Consolidated Financial Statements

THE CORPORATION OF THE MUNICIPALITY OF MARKSTAY-WARREN

And Independent Auditor's Report thereon

Year ended December 31, 2023

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Municipality of Markstay-Warren (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 of 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 judgement, 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.

_____

Marc Serre
Chief Administrative Officer

KPMG LLP
Times Square
1760 Regent Street, Unit 4
Sudbury, ON P3E 3Z8
Canada
Telephone 705 675 8500
Fax 705 675 7586

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Rate Payers of the Corporation of the Municipality of Markstay-Warren

We have audited the consolidated financial statements of The Corporation of the Municipality of Markstay-Warren (the Entity), 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 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 Entity as at December 31, 2023, and its consolidated results of operations and its consolidated cash flows then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 of the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

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. In our opinion, such adjustments are appropriate and are properly applied.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity'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.

- 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 within 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
October 29, 2026

THE CORPORATION OF THE MUNICIPALITY OF MARKSTAY-WARREN

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Year ended December 31, 2023

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THE CORPORATION OF THE MUNICIPALITY OF MARKSTAY-WARREN

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 2)
Financial assets		
Cash	$ 1,004,692	$ 2,455,734
Taxes and utilities receivable (note 3)	884,753	631,283
Trade and other accounts receivable	1,043,746	614,420
Long-term receivables (note 4)	80,650	98,085
	3,013,841	3,799,522
Financial liabilities		
Accounts payable and accrued liabilities	324,487	816,660
Deferred revenue - obligatory reserve funds (note 6)	619,817	1,135,610
Deferred revenue	140,879	164,295
Asset retirement obligation (note 7)	2,179,645	2,283,213
Long-term liabilities (note 8)	1,679,801	1,568,601
	4,944,629	5,968,379
Net debt	(1,930,788)	(2,168,857)
Non-financial assets		
Tangible capital assets (note 9)	19,071,351	18,611,561
Prepaid expenses	1,117	131,612
Inventory	-	94,994
	19,072,468	18,838,167
Contingencies (note 16)		
Commitments (note 17)		
Accumulated surplus (note 11)	$ 17,141,680	$ 16,669,310

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

On behalf of Council:

_____ Mayor

_____ Chief Administrative Officer

THE CORPORATION OF THE MUNICIPALITY OF MARKSTAY-WARREN

Consolidated Statement of Operations and Accumulated Surplus

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

	2023 Budget (note 12)	2023 Actual	2022 Actual (Restated - note 2)
Revenue:			
Taxation	$ 3,853,220	$ 3,985,542	$ 3,608,909
Fees and user charges	157,125	1,047,462	1,018,861
Canada grants	7,087	811,533	200,575
Ontario grants	981,714	1,683,448	1,071,899
Penalties and interest on taxes and utilities	55,000	-	57,371
Rents and royalties	76,200	83,954	113,680
Other municipalities	3,700	-	12,564
Investment income	15,527	23,857	24,249
COVID-19 grants	-	-	31,400
Other	136,871	107,181	115,580
Total revenue	5,286,444	7,742,977	6,255,088
Expenses:			
General government	877,196	1,217,090	1,065,205
Protections to persons and property	1,182,445	1,201,855	1,114,707
Transportation services	1,819,415	2,306,576	1,831,466
Environmental services	514,357	896,674	917,250
Health services	558,959	551,567	523,864
Social and family services	282,929	336,603	260,084
Recreational and cultural services	580,204	626,759	531,357
Planning and development	157,228	133,483	101,191
Total expenses	5,972,733	7,270,607	6,345,124
Annual surplus (deficit)	(686,289)	472,370	(90,036)
Accumulated surplus, beginning of year	16,669,310	16,669,310	18,103,170
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(1,343,824)
Accumulated surplus, end of year	$ 15,983,021	$ 17,141,680	$ 16,669,310

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

THE CORPORATION OF THE MUNICIPALITY OF MARKSTAY-WARREN

Consolidated Statement of Change in Net Debt

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

	2023 Budget (note 12)	2023 Actual	2022 Actual (Restated - note 2)
Annual surplus (deficit)	$ (686,289)	$ 472,370	$ (90,036)
Acquisition of tangible capital assets	(90,000)	(1,276,917)	(1,296,830)
Amortization of tangible capital assets	777,401	774,439	722,247
Gain on sale of tangible capital assets	-	42,688	-
Utilization (acquisition) of prepaid expenses	-	130,495	(94,369)
Utilization (acquisition) of inventory	-	94,994	(74,201)
Change in net financial assets (debt)	1,112	238,069	(833,189)
Net financial assets (debt), beginning of year	(2,168,857)	(2,168,857)	72,539
Adjustment on adoption of the asset retirement standard (note 2)	-	-	(1,408,207)
Net debt, beginning of year, as restated	(2,168,857)	(2,168,857)	(1,335,668)
Net debt, end of year	$ (2,167,745)	$ (1,930,788)	$ (2,168,857)

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

THE CORPORATION OF THE MUNICIPALITY OF MARKSTAY-WARREN

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)	$ 472,370	$ (90,036)
Items not involving cash:		
Amortization of tangible capital assets	774,439	722,247
Loss on sale of tangible capital assets	42,688	-
Change in asset retirement obligation	(103,568)	28,006
	1,185,929	660,217
Change in non-cash assets and liabilities:		
Taxes receivable	(253,470)	(183,601)
Trade and other accounts receivable	(429,326)	(296,103)
Prepaid expenses	130,495	(94,369)
Inventory of supplies	94,994	(74,201)
Accounts payable and accrued liabilities	(492,173)	(444,289)
Deferred revenue - obligatory reserve funds	(515,793)	117,326
Deferred revenue	(23,416)	36,338
Net change in cash from operating activities	(302,760)	(278,682)
Capital activities:		
Cash used to acquire tangible capital assets	(1,276,917)	(1,296,830)
Net change in cash from capital activities	(1,276,917)	(1,296,830)
Investing activities:		
Payment received on long-term receivables	17,435	17,361
Net change in cash from investing activities	17,435	17,361
Financing activities:		
Repayment of long-term liabilities	(207,932)	(197,974)
New long-term liabilities obtained	319,132	-
Net change in cash from financing activities	111,200	(197,974)
Net change in cash	(1,451,042)	(1,756,125)
Cash, beginning of year	2,455,734	4,211,859
Cash, end of year	$ 1,004,692	$ 2,455,734

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

The Corporation of the Municipality of Markstay-Warren (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 ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. These consolidated financial statements include the Markstay-Warren Public Library Board and the Markstay-Warren Community Development Corporation which are under the control of Council.

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

(b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available 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.

(c) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the 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
Water and sewer	30 - 85
Landfill	23 - 58
Vehicles and equipment	5 - 25
Buildings	30 - 50
Roads	40 - 100
Bridges and culverts	20 - 30
Furniture, equipment and books	10 - 20

1. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

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.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(d) Non-financial assets:

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

(e) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

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.

(f) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, asset retirement obligation and in performing actuarial valuations of employee future benefits.

Actual results could differ from these estimates.

(g) School boards:

The Municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

1. Significant accounting policies (continued):

(h) 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. Vacation entitlements are accrued for as entitlements are earned.

(i) 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.

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.

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.

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.

2. Change in accounting policies (continued):

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.

On January 1, 2022, the Municipality recognized an asset retirement obligation relating to its active and inactive landfill sites. 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 sites owned by the Municipality. The liabilities were measured as of the date of acquisition of the sites, when the liability was assumed. As of the date of adoption of the standard, the relevant discount rate is 3.45% per annum.

On January 1, 2022, the Municipality recognized an additional asset retirement obligation relating to several buildings owned by the Municipality that contain asbestos and other designated materials. The buildings were originally acquired in between 1950 and 2011, and the liability was measured as of the date of acquisition of the buildings when the liability was assumed. The buildings have an expected useful life of 40 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 $847,000 to solid waste management liabilities to remove the liability recognized to date under the old standard, and an accompanying increase of $847,000 to opening accumulated surplus.

(ii) An asset retirement obligation in the amount of $1,273,004, representing the original obligation discounted to the present value amount using a rate of 3.45%.

(iii) An increase of $441,495 to the land improvements capital asset account, representing the original estimate of the obligation as of the commencement of the use of the landfills.

(iv) An accompanying increase of $382,367 to accumulated amortization, representing the years of increased amortization for the landfill sites had the liabilities originally been recognized.

(v) Adjustments for previously booked landfill expenses of $315,074 adjusted through opening accumulated surplus.

(vi) A decrease to opening accumulated surplus of $1,213,876 as a result of the recognition of the liability, accompanying increase in depreciation expense and accretion expense and landfill expenses for the years since acquisition of the landfill sites.

2. Change in accounting policies (continued):

b) Building obligation:

(i) An asset retirement obligation in the amount of $982,203, representing the estimate of the original obligation as of the date of acquisition.

(ii) An increase of $982,203 to the buildings and building improvements tangible capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of $976,948 to the accumulated amortization, representing the increased amortization had the liability originally been recognized at the date of acquisition.

(iii) A decrease to opening accumulated surplus of $976,948, as a result of the recognition of the liability, accompanying increase in amortization expense and accretion and other expenses for the years since purchase.

On a combined basis, the implementation of the new standard has resulted in a decrease in opening accumulated surplus of $1,343,824, an increase in net tangible assets of $64,383 and an increase in financial liabilities of $1,408,207 effective January 1, 2022.

Furthermore, the Municipality adjusted its reported operating expenses for the year ended December 31, 2022 to reflect:

(i) A decrease in environmental expenses of $323,294 to remove the expense recognized in connection with the old standard and to recognize the change in estimate of the asset retirement obligation in 2022.

(ii) An increase in depreciation expense of $8,794.

3. Taxes and utilities receivable:

	2023	2022
Current	$ 397,041	$ 689,753
Past due	499,203	61,863
Penalties and interest	115,947	7,105
Less: allowances for doubtful accounts	(127,438)	(127,438)
	$ 884,753	$ 631,283

4. Long-term receivables:

	2023	2022
Amounts receivable from ratepayers repayable in semi-annual payments of $143, bearing interest at a rate of 4.59% per annum, due May 2030	$ 80,650	$ 98,085

5. Credit facilities:

The Municipality has available a $750,000 (2022 - $750,000) demand line of credit through a variable credit contract which can be increased to $1,500,000 when required with 20 days notice to the financial institution. This line of credit bears interest at the bank's prime rate. Council has set a limit of 50% of the total estimated revenues of the Municipality from January 1 to December 31. At December 31, 2023, $Nil (2022 - $Nil) has been drawn against this facility.

6. Deferred revenue- obligatory reserve funds:

A requirement of the Public Sector Accounting Board of the Chartered Professional Accounts of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the Municipality is summarized below:

	2023	2022
Obligatory reserve	$ 619,817	$ 1,135,610

The continuity of deferred revenue – obligatory reserve funds is as follows:

	2023	2022
Balance, beginning of year	$ 1,135,610	$ 1,018,284
Add amounts received:		
Federal gas tax	175,796	168,471
	1,311,406	1,186,755
Less transfer to operations:		
Federal gas tax revenue earned	(691,589)	(51,145)
Balance, end of year	$ 619,817	$ 1,135,610

7. Asset retirement obligation:

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

a) Landfill closure:

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the sites, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the closure of operational sites and post-closure care has been recognized under PS 3280 Asset Retirement Obligation. The reported liability is based on estimates and assumptions with respect to events extending over a sixty-year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated total landfill closure and post-closure care expenditures are calculated to be $1,329,633. The estimated liability for these expenditures is recognized as the landfill site's capacity is used. The sites range from 44% to 83% of capacity with remaining lives of approximately eight years.

b) Asbestos removal obligations:

The Municipality owns and operates several buildings, which represents a health hazard upon demolition of the building and there is a legal obligation to remove or remediate these items. Following the adoption of PS 3280 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).

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

	Landfill closure	Asbestos removal	Balance at December 31, 2023
Opening balance	$ 1,301,010	$ 982,203	$ 2,283,213
Accretion expense	28,622	–	28,622
Change in estimate	(132,190)	–	(132,190)
Closing balance	$ 1,197,442	$ 982,203	$ 2,179,645

7. Asset retirement obligation (continued):

b) Asbestos removal obligations (continued):

	Landfill closure	Asbestos removal	Balance at December 31, 2022
Opening balance	$ –	$ –	$ –
Adjustment on adoption of the asset retirement obligation standard (note 2)	1,273,004	982,203	2,255,207
Opening balance as restated	1,273,004	982,203	2,255,207
Accretion expense	28,006	–	28,006
Closing balance	$ 1,301,010	$ 982,203	$ 2,283,213

Obligations related to landfill closure will be funded from future taxation revenues.

8. Long-term liabilities:

The balance owing of long-term liabilities is comprised of the following:

	2023	2022
Loan payable, due July 2027, repayable in monthly instalments of $946, principal and interest at a rate of 2.27% per annum (International Pumper 2009)	$ 39,045	$ 49,387
Loan payable, due July 2030, repayable in semi-annual instalments of $8,573, principal and interest at a rate of 4.59% (Warren water system)	101,669	113,732
Loan payable, due December 2025, repayable in semi-annual instalments of $11,774, principal and interest at a rate of 2.65% per annum (Freight Pumper)	45,577	67,482
Loan payable, due November 2039, repayable in monthly instalments of $765, principal and interest at a rate of 2.71% per annum (Bridge repairs)	118,650	124,534
Loan payable, due December 2029, repayable in monthly instalments of $1,396, principal and interest at a rate of 2.51% per annum (Vehicles)	93,189	107,403
Loan payable, due December 2033, repayable in monthly instalments of $2,542, principal and interest at a rate of 3.41% per annum (Main Street Bridge)	258,150	279,453
Loan payable, due November 2026, repayable in monthly instalments of $2,295, principal and interest at a rate of 2.11% per annum (Western Star)	77,822	103,421
Brought forward	734,102	845,412

8. Long-term liabilities (continued):

	2023	2022
Carried forward	$ 734,102	$ 845,412
Loan payable, due July 2027, repayable in monthly payments, of $2,513, principal and interest at a rate of 2.27% per annum (Western Star)	103,706	131,175
Loan payable, due December 2032, repayable in semi-annual payments of $34,201, principal and interest at a rate of 3.38% per annum (Multi-use facility)	526,998	576,334
Loan payable, due August 2023, repayable in semi-annual payments of $8,027, principal and interest at a rate of 3.17% per annum (Excavator)	–	15,680
Loan payable, due October 2033, repayable in monthly payments of $1,997, principal and interest at a rate of 4.78% per annum (JD Loader)	187,679	–
Loan payable, due October 2033, repayable in monthly payments of $1,354, principal and interest at a rate of 4.78% per annum (Freightliner)	127,316	–
	$ 1,679,801	$ 1,568,601

	2024 to 2028	2029 and thereafter	2023 Total	2022 Total
From general municipal revenues	$ 897,867	$ 680,265	$ 1,578,132	$ 1,454,869
From ratepayers	85,374	16,295	101,669	113,732
	$ 983,241	$ 696,560	$ 1,679,801	$ 1,568,601

9. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals	Transfers	Balance at December 31, 2023
Land	$ 387,968	$ -	$ -	$ -	$ 387,968
Land improvements	441,495	-	(42,688)	-	398,807
Buildings	5,232,390	-	-	-	5,232,390
Bridges and culverts	4,824,327	94,994	-	-	4,919,321
Vehicles and equipment	3,831,639	621,840	-	-	4,453,479
Furniture, equipment and books	1,631,532	15,349	-	-	1,646,881
Water and sewer	10,413,102	1,833	-	-	10,414,935
Roads	6,311,361	542,901	-	-	6,854,262
Construction in progress	216,649	-	-	-	216,649
Total	$ 33,290,463	$ 1,276,917	$ (42,688)	$ -	$ 34,524,692

Accumulated Amortization	Balance at December 31, 2022	Disposals	Amortization	Balance at December 31, 2023
Land	$ -	$ -	$ -	$ -
Landfill	390,587		8,220	398,807
Buildings	3,325,462	-	99,852	3,425,314
Bridges and culverts	2,902,537	-	161,853	3,064,390
Vehicles and equipment	2,018,749	-	156,066	2,174,815
Furniture, equipment and books	1,466,555	-	20,055	1,486,610
Water and sewer	2,605,153	-	164,777	2,769,930
Roads	1,969,859	-	163,616	2,133,475
Construction in progress	-	-	-	-
Total	14,678,902	$ -	$ 774,439	$ 15,453,341

	Net book value, December 31, 2022	Net book value, December 31, 2023
Land	$ 387,968	$ 387,968
Landfill	50,908	-
Buildings	1,906,928	1,807,076
Bridges and culverts	1,921,790	1,854,931
Vehicles and equipment	1,812,890	2,278,664
Furniture, equipment and books	164,977	160,271
Water and sewer	7,807,949	7,645,005
Roads	4,341,502	4,720,787
Construction in progress	216,649	216,649
Total	$ 18,611,561	$ 19,071,351

9. Tangible capital assets (continued):

Cost	Balance at December 31, 2021	Additions	Disposals	Transfers	Balance at December 31, 2022 (Restated - note 2)
Land	$ 387,968	$ -	$ -	$ -	$ 387,968
Land improvements	441,495	-	-	-	441,495
Buildings	5,232,390	-	-	-	5,232,390
Bridges and culverts	4,824,327	-	-	-	4,824,327
Vehicles and equipment	3,414,849	416,790	-	-	3,831,639
Furniture, equipment and books	1,626,130	5,402	-	-	1,631,532
Water and sewer	10,111,237	301,865	-	-	10,413,102
Roads	5,752,740	558,621	-	-	6,311,361
Construction in progress	202,497	14,152	-	-	216,649
Total	$ 31,993,633	$ 1,296,830	$ -	$ -	$ 33,290,463

Accumulated Amortization	Balance at December 31, 2021	Disposals	Amortization	Balance at December 31, 2022 (Restated - note 2)
Land	$ -	$ -	$ -	$ -
Land improvements	382,367	-	8,220	390,587
Buildings	3,225,036	-	100,426	3,325,462
Bridges and culverts	2,740,684	-	161,853	2,902,537
Vehicles and equipment	1,893,914	-	124,835	2,018,749
Furniture, equipment and books	1,447,271	-	19,284	1,466,555
Water and sewer	2,440,376	-	164,777	2,605,153
Roads	1,827,007	-	142,852	1,969,859
Construction in progress	-	-	-	-
Total	$ 13,956,655	$ -	$ 722,247	$ 14,678,902

	Net book value, December 31, 2021	Net book value, December 31, 2022 (Restated - note 2)
Land	$ 387,968	$ 387,968
Landfill	59,128	50,908
Buildings	2,007,354	1,906,928
Bridges and culverts	2,083,643	1,921,790
Vehicles and equipment	1,520,935	1,812,890
Furniture, equipment and books	178,859	164,977
Water and sewer	7,670,861	7,807,949
Roads	3,925,733	4,341,502
Construction in progress	202,497	216,649
Total	$ 18,036,978	$ 18,611,561

10. Library operations:

The Corporation of the Municipality of Markstay-Warren Public Library Board is a corporate body as specified under the Library Act. The primary role of the public library board is to provide library services to the general public.

The Corporation of the Municipality of Markstay-Warren Public Library Board has been consolidated in these financial statements as follows:

	2023	2022
Revenue:		
Ontario grants	$ 10,964	$ 7,152
Other	502	7,524
Canada grants	–	8,321
	11,466	22,997
Expenses:		
Wages and benefits	116,400	110,059
Office and general	9,117	6,442
Books, videos and subscriptions	5,885	5,907
Equipment purchases	653	11,642
Telephone and internet	966	891
Insurance	157	142
	133,178	135,083
Municipal contribution	$ 121,712	$ 112,086

11. Accumulated surplus:

The Town segregates its accumulated surplus in the following categories:

	2023	2022 (Restated – Note 2)
Surplus:		
Invested in tangible capital assets	$ 17,419,894	$ 17,203,867
General deficit	(1,653,559)	(1,912,203)
Invested in Markstay-Warren Community Development Corporation	36,846	36,846
Amounts to be recovered in future periods:		
Asset retirement obligation	(2,179,645)	(2,283,213)
Total surplus	13,623,536	13,045,297
Reserves set aside for specific purpose by Council:		
Working funds	1,245,819	1,331,019
Protection services	99,427	120,096
Transportation services	232,971	232,971
Environmental services	1,802,508	1,802,508
Recreation and cultural services	127,419	127,419
Planning and development	10,000	10,000
Total reserves	3,518,144	3,624,013
Accumulated surplus	$ 17,141,680	$ 16,669,310

12. Budget information:

The budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by Council. The reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is listed below.

Budgeted surplus as approved by Council	$	1,112
Add (less):		
Capital expenditures		90,000
Amortization expense		(777,401)
Budgeted deficit per financial statements	$	(686,289)

13. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS) (the "Plan"), which is a multi-employer plan, on behalf of 15 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.

The amount contributed to OMERS for 2023 was $107,715 (2022 - $89,118) for current service.

14. Operations of school boards:

During the year, the following taxation revenue was raised and remitted to the school boards:

	2023	2022
School boards	$ 499,827	$ 495,832

15. Trust funds:

The Trust Funds administered by the Municipality amounting to $145,203 (2022 - $142,404) have not been included on the consolidated statement of financial position nor have their operations been included on the consolidated statement of operations.

16. Contingencies:

The Municipality has been named as a defendant in a legal action and has prepared and filed a Statement of Defence. The outcome of this action is not determinable and, accordingly, no amounts have been reflected in the accounts of the Municipality for this matter.

17. Commitments:

(a) The Municipality has entered into an agreement with the City of Sudbury to provide water and sewer maintenance service for the Villages of Markstay and Warren. The agreement expires on December 31, 2027 and the annual cost is approximately $182,170.

(b) The Municipality has entered into an agreement with Environmental 360 Solutions Ltd. to provide garbage disposal service for the residential and commercial areas of Markstay and Warren. The agreement expires on June 30, 2027 and the annual cost is approximately $175,000.

18. Public sector salary disclosure:

During 2023, one employee was paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of $100,000 or more by the Municipality.

19. Segmented information:

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

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

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

(b) Protection Services: includes policing, fire protection, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; and prevention education and training programs. Inspection and control includes building inspection and dog control services.

(c) Transportation Services: This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.

(d) Environmental Services: Includes the management and maintenance of water and wastewater system, the landfill site, transfer stations, and the waste collection system that serves the municipality.

(e) Recreational and Cultural Services: Provides recreation and leisure programs and facilities, including community halls, libraries, parks, recreation fields and arena.

19. Segmented information (continued):

(f) Planning and Development: Manages rural development for business interest, environmental concerns, heritage matters, local neighborhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geographic information services.

(g) Health Services: The Municipality provides ambulance services through the District Social Services Board, Cemetery Services and a range of public health services through the Sudbury and District Health Unit.

(h) Social and Family Services / Social Housing: The services are provided indirectly by the Municipality through the District Social Services Board and include family and children's services, housing services and seniors clubs.

For each segment separately reported in the schedule below, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

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

19. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2023 Total
Revenue:									
Fees and user charges	$ 5,614	99,023	3,427	860,609	14,668	-	64,121	-	$ 1,047,462
Canada grants	-	-	811,533	-	-	-	-	-	811,533
Ontario grants	-	-	-	612,000	-	-	10,964	4,390	627,354
Rents and royalties	57,372	-	9,506	6,837	-	10,239	-	-	83,954
Investment income	20,139	-	-	3,470	-	-	-	248	23,857
Other	11,472	86,828	716	581	(189)	-	8,053	(280)	107,181
	94,597	185,851	825,182	1,483,497	14,479	10,239	83,138	4,358	2,701,341
Expenses:									
Salaries, wages and benefits	638,150	356,505	792,688	35,647	9,178	3,972	270,120	31,364	2,137,624
Materials	457,601	345,360	759,522	243,998	-	113,025	302,492	15,971	2,237,969
Contracted services	16,941	408,033	348,291	434,169	542,389	219,373	327	46,535	2,016,058
Rents, financial expenses and other	39,058	5,191	15,572	5,083	-	-	-	39,613	104,517
Amortization of tangible capital assets	65,340	86,766	390,503	177,777	-	233	53,820	-	774,439
	1,217,090	1,201,855	2,306,576	896,674	551,567	336,603	626,759	133,483	7,270,607
Excess (deficiency) of revenue over expenses	(1,122,493)	(1,016,004)	(1,481,394)	586,823	(537,088)	(326,364)	(543,621)	(129,125)	(4,569,266)
Funded through:									
Taxation									3,985,542
Ontario grants									1,056,094
Annual surplus									$ 472,370

19. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2022 Total
									(Restated - note 2)
Revenue:									
Fees and user charges	$ (40,453)	115,858	3,751	895,906	9,112	-	34,687	-	$ 1,018,861
Canada grants	-	-	192,254	-	-	-	8,321	-	200,575
Ontario grants	-	-	-	-	7,000	-	16,752	6,822	30,574
Penalties and interest on taxes	57,371	-	-	-	-	-	-	-	57,371
Rents and royalties	92,525	-	9,283	6,837	-	4,835	200	-	113,680
Other municipalities	-	12,564	-	-	-	-	-	-	12,564
Investment income	23,644	-	-	393	-	-	-	212	24,249
COVID-19 grants	-	-	-	-	-	8,900	22,500	-	31,400
Other	14,477	30,929	17,219	28,446	189	-	17,308	7,012	115,580
	147,564	159,351	222,507	931,582	16,301	13,735	99,768	14,046	1,604,854
Expenses:									
Salaries, wages and benefits	535,221	312,207	554,541	39,228	11,351	3,904	236,200	-	1,692,652
Materials	390,613	270,972	695,395	275,893	969	41,853	248,577	30,178	1,954,450
Contracted services	44,686	467,765	182,142	423,514	511,544	214,094	271	55,762	1,899,778
Rents, financial expenses and other	30,360	6,344	17,539	5,619	-	-	884	15,251	75,997
Amortization of tangible capital assets	64,325	57,419	381,849	172,996	-	233	45,425	-	722,247
	1,065,205	1,114,707	1,831,466	917,250	523,864	260,084	531,357	101,191	6,345,124
Surplus (deficiency) of revenue over expenses	(917,641)	(955,356)	(1,608,959)	14,332	(507,563)	(246,349)	(431,589)	(87,145)	(4,740,270)
Funded through:									
Taxation									3,608,909
Ontario grants									1,041,325
Annual deficit									$ (90,036)