assets	\$ 11,907,024	\$ 13,441,260
Accumulated surplus	582,404	-
Amounts to be recovered:		
Unfinanced municipal debt - grader and plow	(283,894)	(293,702)
Equity in tangible capital assets	12,205,534	13,147,558
Reserves set aside by Council for:		
Discretionary Capital Reserves:		
- Working capital	390,000	390,000
- Landfill closure costs	162,521	147,521
- Arena	42,474	42,474
- Public Works Complex	509,400	509,400
- Future Improvements Lake Temagami Access Road	200,000	180,000
- Marten River Fire	397,000	357,000
- Official Plan Review	28,739	29,884
- Temagami Fire	220,500	180,500
- Future IPM Town Road	101,095	81,095
- Welcome Centre – Generator Primary EOC	50,000	50,000
- Cemetery Columbarium / Memory Wall	1,701	1,701
- Community Improvement Plan	10,000	10,000
- Library	48,208	48,208
- Ambulance Building	56,820	44,820
- Cannabis	10,000	10,000
- COVID Funding	69,950	69,950
- Big Canoe	9,926	9,926
	2,308,334	2,162,479
Other Reserves:		
- Discretionary Operating	524,563	468,854
- Tax Rate Stabilization	267,031	267,031
- Dedicated Water and Wastewater Capital	353,834	353,834
	1,145,428	1,089,719
Total reserves	3,453,762	3,252,198
Accumulated surplus	\$ 15,659,296	\$ 16,399,756

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 10. Operations of school boards:

Further to note 1(a)(iii), the property taxes collected on behalf of the school boards are \$1,870,968 (2022 - \$1,864,587).

## 11. Pension agreement:

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2022. The results of this valuation disclosed total going concern actuarial liabilities of \$136,185 million (2022 - \$130,306 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$131,983 million (2022 - \$123,628 million) indicating a going concern actuarial deficit of \$4,202 million (2022 - \$6,678 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees and the Authority's share is not determinable. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2023 was \$88,324 (2022 - \$115,414) and is included as an expense in the consolidated statement of operations and accumulated surplus.

## 12. Budget information:

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results according to Public Sector Accounting Standards. As a result, the budget figures presented in the consolidated statement of operations and accumulated surplus and change in net financial assets represent the financial plan adopted by Council with adjustment as follows:

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Annual surplus per budget approved by Council	\$	–
Add:		
Investment in tangible capital assets		1,135,500
Reserve transfers		72,430
Surplus per revised budget	\$	1,207,930

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# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 13. Public Sector Salary Disclosure:

During 2023, two employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

## 14. Comparative information:

Certain of the 2022 comparative information have been reclassified to conform to the current year presentation.

## 15. Financial instruments:

The Municipality is exposed to various risks through its financial instruments. The following analysis provides information about the Municipality's risk exposure and concentration as of December 31, 2023.

### (a) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from customers and ratepayers. The Municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

### (b) Liquidity risk:

Liquidity risk is the risk that the Municipality cannot repay its obligations when they become due to its creditors. The Municipality is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt.

The Municipality reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and credit facilities available to repay creditors as they become due. In the opinion of management, the liquidity risk exposure to the Municipality is low.

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

### (c) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to various risks through its financial instruments.

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 16. Segmented information:

The Municipality of Temagami is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purposes of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations (see Schedule to note).

Municipal Services are provided by departments and their activities are reported in these Service Areas. Departments disclosed in the Segmented Information, along with the services they provide, are as follows:

### **General Government Services**

The Departments within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing Municipal assets; ensuring effective financial management; monitoring performance and ensuring that high quality Municipal Service standards are met.

### **Protection Services**

Services provided in this segment include the enforcement of laws, prevention of crime, and maintenance of peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring safe homes and safe communities.

### **Transportation Services**

Areas of responsibility include planning, design, construction, cleaning, repair, snow removal and signage.

### **Environmental Services**

The environmental services include water and sewer services as well as garbage and recycling services.

Water and Sewer services include the operation and distribution of water and networking sewer mains, storm sewers and the pump station.

### **Health Services**

The Municipality funds a range of public health services and provides cemetery services through the health unit.

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 16. Segmented information (continued):

### **Social and Family Services**

The services are provided indirectly by the Municipality through the District Social Services Board and include family and children's services and housing services.

### **Recreation and Cultural Services**

The Department is responsible for providing, facilitating the development of, and maintaining high quality parks, recreational facilities, and cultural services.

### **Planning and Development**

The Planning and Development Department is responsible for preparing land use plans, bylaws and policies for sustainable development of the Municipality and for reviewing and approving new development.

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# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Schedule to Note 16 - Segmented Information (continued)

Year ended December 31, 2023

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning and Development	Total 2023
<b>Revenues:</b>									
<b>Operating revenues:</b>									
User charges	\$ 39,911	\$ 67,897	\$ 29,500	\$ 853,460	\$ 12,006	\$ -	\$ 14,413	\$ 350	\$ 1,017,537
Provincial grants	844,350	-	-	-	7,000	-	8,636	22,000	881,986
Federal grants	-	-	-	-	-	-	13,404	53,278	66,682
Investment income	184,188	-	-	-	-	-	-	-	184,188
Penalties and interest on taxes	119,558	-	-	-	-	-	-	-	119,558
Provincial Offences Act	-	179	-	-	-	-	-	-	179
Other	52,790	48,265	5,254	92,913	-	-	18,123	23,079	240,424
<b>Capital revenues:</b>									
Provincial grants	-	-	231,706	-	-	-	-	-	231,706
Federal grants	53,083	-	-	-	-	-	343,297	-	396,380
<b>Total revenues</b>	<b>1,293,880</b>	<b>116,341</b>	<b>266,460</b>	<b>946,373</b>	<b>19,006</b>	<b>-</b>	<b>397,873</b>	<b>98,707</b>	<b>3,138,640</b>
<b>Expenses:</b>									
Salaries, wages and benefits	524,215	163,149	436,191	147,856	8,442	-	210,121	147,009	1,636,983
Long-term debt interest	-	-	17,948	-	-	-	-	-	17,948
Materials	455,847	138,447	379,364	142,947	4,996	-	160,395	15,325	1,297,321
Contracted services	172,602	434,853	23,266	591,736	300	-	10,635	165,253	1,398,645
Rents and financial	6,833	-	-	-	-	-	-	-	6,833
External transfers	-	-	-	-	48,929	1,520,198	-	-	1,569,127
Amortization of tangible capital assets	105,190	62,226	478,000	1,679,643	4,374	-	138,258	2,816	2,470,507
<b>Total expenses</b>	<b>1,264,687</b>	<b>798,675</b>	<b>1,334,769</b>	<b>2,562,182</b>	<b>67,041</b>	<b>1,520,198</b>	<b>519,409</b>	<b>330,403</b>	<b>8,397,364</b>
<b>Funded through:</b>									
Taxation									4,518,264
<b>Annual deficit</b>									<b>\$ (740,460)</b>

# THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Schedule to Note 16 - Segmented Information (continued)

Year ended December 31, 2023

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning and Development	Total 2022
									(Restated - note 2)
<b>Revenues:</b>									
<b>Operating revenues:</b>									
User charges	\$ 65,603	\$ 103,758	\$ 22,614	\$ 719,901	\$ 18,126	\$ -	\$ 13,530	\$ 5,121	\$ 948,653
Provincial grants	947,056	-	-	1,304	684,404	-	8,636	-	1,641,400
Federal grants	-	-	-	1,565	-	-	7,800	91,296	100,661
Investment income	100,217	-	-	-	-	-	-	-	100,217
Penalties and interest on taxes	103,942	-	-	-	-	-	-	-	103,942
Provincial Offences Act	-	31	-	-	-	-	-	-	31
Other	31,307	7,849	5,320	683	110,790	-	11,729	38,156	205,834
<b>Capital revenues:</b>									
Provincial grants	-	-	248,656	-	-	-	180,000	-	428,656
Federal grants	50,869	-	-	-	-	-	42,310	-	93,179
<b>Total revenues</b>	<b>1,298,994</b>	<b>111,638</b>	<b>276,590</b>	<b>723,453</b>	<b>813,320</b>	<b>-</b>	<b>264,005</b>	<b>134,573</b>	<b>3,622,573</b>
<b>Expenses:</b>									
Salaries, wages and benefits	507,836	140,184	539,317	94,420	692,176	-	169,632	92,589	2,236,154
Long-term debt interest	-	-	12,905	-	4,681	-	-	-	17,586
Materials	389,221	124,100	411,819	225,274	110,179	-	152,703	32,702	1,445,998
Contracted services	175,499	446,786	32,694	566,859	148	-	5,485	99,045	1,326,516
Rents and financial	5,649	-	-	-	-	-	-	-	5,649
External transfers	-	-	-	-	42,721	1,438,262	-	-	1,480,983
Amortization of tangible capital assets	147,362	60,014	447,334	467,267	4,374	-	132,050	1,155	1,259,556
<b>Total expenses</b>	<b>1,225,567</b>	<b>771,084</b>	<b>1,444,069</b>	<b>1,353,820</b>	<b>854,279</b>	<b>1,438,262</b>	<b>459,870</b>	<b>225,491</b>	<b>7,772,442</b>
<b>Funded through:</b>									
Taxation									4,196,918
<b>Annual surplus</b>									<b>\$ 47,049</b>