



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of McKellar, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, the consolidated change in its net financial assets (debt) and its consolidated cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of McKellar as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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



PAHAPILL and ASSOCIATES Chartered Professional Accountants
Professional Corporation

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

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

Pahapill and Associates

Huntsville, Ontario
June 14, 2022

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

**THE CORPORATION OF THE
TOWNSHIP OF MCKELLAR
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
2021 FINANCIAL HIGHLIGHTS

TAX RATES

| | 2021 Tax Rates (%) | | 2020 Tax Rates (%) | |
|-----------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | Township purposes | School Board purposes | Township purposes | School Board purposes |
| Residential and Farm | 0.515094 | 0.153000 | 0.500099 | 0.153000 |
| Farmland and Managed Forest | 0.128774 | 0.038250 | 0.125025 | 0.038250 |
| Commercial Occupied | 0.566604 | 0.880000 | 0.550109 | 0.980000 |
| Industrial Occupied | 0.566604 | 0.880000 | 0.550109 | 0.980000 |

TRANSACTIONS FOR THE SCHOOL BOARDS

| | 2021 | 2020 |
|---|-------------|-------------|
| Payable (Receivable) at the beginning of the year | \$ 3,998 | \$ 3,998 |
| Taxation and payments-in-lieu, net of adjustments | 1,062,661 | 1,049,098 |
| Remitted during the year | (1,049,491) | (1,049,098) |
| Payable (Receivable) at the end of the year | \$ 17,168 | \$ 3,998 |

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

YEAR END BALANCE OF TRUST FUNDS UNDER ADMINISTRATION

| | 2021 | 2020 |
|-------------|-----------|-----------|
| Trust Funds | \$ 49,345 | \$ 47,745 |

NOTES

1. The 2021 financial report consolidates the operations, assets and liabilities of the Township and its local cemetery and library boards.
2. The above data has been extracted from the audited 2021 Consolidated Financial Report of the Township and its local boards and committees as described in Note 1. Copies of the 2021 Consolidated Financial Report and the Auditors' Report of Pahapill and Associates Professional Corporation, Chartered Professional Accountants, Huntsville, Ontario are available at the Township office to any resident who wishes to review or analyze the financial operations of the Township in greater detail.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

| | 2021 | 2020 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 2,502,335 | \$ 1,717,585 |
| Accounts receivable, net of allowance | 494,472 | 530,850 |
| | 2,996,807 | 2,248,435 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 539,264 | 529,822 |
| Deferred revenue (Note 5) | 64,798 | 178,956 |
| Municipal debt (Note 6) | 155,293 | - |
| Employee benefits payable (Note 8) | 2,788 | 2,494 |
| Landfill closure and post-closure liability (Note 9) | 13,400 | 14,900 |
| | 775,543 | 726,172 |
| NET FINANCIAL ASSETS | 2,221,264 | 1,522,263 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets - net (Schedule 1) | 16,230,433 | 16,519,428 |
| Inventories of supplies | 35,723 | 66,550 |
| Prepaid expenses | 61,564 | 53,203 |
| | 16,327,720 | 16,639,181 |
| ACCUMULATED SURPLUS | \$ 18,548,984 | \$ 18,161,444 |

APPROVED ON BEHALF OF COUNCIL:

_____ Reeve

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budget 2021 (Note 11) | Actual 2021 | Actual 2020 |
|---|-----------------------------|----------------------|----------------------|
| REVENUE | | | |
| Property taxes | \$ 3,455,115 | \$ 3,514,577 | \$ 3,360,803 |
| User fees | 17,270 | 32,553 | 16,277 |
| Government transfers | 1,205,901 | 1,166,708 | 1,135,549 |
| Other | 407,586 | 397,435 | 242,222 |
| TOTAL REVENUE | 5,085,872 | 5,111,273 | 4,754,851 |
| EXPENSES | | | |
| General government | 1,085,661 | 818,300 | 832,690 |
| Protection to persons and property | 918,922 | 885,770 | 848,159 |
| Transportation services | 2,106,646 | 1,803,243 | 1,659,029 |
| Environmental services | 254,208 | 244,141 | 255,209 |
| Health services | 253,123 | 286,933 | 246,105 |
| Social and family services | 378,457 | 331,059 | 389,881 |
| Recreation and culture | 273,160 | 218,188 | 257,123 |
| Planning and development | 109,452 | 136,099 | 98,643 |
| TOTAL EXPENSES | 5,379,629 | 4,723,733 | 4,586,839 |
| ANNUAL SURPLUS (DEFICIT) | (293,757) | 387,540 | 168,012 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 18,161,444 | 18,161,444 | 17,993,432 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 17,867,687 | \$ 18,548,984 | \$ 18,161,444 |

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budget 2021 (Note 11) | Actual 2021 | Actual 2020 |
|--|-----------------------------|---------------------|---------------------|
| Annual surplus (deficit) | \$ (293,757) | \$ 387,540 | \$ 168,012 |
| Acquisition of tangible capital assets | (684,333) | (684,333) | (1,958,163) |
| Amortization of tangible capital assets | 973,328 | 973,328 | 917,300 |
| (Gain)/loss on sale of tangible capital assets | - | - | 71,441 |
| Proceeds on sale of tangible capital assets | - | - | 18,000 |
| Change in supplies inventories | - | 30,827 | (16,228) |
| Change in prepaid expense | - | (8,361) | (7,783) |
| Increase (decrease) in net financial assets | (4,762) | 699,001 | (807,421) |
| Net financial assets, beginning of year | 1,522,263 | 1,522,263 | 2,329,684 |
| Net financial assets, end of year | \$ 1,517,501 | \$ 2,221,264 | \$ 1,522,263 |

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | 2020 |
|--|--------------|--------------|
| Operating transactions | | |
| Annual surplus | \$ 387,540 | \$ 168,012 |
| Non-cash charges to operations: | | |
| Amortization | 973,328 | 917,300 |
| (Gain)/loss on sale of tangible capital assets | - | 71,441 |
| | 1,360,868 | 1,156,753 |
| Changes in non-cash items: | | |
| Accounts receivable | 36,378 | (260,959) |
| Accounts payable and accrued liabilities | 9,442 | 356,816 |
| Deferred revenue | (114,158) | 9,501 |
| Employee benefits payable | 294 | (5,884) |
| Landfill closure and post closure liability | (1,500) | - |
| Inventories of supplies | 30,827 | (16,228) |
| Prepaid expenses | (8,361) | (7,783) |
| | (47,078) | 75,463 |
| Cash provided by operating transactions | 1,313,790 | 1,232,216 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (684,333) | (1,958,163) |
| Proceeds on disposal of tangible capital asset | - | 18,000 |
| Cash applied to capital transactions | (684,333) | (1,940,163) |
| Financing transactions | | |
| Proceeds of municipal debt | 172,000 | - |
| Debt principal repayments | (16,707) | - |
| Cash applied to financing transactions | 155,293 | - |
| Net change in cash and cash equivalents | 784,750 | (707,947) |
| Cash and cash equivalents, beginning of year | 1,717,585 | 2,425,532 |
| Cash and cash equivalents, end of year | \$ 2,502,335 | \$ 1,717,585 |
| Cash flow supplementary information: | | |
| Interest income received | \$ 15,936 | \$ 23,843 |
| Net interest received | \$ 15,936 | \$ 23,843 |

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

The Corporation of the Township of McKellar is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Planning Act, Building Code Act and other related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

(i) Consolidated and Proportionally Consolidated entities

The following local boards are consolidated:

Cemetery
Library

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

(ii) Non-consolidated entities

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit
Parry Sound District Social Services Administration Board
District of Parry Sound (East) Home for the Aged.

(iii) Accounting for school board transactions

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

(iv) Trust funds

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

(b) Basis of Accounting

(i) Accrual basis of accounting

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

(ii) Non-financial assets

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021

(a) Tangible capital assets

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

Land improvements - 20 years
Buildings - 50 years
Machinery, equipment and furniture - 10 to 20 years
Vehicles - 8 to 20 years
Roads - 10 to 60 years
Bridges - 60 years

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

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

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

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

(b) Inventories of supplies

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

(iii) Reserves and reserve funds

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

(iv) Government transfers

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

(v) Deferred revenue

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021

(vi) Taxation and related revenues

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

(vii) Pensions and employee benefits

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

(viii) Use of estimates

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

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

| | 2021 | 2020 |
|--|-------------------|-------------------|
| District of Parry Sound Social Services Administration Board | \$ 286,030 | \$ 286,874 |
| North Bay Parry Sound District Health Unit | 38,290 | 38,290 |
| Belvedere Heights Home for the Aged | 45,029 | 103,007 |
| Total contributions made | \$ 369,349 | \$ 428,171 |

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

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

3. OPERATIONS OF SCHOOL BOARDS

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

| | 2021 | 2020 |
|--|------------------|-----------------|
| Payable at the beginning of the year | \$ 3,998 | \$ 3,998 |
| Taxation and payments-in-lieu, net of adjustments | 1,062,661 | 1,049,098 |
| Remitted during the year | (1,049,491) | (1,049,098) |
| Payable (Receivable) at the end of the year | \$ 17,168 | \$ 3,998 |

4. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$49,345 (2020 \$47,745) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. As such balances are held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or operations.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

5. DEFERRED REVENUE

The 2021 continuity of transactions within the obligatory reserve funds are described below:

| | Balance beginning of year | Contributions received | Interest earned | Amounts taken into revenue | Balance end of year |
|--------------------|---------------------------------|---------------------------|--------------------|----------------------------------|------------------------|
| Federal gas tax | - | 138,217 | 431 | (123,797) | 14,851 |
| Safe restart grant | 145,737 | - | - | (145,737) | - |
| Other | 33,219 | 16,500 | 228 | - | 49,947 |
| | \$ 178,956 | \$ 154,717 | \$ 659 | \$ (269,534) | \$ 64,798 |

6. MUNICIPAL DEBT

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

| | 2021 | 2020 |
|--|-------------------|-------------|
| Infrastructure Ontario, due June 2026, repayable in semi-annual payments of \$17,816 including interest calculated at 1.29% and is unsecured | \$ 155,293 | \$ - |
| | \$ 155,293 | \$ - |

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

| | Principal | Interest |
|------|-------------------|-----------------|
| 2022 | \$ 33,737 | \$ 1,895 |
| 2023 | 34,174 | 1,458 |
| 2024 | 34,616 | 1,016 |
| 2025 | 35,064 | 568 |
| 2026 | 17,702 | 114 |
| | \$ 155,293 | \$ 5,051 |

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

| | 2021 | 2020 |
|--------------------|------------------|-------------|
| Principal payments | \$ 16,707 | \$ - |
| Interest | 1,109 | - |
| | \$ 17,816 | \$ - |

The annual principal and interest payments required to service the Municipality's debt were within the annual debt repayment limit of \$974,164 prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021

7. CREDIT FACILITY AGREEMENT

The Municipality has a credit facility agreement with the Canadian Imperial Bank of Commerce of \$800,000 (2020 \$800,000), of which NIL (2020 NIL) was used at the end of the year. The loan is payable on demand and bears interest at the rate of prime.

8. EMPLOYEE BENEFITS PAYABLE

Under the sick leave benefits plan, unused sick leave can accumulate and employees may become entitled to, after 10 years of continuous service, a cash payment of 20 percent of the accumulated credits (to a maximum of 120 days), rising two percent for each additional year beyond 10 years to a maximum of 50 percent divided by 120 multiplied by the annual salary when they leave the Municipality's employment. The liability for these accumulated days amounted to \$2,788 (2020 \$2,494) at the end of the year.

The municipality also has a liability related to unused employee vacation and overtime and retiring allowances amounting to \$108,378 (2020 \$73,467). This liability is reported under accounts payable on the Consolidated Statement of Financial Position.

9. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

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

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021

10. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT

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

General Government

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

Protection to Persons and Property

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

Transportation Services

Transportation Services include roadway systems and winter control.

Environmental Services

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

Health Services

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

Social and Family Services

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

Recreation and Culture

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

Planning and Development

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

Unallocated Amounts

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

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

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

10. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

| | General Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Culture | Planning and Development | Unallocated Amounts | Consolidated |
|-----------------------------------|---------------------|------------------------------------|-------------------------|------------------------|--------------------|----------------------------|------------------------|--------------------------|---------------------|-------------------|
| REVENUE | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,514,577 | \$ 3,514,577 |
| User fees | 288 | - | - | 5,354 | - | - | 1,021 | 25,890 | - | 32,553 |
| Government transfers | 222,238 | - | 123,799 | - | - | - | 63,071 | - | 757,600 | 1,166,708 |
| Other | 2,958 | 19,242 | - | - | - | - | 15,859 | 259,589 | 99,787 | 397,435 |
| TOTAL REVENUE | 225,484 | 19,242 | 123,799 | 5,354 | - | - | 79,951 | 285,479 | 4,371,964 | 5,111,273 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 575,158 | 259,585 | 400,652 | 53,220 | 6,799 | - | 76,508 | 18,712 | - | 1,390,634 |
| Long-term debt charges (interest) | 1,109 | - | - | - | - | - | - | - | - | 1,109 |
| Operating expenses | 217,393 | 533,153 | 656,630 | 166,613 | 280,134 | 331,059 | 56,293 | 117,387 | - | 2,358,662 |
| Amortization | 24,640 | 93,032 | 745,961 | 24,308 | - | - | 85,387 | - | - | 973,328 |
| TOTAL EXPENSES | 818,300 | 885,770 | 1,803,243 | 244,141 | 286,933 | 331,059 | 218,188 | 136,099 | - | 4,723,733 |
| ANNUAL SURPLUS (DEFICIT) | \$ (592,816) | \$ (866,528) | \$(1,679,444) | \$(238,787) | \$(286,933) | \$(331,059) | \$(138,237) | \$ 149,380 | \$ 4,371,964 | \$ 387,540 |

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2021

10. SEGMENT DISCLOSURES AND EXPENDITURES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2020

| | General Government | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Culture | Planning and Development | Unallocated Amounts | Consolidated |
|---------------------------------|---------------------|------------------------------------|-------------------------|------------------------|---------------------|----------------------------|------------------------|--------------------------|---------------------|-------------------|
| REVENUE | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,360,803 | \$ 3,360,803 |
| User fees | 104 | 448 | - | 5,649 | - | - | 1,521 | 8,555 | - | 16,277 |
| Government transfers | 105,567 | - | 213,610 | - | - | - | 63,372 | - | 753,000 | 1,135,549 |
| Other | 2,219 | 11,851 | - | - | - | - | 9,692 | 191,427 | 27,033 | 242,222 |
| TOTAL REVENUE | 107,890 | 12,299 | 213,610 | 5,649 | - | - | 74,585 | 199,982 | 4,140,836 | 4,754,851 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 528,759 | 208,591 | 393,987 | 53,746 | 5,913 | - | 78,391 | 11,387 | - | 1,280,774 |
| Operating expenses | 288,266 | 563,620 | 549,580 | 177,155 | 240,192 | 389,881 | 92,815 | 87,256 | - | 2,388,765 |
| Amortization | 15,665 | 75,948 | 715,462 | 24,308 | - | - | 85,917 | - | - | 917,300 |
| TOTAL EXPENSES | 832,690 | 848,159 | 1,659,029 | 255,209 | 246,105 | 389,881 | 257,123 | 98,643 | - | 4,586,839 |
| ANNUAL SURPLUS (DEFICIT) | \$ (724,800) | \$ (835,860) | \$ (1,445,419) | \$ (249,560) | \$ (246,105) | \$ (389,881) | \$ (182,538) | \$ 101,339 | \$ 4,140,836 | \$ 168,012 |

THE CORPORATION OF THE TOWNSHIP OF MCKELLAR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2021

11. BUDGET FIGURES

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

12. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total actuarial liabilities of \$119,342 million with respect to benefits accrued for service with actuarial assets at that date of \$116,211 million indicating an actuarial deficit of \$3,131 million. Because OMERS is a multi employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2021 was \$59,405 (2020 \$56,551) for current service and is included as an expense on the Consolidated Statement of Operations.

13. IMPACT OF COVID-19

As the impacts of COVID-19 continue, there could be further impact on the Municipality, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Municipality's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Municipality is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Municipality's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The Municipality will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

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

2021

Schedule 1

| | Land and Land Improvements | Buildings | Machinery and Equipment | Vehicles | Roads and Bridges | Assets Under Construction | TOTAL 2021 | TOTAL 2020 |
|------------------------------------|----------------------------|---------------------|-------------------------|---------------------|---------------------|---------------------------|----------------------|----------------------|
| COST | | | | | | | | |
| Balance, beginning of year | \$ 1,478,113 | \$ 4,782,751 | \$ 1,295,931 | \$ 2,446,983 | \$ 21,896,787 | \$ - | \$ 31,900,565 | \$ 30,495,062 |
| Additions and betterments | - | - | 141,264 | 262,646 | 280,423 | - | 684,333 | 1,958,163 |
| Disposals and writedowns | - | - | (2,739) | - | - | - | (2,739) | (552,660) |
| BALANCE, END OF YEAR | 1,478,113 | 4,782,751 | 1,434,456 | 2,709,629 | 22,177,210 | - | 32,582,159 | 31,900,565 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| Balance, beginning of year | 206,159 | 1,230,570 | 366,151 | 757,135 | 12,821,122 | - | 15,381,137 | 14,927,056 |
| Annual amortization | 32,184 | 97,803 | 65,486 | 143,293 | 634,562 | - | 973,328 | 917,300 |
| Amortization disposals | - | - | (2,739) | - | - | - | (2,739) | (463,219) |
| BALANCE, END OF YEAR | 238,343 | 1,328,373 | 428,898 | 900,428 | 13,455,684 | - | 16,351,726 | 15,381,137 |
| TANGIBLE CAPITAL ASSETS-NET | \$ 1,239,770 | \$ 3,454,378 | \$ 1,005,558 | \$ 1,809,201 | \$ 8,721,526 | \$ - | \$ 16,230,433 | \$ 16,519,428 |

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

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

| | Budget 2021 (Note 11) | Actual 2021 | Actual 2020 |
|---|-----------------------------|------------------|------------------|
| REVENUE | | | |
| Municipal contributions | \$ 52,521 | \$ 53,021 | \$ 53,021 |
| Provincial grants | 6,421 | 6,421 | 6,421 |
| Other | 4,295 | 4,052 | 3,131 |
| TOTAL REVENUE | 63,237 | 63,494 | 62,573 |
| EXPENSES | | | |
| Wages and benefits | 38,650 | 35,698 | 35,586 |
| Books, magazines and videos | - | 1,833 | 1,769 |
| Rent and insurance | 7,500 | 8,000 | 8,000 |
| Telephone and internet | 2,950 | 2,983 | 2,919 |
| Postage and supplies | 2,182 | 1,530 | 2,707 |
| Miscellaneous | 3,860 | 3,647 | 2,456 |
| Amortization | 6,212 | 6,212 | 6,149 |
| TOTAL EXPENSES | 61,354 | 59,903 | 59,586 |
| ANNUAL SURPLUS (DEFICIT) | 1,883 | 3,591 | 2,987 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 66,700 | 66,700 | 63,713 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 68,583 | \$ 70,291 | \$ 66,700 |