

THE CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

December 31, 2022

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CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Village of Merrickville-Wolford


Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.


The Corporation of the Village of Merrickville-Wolford's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP is appointed by the Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 19, 2023



CAO



Manager of Finance/Treasurer

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Village of Merrickville-Wolford:

Opinion

We have audited the consolidated financial statements of The Corporation of the Village of Merrickville-Wolford and its subsidiaries (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of financial activities, changes in net financial assets (net debt), cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2022, and the results of its consolidated operations, changes in its net financial assets (net 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 responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Cornwall, Ontario

July 19, 2023

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	2022	2021
NET FINANCIAL ASSETS		
ASSETS		
Cash	\$ 5,438,252	\$ 5,123,096
Investments	99,869	-
Taxes receivable	645,415	752,741
Accounts receivable	637,013	461,964
	6,820,549	6,337,801
LIABILITIES		
Accounts payable	1,063,961	1,134,858
Deferred revenue	391,322	122,247
Deferred revenue - obligatory reserve funds (Note 2)	259,847	150,155
Municipal debt (Note 3)	3,629,321	3,787,744
Accrued landfill closure and post-closure costs (Note 4)	1,121,575	1,076,374
	6,466,026	6,271,378
NET FINANCIAL ASSETS	354,523	66,423
NON-FINANCIAL ASSETS		
Tangible capital assets	16,699,506	16,430,359
Inventory	66,888	53,186
Prepaid expenses	21,855	9,986
	16,788,249	16,493,531
ACCUMULATED SURPLUS	\$ 17,142,772	\$ 16,559,954

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2022

	BUDGET 2022 (Note 9)	ACTUAL 2022	ACTUAL 2021
REVENUES			
Taxation	\$ 3,522,567	\$ 3,525,811	\$ 3,361,198
Fees and service charges	1,833,793	2,135,869	1,786,224
Grants	415,320	425,107	468,208
Investment income	163,900	189,964	144,682
Other	10,225	28,026	28,046
	5,945,805	6,304,777	5,788,358
EXPENSES			
General government	1,030,239	1,065,846	989,989
Protection services	931,711	849,847	868,027
Transportation services	1,432,602	1,566,724	1,195,157
Environmental services	1,563,759	1,599,305	1,486,598
Recreation and cultural services	374,102	352,447	278,368
Planning and development	453,074	472,295	318,046
	5,785,487	5,906,464	5,136,185
SURPLUS BEFORE OTHER ITEMS	160,318	398,313	652,173
OTHER REVENUE RELATED TO CAPITAL			
Deferred revenue - obligatory reserve funds earned (Note 2)	194,978	-	418,160
Grants	528,534	184,505	54,160
Deferred revenue earned	118,512	-	11,196
	842,024	184,505	483,516
SURPLUS FOR THE YEAR	1,002,342	582,818	1,135,689
ACCUMULATED SURPLUS, beginning of year	16,559,954	16,559,954	15,424,265
ACCUMULATED SURPLUS, end of year	\$ 17,562,296	\$ 17,142,772	\$ 16,559,954

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the year ended December 31, 2022

	BUDGET 2022 (Note 9)	ACTUAL 2022	ACTUAL 2021
Surplus for the year	\$ 1,002,342	\$ 582,818	\$ 1,135,689
Amortization of tangible assets	800,000	825,786	774,186
Acquisition of tangible capital assets	(2,937,931)	(1,094,933)	(776,880)
Change in inventory	-	(13,702)	(496)
Change in prepaid expenses	-	(11,869)	(7,544)
Increase (decrease) in net financial assets	(1,135,589)	288,100	1,124,955
Net financial assets (debt), beginning of year	66,423	66,423	(1,058,532)
Net financial assets (debt), end of year	\$ (1,069,166)	\$ 354,523	\$ 66,423

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022	2021
CASH FROM OPERATING ACTIVITIES		
Surplus for the year	\$ 582,818	\$ 1,135,689
Item not affecting cash		
Amortization expense	825,786	774,186
Changes in non-cash working capital balances		
Taxes receivable	107,326	144,106
Accounts receivable	(175,049)	(38,733)
Inventory	(13,702)	(496)
Prepaid expenses	(11,869)	(7,544)
Accounts payable (Page 5)	269,894	(16,142)
Deferred revenue	269,075	52,191
Deferred revenue - obligatory reserve funds	109,692	(222,835)
Accrued landfill closure and post-closure costs	45,201	45,200
	2,009,172	1,865,622
CASH USED IN FINANCING ACTIVITIES		
Repayment of municipal debt	(158,423)	(262,467)
CASH USED IN CAPITAL AND INVESTING ACTIVITIES		
Acquisition of tangible capital assets (Page 5)	(1,435,724)	(436,089)
Purchase of investments	(99,869)	-
	(1,535,593)	(436,089)
INCREASE IN CASH	315,156	1,167,066
CASH, beginning of year	5,123,096	3,956,030
CASH, end of year	\$ 5,438,252	\$ 5,123,096

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2022

	Land and Improvements	Buildings	Vehicles	Machinery and equipment	Water and waste water plants and networks	Roads	Bridges	2022	2021
Cost									
Balance, beginning of year	\$ 513,315	\$ 2,720,460	\$ 2,131,163	\$ 2,475,863	\$ 13,095,194	\$ 4,828,636	\$ 1,017,907	\$ 26,782,538	\$ 26,028,158
Additions during the year	189,584	22,414	782,428	65,448	35,059	-	-	1,094,933	776,880
Disposals during the year	-	-	-	-	-	-	-	-	22,500
Balance, end of year	702,899	2,742,874	2,913,591	2,541,311	13,130,253	4,828,636	1,017,907	27,877,471	26,782,538
Accumulated Amortization									
Balance, beginning of year	41,633	940,004	1,649,145	1,633,584	4,067,007	1,212,618	808,188	10,352,179	9,600,493
Amortization during the year	10,322	76,114	117,995	107,025	328,256	163,294	22,780	825,786	774,186
Amortization on disposals	-	-	-	-	-	-	-	-	22,500
Balance, end of year	51,955	1,016,118	1,767,140	1,740,609	4,395,263	1,375,912	830,968	11,177,965	10,352,179
Net book value 2022	\$ 650,944	\$ 1,726,756	\$ 1,146,451	\$ 800,702	\$ 8,734,990	\$ 3,452,724	\$ 186,939	\$ 16,699,506	\$ 16,430,359
Net book value 2021	\$ 471,682	\$ 1,780,456	\$ 482,018	\$ 842,279	\$ 9,028,187	\$ 3,616,018	\$ 209,719	\$ 16,430,359	

Included in additions is an amount of \$340,791 that was paid in 2022 but was incurred in 2021; this amount was treated as a non-cash transaction for the purposes of the consolidated statement of cash flows.

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2022

	2022	2021
Deficits		
Operating surplus (Note 7)	\$ -	\$ -
Water and sewer surplus (Note 7)	-	-
Library surplus	45,570	47,085
Capital surplus - water and sewer	-	63,455
Unfunded liabilities to be recovered from future revenues		
Accrued landfill closure and post-closure	(1,121,575)	(1,076,374)
Total deficits	(1,076,005)	(965,834)
Reserves		
Reserves set aside for specific purposes by Council:		
Working capital	1,643,806	1,453,737
Vehicle replacement	295,623	838,623
Modernization	187,723	252,723
Capital	617,708	424,962
Capital contingency	473,818	411,618
Landfill	260,000	245,000
Self insurance	205,000	180,000
Library	112,116	102,616
Water and sewer	1,155,082	741,488
Building department	71,741	71,741
Hospital	45,000	45,000
Recreation	8,019	26,019
Election	9,780	21,780
IT	15,000	10,000
Museum	2,884	2,884
Total reserves	5,103,300	4,828,191
Equity in tangible capital assets		
Invested in tangible capital assets	16,699,506	16,430,359
Less: related debt	3,584,029	3,732,762
Total equity in tangible capital assets	13,115,477	12,697,597
ACCUMULATED SURPLUS	\$ 17,142,772	\$ 16,559,954

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

For the year ended December 31, 2022

	Deficits	Reserves	Equity in Tangible Capital Assets	2022	2021
Balance, beginning of year	\$ (965,834)	\$ 4,828,191	\$ 12,697,597	\$ 16,559,954	\$ 15,424,265
Surplus for the year	582,818	-	-	582,818	1,135,689
Reserve funds used for operations	800,676	(800,676)	-	-	-
Funds transferred to reserves	(1,075,785)	1,075,785	-	-	-
Current year funds used for tangible capital assets	(1,094,933)	-	1,094,933	-	-
Annual amortization expense	825,786	-	(825,786)	-	-
Municipal debt repaid	(148,733)	-	148,733	-	-
Change in accumulated surplus (deficit)	(110,171)	275,109	417,880	582,818	1,135,689
Balance, end of year	\$ (1,076,005)	\$ 5,103,300	\$ 13,115,477	\$ 17,142,772	\$ 16,559,954

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2022

	General Government	Protection Services	Transportation Services	Environmental Services	Water and Sewer Services	Recreation and Cultural Services	Planning and Development	2022	2021
REVENUE									
Taxation	\$ 547,513	\$ 1,718,818	\$ 412,454	\$ -	\$ -	\$ 408,346	\$ 438,680	\$ 3,525,811	\$ 3,361,198
Fees and service charges	118,790	23,905	12,276	146,136	1,457,702	50,428	326,632	2,135,869	1,786,224
Grants	330,253	6,524	13,079	55,455	-	19,796	-	425,107	468,208
Investment income	186,495	796	-	-	-	2,673	-	189,964	144,682
Other	-	-	-	-	-	28,026	-	28,026	28,046
	1,183,051	1,750,043	437,809	201,591	1,457,702	509,269	765,312	6,304,777	5,788,358
EXPENSES									
Wages and benefits	650,735	75,485	652,596	39,160	-	116,376	324,072	1,858,424	1,563,954
Interest on municipal debt	-	10,286	8,034	-	129,212	-	12,989	160,521	159,391
Materials and services	211,121	153,772	566,535	114,631	492,805	149,976	135,234	1,824,074	1,457,944
Contracted services	-	459,556	-	76,200	370,962	-	-	906,718	890,311
Insurance and financial costs	153,670	17,622	71,214	-	19,147	25,614	-	287,267	255,289
Third party transfers	19,745	23,929	-	-	-	-	-	43,674	35,125
Amortization	30,575	109,197	268,345	-	357,188	60,481	-	825,786	774,186
	1,065,846	849,847	1,566,724	229,991	1,369,314	352,447	472,295	5,906,464	5,136,200
SURPLUS (DEFICIT)									
BEFORE OTHER ITEMS	117,205	900,196	(1,128,915)	(28,400)	88,388	156,822	293,017	398,313	652,158
OTHER REVENUE RELATED TO CAPITAL									
Deferred revenue - obligatory reserve funds earned	-	-	-	-	-	-	-	-	418,160
Grants	39,262	-	-	-	-	142,188	3,055	184,505	54,160
Deferred revenue earned	-	-	-	-	-	-	-	-	11,196
	39,262	-	-	-	-	142,188	3,055	184,505	483,516
SURPLUS FOR THE YEAR	\$ 156,467	\$ 900,196	\$ (1,128,915)	\$ (28,400)	\$ 88,388	\$ 299,010	\$ 296,072	\$ 582,818	\$ 483,516

See Accompanying Notes

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(a) Basis of consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenses and include the activities of all committees of Council and the following local board:

The Corporation of the Village of Merrickville - Wolford Library Board

(ii) Non-consolidated entities

There are no non-consolidated entities.

(iii) Accounting for United Counties and school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards, and the United Counties of Leeds and Grenville are not reflected in the municipal fund balances of these consolidated financial statements.

(b) Accrual basis of accounting

Revenues 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 receipt of goods or services and the creation of a legal obligation to pay.

(c) Taxation and related revenue

Property tax billings are issued by the Municipality based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, county taxes on behalf of the United Counties of Leeds and Grenville, provincial education taxes on behalf of the Province of Ontario, payments in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legislation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. 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.

(d) Government grants and transfers

Government grants transfers are the transfer of assets from other levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Municipality recognizes a government grant or transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government grant or transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Municipality recognizes revenue as the liability is settled.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fees and service charges

Fees and service charges are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, water and waste water charges, solid waste tipping fees, licensing fees, permits, and other fees from various recreation programs and facilities.

(f) Investment income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

(g) Cash

Cash is defined as cash on hand and cash on deposit.

(h) Investments

Investments are recorded at amortized cost. Cost approximate fair value of the investments.

(i) Reserves and reserve funds

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

(j) Deferred revenue

Deferred revenue represents government transfers that have been received for specific purposes, but the respective expenses has not been incurred to date. These amounts will be recognized as revenues in the year the expenses are incurred.

(k) Landfill closure costs

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

(l) Employee benefits

Employee benefits include vacation entitlement and sick leave benefits. Vacation and sick leave benefits are accrued in accordance with the Municipality's policy. The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), as a defined contribution plan.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Non-financial assets

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

(i) Tangible capital assets

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

Land improvements	20 to 40 years
Buildings	20 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	3 to 20 years
Water and waste plants and networks	
underground networks	40 to 100 years
sewage treatment plants	40 to 75 years
water pumping stations and reservoirs	40 to 75 years
flood stations and other infrastructure	40 to 75 years
Transportation	
roads	7 to 50 years
bridges and structures	25 to 75 years

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

Active landfills are amortized annually based on the remaining estimated useful life. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

The Municipality has a capitalization threshold of \$25,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are desktop computer systems, vehicles, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

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

(iii) Leases

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

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Non-financial assets (Continued)

(iv) Inventory

Inventory held for consumption is recorded at the lower of cost or replacement cost.

(n) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Municipality is directly responsible, or accepts responsibility to remediate the site;
- (iv) The Municipality expects that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability are:

- Costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- Costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

(o) Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires administration 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 consolidated financial statements, and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, and the estimated landfill closure and post-closure costs. Actual results could differ from these estimates.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Segments

The Municipality conducts its operations through seven reportable segments: General Government, Protection Services, Transportation Services, Environmental Services which includes Water and Sewer Services, Recreation and Cultural Services, and Planning and Development. These segments are established by senior management to facilitate the achievement of the Municipality's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

(q) Future accounting pronouncements

Standards effective beginning on or after April 1, 2022

Financial instruments

PS 3450 established recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard required fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at const/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

This standard is effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted. The Municipality has not yet determined the impact of this standard on its consolidated financial statements.

Asset Retirement Obligations

PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn. The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.

This standard is effective for annual financial statements relating to fiscal years beginning on or after April 1, 2022. Early application continues to be permitted. The Municipality has not yet determined the impact of this standard on its consolidated financial statements.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Future accounting pronouncements (Continued)

Standards effective beginning on or after April 1, 2023

Revenues

PS 3400 Revenues establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:

- Performance obligations are enforceable promises to provide specific goods or services to a specific payor;
- Performance obligations can be satisfied at a point in time or over a period of time;
- The new standard outlines five indicators to determine if the revenue would be recognized over a period of time;
- Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s); and
- Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.

This standard is effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted. The Municipality has not yet determined the impact of this standard on its consolidated financial statements.

Public Private Partnerships

PS 3160 Public Private Partnerships, which contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership PS 3160 applies when public private partnership infrastructure is procured by the public sector entity using a private sector partner that is obligated to:

- Design, build, acquire or better new or existing infrastructure;
- Finance the transaction past the point where the infrastructure is ready for use; and
- Operate and/or maintain the infrastructure.

Public private partnership infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure. A liability, which could be in the form of a financial liability, a performance obligation, or a combination of both, should be recognized when the public private partnership recognizes an asset.

This new Section is effective for fiscal years beginning on or after April 1, 2023. Earlier application is permitted. The Municipality has not yet determined the impact of this standard on its consolidated financial statements.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

2. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds are summarized as follows:

	Federal Gas			
	Tax	Parkland	2022	2021
Balance, beginning of year	\$ 97,707	\$ 52,448	\$ 150,155	\$ 372,990
Grants received	97,270	-	97,270	190,779
Interest and other	5,767	6,655	12,422	4,546
Deferred revenue earned	-	-	-	(418,160)
Balance, end of year	\$ 200,744	\$ 59,103	\$ 259,847	\$ 150,155

3. MUNICIPAL DEBT

(a) The balance of municipal debt reported on the consolidated statement of financial position is comprised of the following:

	2022	2021
Bank term loan, interest of 3.85%, repayable in blended monthly payments of \$2,458, due August 2036	\$ 312,855	\$ 330,226
Bank term loan, interest of 3.98%, repayable in blended semi-annual payments of \$100,627, due June 2044	2,889,510	2,973,254
Term loan, interest of 2.88%, repayable in blended semi-annual payments of \$6,542, due October 2024	25,254	37,350
Term loan, interest of 3.33%, repayable in blended semi-annual payments of \$12,055, due December 2036	268,034	282,847
Term loan, interest of 2.59%, repayable in blended semi-annual payments of \$11,700, due December 2026	88,376	109,085
Tile drain loans, interest of 6%, repayable over a ten year period in blended payments ranging between \$1,127 and \$6,793, maturity dates ranging from 2024 to 2028	45,292	54,982
	\$ 3,629,321	\$ 3,787,744

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

3. MUNICIPAL DEBT (Continued)

Principal payments assuming the loans are renewed under the same terms and conditions are as follows:

2023	\$ 164,137
2024	170,380
2025	158,486
2026	163,410
2027	146,081
2028 - 2031	606,684
Thereafter	2,220,143
	<hr/>
	\$ 3,629,321
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(b) Of the municipal debt reported in (a) of this note, all principal payments are payable from the following sources as follows:

	2023 - 2027	2028 - thereafter
General municipal revenues	\$ 291,479	\$ 403,040
Benefiting landowners - tile drains	39,011	6,281
Benefiting landowners	472,004	2,417,506
	<hr/>	<hr/>
	\$ 802,494	\$ 2,826,827
	<hr/>	<hr/>

4. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE COSTS

The Municipality operates a solid waste landfill site. The site has an estimated remaining life of 43 years, as a result of an amended provisional certificate of approval from the Ministry of the Environment dated March 2016, which represents 49% of total estimated remaining capacity. The estimate associated with closure and post-closure include costs such as clay, topsoil, hydro seed, site preparation, equipment, ditching, drainage, fencing and post-closure monitoring estimated for 25 years.

The liability for closure of the open site and post-closure care has been recognized based on the usage of the site's capacity during the year. Total closure and post-closure costs are estimated to be \$2,880,000 with \$1,121,575 (2021 - \$1,076,374) being accrued at the end of the current fiscal year based upon an average inflation rate of 2.9% and a discount rate of 3.98% being the Municipalities' borrowing rate.

These costs are to be recovered from future taxation revenue and reserves.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

5. OPERATING EXPENSES BY OBJECT

	BUDGET 2022	ACTUAL 2022	ACTUAL 2021
Wages and benefits	\$ 1,938,233	\$ 1,858,424	\$ 1,563,954
Interest on municipal debt	161,974	160,521	159,391
Materials and services	1,652,116	1,824,074	1,457,929
Contracted services	910,064	906,718	890,311
Insurance and other financial costs	284,321	287,267	255,289
Third party transfers	38,779	43,674	35,125
Amortization	800,000	825,786	774,186
	\$ 5,785,487	\$ 5,906,464	\$ 5,136,185

6. PENSION AGREEMENTS

The Municipality is a member of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer retirement plan. The plan is a contributory defined benefit plan that specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employee contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS pension deficit of \$6.7 billion (2021 - \$3.1 billion) in these consolidated financial statements.

The employer amount contributed to OMERS for 2022 was \$105,214 (2021 - \$92,060) for current service and is included as an expense on the consolidated statement of financial activities.

7. OPERATING SURPLUS

The operating surplus for the year ended December 31, 2022 was \$237,465 (2021 - \$295,930) which was transferred to the working capital reserve. The water and sewer surplus was \$148,156 (2021 - \$94,282) which was transferred to the water and sewer reserve. The library board deficit was \$1,516 (2021 - surplus of \$6,254) which was allocated from the library surplus account.

	BUDGET 2022	ACTUAL 2022	ACTUAL 2021
Surplus for the year	\$ 1,002,342	\$ 582,818	\$ 1,135,689
Funds transferred to reserves	(348,210)	(690,165)	(771,649)
Reserve funds used for operations	1,587,157	800,676	243,244
Principal payment on long-term debt and capital leases	(148,358)	(148,733)	(253,324)
Change in accrued landfill costs	45,000	45,201	45,200
Acquisition of tangible capital assets	(2,937,931)	(1,094,933)	(776,880)
Annual amortization expense	800,000	825,786	774,186
Change in unfunded capital projects	-	63,455	-
Operating surplus for the year	-	384,105	396,466
Transfer of surplus to water and sewer reserve	-	(148,156)	(94,282)
Transfer of deficit to library surplus	-	1,516	(6,254)
Transfer of surplus to working capital reserve	-	(237,465)	(295,930)
	\$ -	\$ -	\$ -

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

8. SEGMENTED INFORMATION

The Municipality is responsible for providing a range of services to its citizens. For management reporting purposes the Municipality's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the consolidated financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the Village of Merrickville - Wolford and expended disclosure by object has been reflected in the schedule of segmented disclosure.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

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

A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the Municipality. Administration as a segment includes operating and maintaining municipal owned buildings, human resource management, legal, communications, information systems and technology, 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 as well as frontline reception and customer service.

(b) Protection services

Protection services includes fire protection, conservation authority, protective inspection and control and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services

Transportation services includes administration and operation of traffic and parking services for the Municipality. In addition, services are provided for winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Municipality.

(d) Environmental services

Environmental services includes waste collection, disposal and recycling services.

(e) Water and sewer services

Water and sewer services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Municipality.

(f) Recreation and cultural services

Recreation and cultural services provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, and arenas.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

8. SEGMENTED INFORMATION (Continued)

(g) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

9. BUDGET FIGURES

The 2022 budget amounts that were approved on April 11, 2022 were established for Capital, Reserves and Reserve Funds and are based on a project-oriented basis, the costs of which may be carried out over one or more years.

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2022

FINANCIAL ACTIVITIES (000's)

	2022	2021	2020	2019	2018
Revenues					
Taxation	\$ 3,526	\$ 3,361	\$ 3,325	\$ 3,152	\$ 3,032
Fees and service charges	2,136	1,786	1,782	1,714	1,516
Grants	425	468	487	812	535
Investment income	190	145	170	194	200
Other	28	28	25	28	16
	6,305	5,788	5,789	5,900	5,299
Expenses					
General government	1,066	990	981	924	1,096
Protection to persons and property	850	868	844	846	877
Transportation services	1,567	1,195	1,164	1,161	1,248
Environmental	1,599	1,487	1,531	1,542	1,441
Recreation and cultural services	352	278	232	294	345
Planning and development	472	318	411	250	213
	5,906	5,136	5,163	5,017	5,220
Surplus before other items	399	652	626	883	79
Other revenue related to capital					
Deferred revenue earned	-	429	-	197	-
Grants	185	54	-	1,919	50
Gain on disposal of tangible					
	185	483	-	2,116	50
Surplus for the year	\$ 584	\$ 1,135	\$ 626	\$ 2,999	\$ 129

TAXABLE ASSESSMENT (000's)

	2022	2021	2020	2019	2018
Residential and farm	\$ 392,874	\$ 384,584	\$ 378,407	\$ 360,032	\$ 344,111
Commercial and industrial	26,033	26,219	24,338	24,123	23,658
	\$ 418,907	\$ 410,803	\$ 402,745	\$ 384,155	\$ 367,769
Exempt	16,092	15,952	17,148	16,282	15,702
	\$ 434,999	\$ 426,755	\$ 419,893	\$ 400,437	\$ 383,471
Commercial and industrial	6.21%	6.38%	6.04%	6.28%	6.43%

CORPORATION OF THE VILLAGE OF MERRICKVILLE-WOLFORD

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2022

FINANCIAL INDICATORS

	2022	2021	2020	2019	2018
Tax arrears					
Percentage of own levy	18 %	22 %	27 %	31 %	36 %
Percentage of total levy	11 %	13 %	16 %	18 %	21 %
Municipal debt	\$ 3,584,030	\$ 3,732,763	\$ 3,986,086	\$ 4,241,674	\$ 4,489,902
Municipal debt charges	\$ 309,254	\$ 412,715	\$ 456,832	\$ 504,671	\$ 502,643
Sustainability					
Financial assets to liabilities	1.05	1.01	0.83	0.68	0.54
Financial assets to liabilities excluding municipal debt	2.31	2.50	2.15	1.89	1.39
Municipal debt to tangible capital assets	21.46 %	22.72 %	24.26 %	25.24 %	29.58 %
Flexibility					
Debt charges to total operating revenue	4.91 %	7.13 %	7.89 %	8.55 %	9.49 %
Total operating revenue to taxable assessment	14.49 %	13.56 %	13.79 %	14.74 %	13.82 %
Vulnerability					
Operating grants to operating revenue	6.74 %	8.09 %	8.41 %	13.76 %	10.10 %
Total grants to total revenues	9.40 %	8.32 %	8.41 %	34.07 %	10.94 %
Reserve coverage					
Reserves	\$ 5,103,300	\$ 4,828,191	\$ 3,909,575	\$ 3,110,598	\$ 2,042,323
Reserves to operating expenses	86 %	94 %	76 %	62 %	39 %
Reserves to working capital	1.00	0.98	0.97	0.97	0.95