

Consolidated Financial Statements

**THE CORPORATION OF THE
TOWNSHIP OF THE ARCHIPELAGO**

And Independent Auditor's Report thereon

Year ended December 31, 2024

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of The Archipelago ("the Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards 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 these consolidated financial statements. The preparation of the 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 Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the 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 Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, residents and ratepayers of the Corporation of the Township of The Archipelago

Opinion

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

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the 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, 2024, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the 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.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the 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 the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

Date

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial Assets		
Cash and cash equivalents (note 3)	\$ 3,969,044	\$ 4,362,650
Taxes receivable (note 4)	1,089,189	989,300
Accounts receivable (note 5)	1,754,179	622,919
Investments (note 6)	20,822,482	16,552,796
	27,634,894	22,527,665
Financial Liabilities		
Accounts payable and accrued liabilities	2,590,915	1,274,034
Deposits payable	87,500	87,500
Employee benefits plan liability (note 8)	695,251	682,434
Deferred revenue and obligatory reserve funds (note 9)	1,658,594	1,290,435
Long-term debt (note 10)	1,549,698	1,633,186
Asset retirement obligation (note 11)	192,330	247,592
	6,774,288	5,215,181
Net financial assets	20,860,606	17,312,484
Non-financial Assets		
Tangible capital assets (note 12)	35,067,989	34,013,364
Prepaid expenses and inventory	182,240	1,183,426
	35,250,229	35,196,790
Commitments (note 14)		
Accumulated surplus (note 16)	\$ 56,110,835	\$ 52,509,274

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

Approved by:

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Mayor

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024	Actual 2024	Actual 2023
	(note 17)		
Revenue:			
Taxation (note 13)	\$ 9,398,798	\$ 9,428,538	\$ 9,134,310
Government grants - Federal	-	-	144,881
- Provincial	2,102,327	1,890,428	2,443,177
User fees and service charges	141,120	234,201	254,992
Permits, licenses and fines	226,000	240,587	240,144
Investment income	565,250	1,261,163	1,093,327
Interest charges on arrears taxes receivable and tax sales proceeds	100,650	153,113	145,893
Income from other municipalities	289,798	292,520	271,720
Holiday Cove	275,800	251,577	245,449
Miscellaneous	41,500	459,101	28,596
	13,141,243	14,211,228	14,002,489
Expenses:			
General government	5,359,052	3,660,772	3,519,620
Protection services	1,512,859	1,414,009	1,395,989
Transportation services	2,891,414	2,705,424	2,541,788
Environmental services	1,660,369	1,320,495	1,601,393
Health services	838,283	820,947	852,375
Social and family services	1,183,135	1,183,135	1,199,205
Recreation and cultural services	848,538	802,204	833,082
Planning and development	603,027	605,088	529,077
	14,896,677	12,512,074	12,472,529
Annual surplus (deficit)	(1,755,434)	1,699,154	1,529,960
Share of partnership (note 22)	-	1,902,407	-
Accumulated surplus, beginning of year	52,509,274	52,509,274	50,979,314
Accumulated surplus, end of year	\$ 50,753,840	\$ 56,110,835	\$ 52,509,274

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

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (note 17)	Actual 2024	Actual 2023 (Restated - noted 2)
Annual surplus (deficit)	\$ (1,755,434)	\$ 1,699,154	\$ 1,529,960
Acquisition of tangible capital assets	-	(3,013,698)	(976,841)
Amortization of tangible capital assets	-	1,959,073	1,843,794
Share of partnership	-	1,902,407	-
Proceeds on disposal of tangible capital assets	-	-	54,624
Change in prepaid expenses and inventory	-	1,001,186	2,397
Loss on disposal of tangible capital assets	-	-	(9,940)
Change in net financial assets	(1,755,434)	3,548,122	2,443,994
Net financial assets, beginning of year	17,312,484	17,312,484	14,868,490
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	-
Net financial assets, end of year	\$ 15,557,050	\$ 20,860,606	\$ 17,312,484

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

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,699,154	\$ 1,529,960
Items not involving cash:		
Amortization of tangible capital assets	1,959,073	1,843,794
Share of partnership	1,902,407	
Accretion expense	(55,262)	5,350
Loss (gain) on disposal of tangible capital assets	-	(9,940)
	5,505,372	3,369,164
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(99,889)	(233,041)
Decrease (increase) in accounts receivable	(1,131,260)	61,155
Decrease in prepaid expenses and inventory	1,001,186	2,397
Increase (decrease) in accounts payable and accrued liabilities	1,316,881	(661,873)
Increase in deposits payable	-	87,500
Increase in employee benefits plan liability	12,817	77,567
Increase (decrease) in deferred revenue and obligatory reserve funds	368,159	(105,498)
Net change in cash from operating activities	6,973,266	2,597,371
Investing activities:		
Proceeds on disposal of tangible capital assets	-	54,624
Increase in long term investments	(4,269,686)	(2,534,820)
Cash used to acquire tangible capital assets	(3,013,698)	(976,841)
	(7,283,384)	(3,457,037)
Financing activities:		
Repayment of long-term debt	(83,488)	(80,722)
Decrease in cash and cash equivalents	(393,606)	(940,388)
Cash and cash equivalents, beginning of year	4,362,650	5,303,038
Cash and cash equivalents, end of year	\$ 3,969,044	\$ 4,362,650

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

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

The Corporation of the Township of The Archipelago (the "Township") is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Township provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

1. Significant accounting policies:

The consolidated financial statements of the Township are the representation of management. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards 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 Township are as follows:

(a) Basis of consolidation:

- i) The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Township which includes the following organizations:

Archipelago Area Planning Board

- ii) Trust Funds:

Trust funds and their related operations administered by the Township are not consolidated but are reported separately on the Trust Fund's financial statements.

(b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenues; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

(c) 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.

(d) Cash and cash equivalents:

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

(e) Portfolio investments:

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Asset	Useful Life
Land improvements	15 to 50 years
Buildings	75 years
Building improvements	15 to 20 years
Vehicles and vessels	5 to 15 years
Linear assets	5 to 50 years
Machinery and equipment	10 to 15 years
Furniture and fixtures	5 to 10 years
Computer hardware and software	3 to 5 years

(g) Tangible capital assets under construction:

Tangible capital assets under construction are recorded at cost. When construction is completed the tangible capital asset under construction will be transferred to tangible capital assets and amortized based on its classification.

(h) Collection of taxes on behalf of other taxation authorities:

The Township collects taxation revenue on behalf of the Near North District School Board. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of this entity are not reflected in these financial statements.

(i) Pension plan:

The Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Township has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Township records as pension expense the amount paid to OMERS during the year plus any amounts owing to OMERS for the year ended.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(j) Deferred revenue:

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.

(k) Government transfers:

Revenue is recognized when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(l) Revenue recognition:

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

User fees and service charges and other revenue are recognized on an accrual basis, when services have been rendered.

(m) Asset retirement obligation:

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

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

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

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

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets and significant accruals such as employee benefits plan, future liabilities for solid waste closure and post-closure. Actual results could differ from management's best estimates as additional information becomes available in the future.

(o) Non-pension post-retirement benefits:

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

Payroll liabilities include vacation entitlements which are accrued as the entitlements are earned.

(p) Workplace Safety and Insurance Board:

The Township is a schedule 2 employer under the Workplace Safety and Insurance Board and as such the Township bears the cost of certain insurance and pension benefits awarded under the workplace safety and insurance legislation. No future obligations have been accrued in these consolidated financial statements as Township does not have a fire department or any ongoing issues and as such WSIB estimates their future liability as \$Nil.

2. Change in accounting policies:

On January 1, 2024, the Township adopted Canadian public sector accounting standard PS 3400 Revenue. The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. As at December 31, 2024 the Township determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

3. Cash and cash equivalents:

	2024	2023
Unrestricted cash	\$ 3,513,790	\$ 3,959,779
Restricted cash – obligatory reserve fund	121,256	115,363
Designated – reserve fund	333,998	287,508
	<u>\$ 3,969,044</u>	<u>\$ 4,362,650</u>

The Township has an operating loan with TD Canada Trust. Interest is charged at a variable rate at the bank's prime rate minus 0.75%. The maximum authorized amount is \$2,000,000. The balance outstanding on this credit facility as of December 31, 2024 is \$Nil (2023 - \$Nil).

4. Taxes and user charges receivable:

	2024	2023
Current year	\$ 743,637	\$ 682,138
Prior years	252,879	237,149
Penalties and interest	92,673	70,013
	<u>\$ 1,089,189</u>	<u>\$ 989,300</u>

5. Accounts receivable:

	2024	2023
Province of Ontario	\$ –	\$ 103,879
Government of Canada	71,728	208,501
Trade receivables	454,169	133,865
West Parry Sound Recreation Centre	1,166,578	–
Other	61,704	176,674
	<u>\$ 1,754,179</u>	<u>\$ 622,919</u>

6. Investments:

Investments are comprised of Level 1 fixed rate GICs and principal protected notes with interest rates ranging from 2.14% to 5.93% per annum and maturity dates ranging from September 2, 2025 to November 12, 2030.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

7. Pension agreements:

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2023. The results of this calculation disclosed total going concern actuarial liabilities of \$140,766 million (2023 - \$136,185 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$139,576 (2023 - \$131,983) indicating a going concern actuarial deficit of \$4,913 million (2023 - \$4,202 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees and the Township's share is not determinable. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2024 was \$348,280 (2023 - \$310,191) and is included as an expense in the consolidated statement of operations and accumulated surplus.

8. Employee benefits plan liability:

	2024	2023
Accumulated post-retirement benefits – accrued obligation	\$ 317,089	\$ 315,095
Unamortized net actuarial loss	18,156	17,098
	335,245	332,193
Vacation	360,006	350,241
	\$ 695,251	\$ 682,434

The post-employment benefit expense is reported as a component of expenses on the statement of operations and accumulated surplus. The expense is comprised of the following:

	2024	2023
Current year benefit cost	\$ 17,779	\$ 27,464
Interest on accrued benefit obligation	13,368	8,302
Amortization on actuarial loss	1,058	6,058
Total expense related to post-employment benefits	\$ 32,205	\$ 41,824

The amount of post-retirement benefits paid during the year were \$21,620 (2023 - \$31,227).

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

8. Employee benefits plan liability (continued):

Retirement Benefits

Retirement Health Care Benefits:

The Township provides dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The benefit costs and liabilities related to this plan are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of January 1, 2023.

The accrued benefit obligations for the Township's employee future benefit plans as at December 31, 2024 are based on actuarial valuations for accounting purposes as at January 1, 2023 and forecasted to December 31, 2025. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates as follows:

	2024	2023
Discount on accrued benefit obligations	2.00%	2.00%
Healthcare cost escalation:		
First year	5.60%	5.60%
Decreasing by 0.17% per annum	5.43%	5.43%
Dental costs escalation	5.00%	5.00%

9. Deferred revenue and obligatory reserve funds:

	Opening Balance	Contributions Received	Externally Restricted Investment Income	Revenue Recognized	Ending Balance
Federal gas tax	\$ 258,275	\$ 62,085	\$ 14,292	\$ -	\$ 334,652
Recreational land	115,882	-	-	-	115,882
Total obligatory	374,157	62,085	14,292	-	450,534
Other	14,671	200	-	112	14,983
EMS Station	29,332	-	-	-	29,332
Northern Development & Mines	76,211	166,543	16,939	(107,890)	151,803
Henvey Inlet Wind Project	225,078	58,905	-	-	283,983
OCIF	463,038	207,371	-	(15,773)	654,636
Regional Economic Development	107,948	-	-	(34,625)	73,323
Total	\$ 1,290,435	\$ 495,104	\$ 31,231	\$(158,176)	\$1,658,594

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

9. Deferred revenue and obligatory reserve funds (continued):

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Township and the Province of Ontario. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

Recreational land

The parkland reserve funds have been set aside as required by provincial legislation which restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

Other

Certain donations have been externally restricted by contributors for projects that have not been completed. These have been deferred until the project is started.

EMS Station

The Township leases an EMS base to The Town of Parry Sound. The Town of Parry Sound paid an amount upfront to be amortized evenly over the 15 year lease term.

Northern Development & Mines

In 2020/2021, The Archipelago rehabilitated a 12 km section of Skerryvore Road, consisting of culvert Replacements and resurfacing. The ecological and sustainable manner in which this road was rehabilitated in the midst of the Georgian Bay Biosphere and various reptilian species at risk garnered provincial recognition and received the PJ Marshall award for innovation from the Association of Municipalities Ontario.

Henvey Inlet Wind Project

Annual contributions from the Henvey Inlet Wind Project are externally restricted for the establishment and funding of projects and initiatives that benefit residence or the Township as per the Community Benefit Agreement.

Ontario Community Infrastructure Fund (OCIF)

OCIF is externally restricted by the Ministry of Infrastructure and can only be used for eligible community infrastructure projects.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

10. Long-term debt:

Net long-term debt reported on the statement of financial position is comprised of the following:

	2024	2023
Debt advance for Point au Baril Nursing Station, interest rate of 3.36%, blended semi-annual payments of \$31,361, maturing February 2039	\$ 715,264	\$ 752,999
Debt for Skerryvore Road, interest rate of 3.43%, blended monthly payments of \$37,777, maturing July 2038	834,434	880,187
	<u>\$ 1,549,698</u>	<u>\$ 1,633,186</u>

The principal repayments are as follows:

2025	\$ 86,350
2026	89,309
2027	92,370
2028	95,536
2029	98,810
Thereafter	1,087,324
	<u>\$ 1,549,698</u>

The gross interest included in expenditures to the above long-term debt was \$54,787 (2023 - \$63,938). The above long-term liabilities have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

11. Asset retirement obligation:

The Township's asset retirement obligation consists of the following obligation:

Landfill obligation:

The Township owns and operates two landfill sites. The liability for the closure of operational sites and post-closure care has been recognized under *PS 3280 Asset Retirement Obligation*. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites and for 15 years post this date.

The landfill is expected to reach its capacity in 9-28 years, and the estimated remaining capacity is 19,110 cubic meters, which is 28% of the site's total capacity.

Post-closure care for the landfill sites is estimated to be required for 15 years from the date of site closure. These costs were discounted to December 31, 2024, using a discount rate of -3.31% per annum.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

11. Asset retirement obligation (continued):

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:

	Balance at December 31, 2024
Asset Retirement Obligation	
Opening balance	\$ 247,592
Accretion expense	(55,262)
Closing balance	\$ 192,330

	Balance at December 31, 2023
Asset Retirement Obligation	
Opening balance	\$ 242,242
Accretion expense	5,350
Closing balance	\$ 247,592

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

12. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions	Disposals	Transfers	Balance at December 31, 2024
Land	\$ 3,555,422	\$ -	\$ -	\$ -	\$ 3,555,422
Land improvements	5,063,999	66,481	-	-	5,130,480
Buildings	4,072,402	-	-	-	4,072,402
Building improvements	973,141	-	-	-	973,141
Vehicles and vessels	1,577,355	478,804	(188,856)	-	1,867,303
Linear assets	41,891,492	129,209	-	-	42,020,701
Machinery and equipment	2,301,512	15,725	-	-	2,317,237
Furniture and fixtures	403,776	7,281	-	-	411,057
Computer hardware and software	475,232	21,134	-	-	496,366
Construction in progress	366,810	2,295,064	-	-	2,661,874
Total	\$ 60,681,141	\$ 3,013,698	\$ (188,856)	\$ -	\$ 63,505,983

Accumulated Amortization	Balance at December 31, 2023	Amortization	Disposals	Transfers	Balance at December 31, 2024
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	1,529,447	122,544	-	-	1,651,991
Buildings	1,093,897	58,860	-	-	1,152,757
Building improvements	393,236	54,669	-	-	447,905
Vehicles and vessels	925,793	189,177	(188,856)	-	926,114
Linear assets	20,509,454	1,362,593	-	-	21,872,047
Machinery and equipment	1,634,724	97,812	-	-	1,732,536
Furniture and fixtures	246,742	29,498	-	-	276,240
Computer hardware and software	334,484	43,920	-	-	378,404
Construction in progress	-	-	-	-	-
Total	\$ 26,667,777	\$ 1,959,073	\$ (188,856)	\$ -	\$ 28,437,994

	Net book value, December 31, 2023	Net book value, December 31, 2024
Land	\$ 3,555,422	\$ 3,555,422
Land improvements	3,534,552	3,478,489
Buildings	2,978,505	2,919,645
Building improvements	579,905	525,236
Vehicles and vessels	651,562	941,189
Linear assets	21,382,038	20,148,654
Machinery and equipment	666,788	584,701
Furniture and fixtures	157,034	134,817
Computer hardware and software	140,748	117,962
Construction in progress	366,810	2,661,874
Total	\$ 34,013,364	\$ 35,067,989

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

12. Tangible capital assets (continued):

Cost	Balance at December 31, 2022	Additions	Disposals	Transfers	Balance at December 31, 2023
Land	\$ 3,555,422	\$ -	\$ -	\$ -	\$ 3,555,422
Land improvements	5,085,046	-	(21,047)	-	5,063,999
Buildings	4,016,870	40,490	-	15,042	4,072,402
Building improvements	909,091	19,958	-	44,092	973,141
Vehicles and vessels	1,621,962	99,916	(144,523)	-	1,577,355
Linear assets	41,220,827	611,329	-	59,336	41,891,492
Machinery and equipment	2,247,570	63,202	(16,740)	7,480	2,301,512
Furniture and fixtures	388,171	15,605	-	-	403,776
Computer hardware and software	423,816	69,949	(18,533)	-	475,232
Construction in progress	461,492	56,392	(25,124)	(125,950)	366,810
Total	\$ 59,930,267	\$ 976,841	\$ (225,967)	\$ -	\$ 60,681,141

Accumulated Amortization	Balance at December 31, 2022	Amortization	Disposals	Transfers	Balance at December 31, 2023
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	1,407,132	125,261	(2,946)	-	1,529,447
Buildings	1,035,941	57,956	-	-	1,093,897
Building improvements	339,565	53,671	-	-	393,236
Vehicles and vessels	931,331	138,985	(144,523)	-	925,793
Linear assets	19,202,747	1,306,707	-	-	20,509,454
Machinery and equipment	1,555,951	95,513	(16,740)	-	1,634,724
Furniture and fixtures	216,928	29,814	-	-	246,742
Computer hardware and software	315,671	35,887	(17,074)	-	334,484
Construction in progress	-	-	-	-	-
Total	\$ 25,005,266	\$ 1,843,794	\$ (181,283)	\$ -	\$ 26,667,777

	Net book value, December 31, 2022	Net book value, December 31, 2023
Land	\$ 3,555,422	\$ 3,555,422
Land improvements	3,677,914	3,534,552
Buildings	2,980,929	2,978,505
Building improvements	569,526	579,905
Vehicles and vessels	690,631	651,562
Linear assets	22,018,080	21,382,038
Machinery and equipment	691,619	666,788
Furniture and fixtures	171,243	157,034
Computer hardware and software	108,145	140,748
Construction in progress	461,492	366,810
Total	\$ 34,925,001	\$ 34,013,364

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

13. Taxation:

	Budget 2024 (note 17)	2024	2023
Property taxes	\$ 12,701,072	\$ 12,755,045	\$ 12,429,534
Payments to school board	(3,302,274)	(3,326,507)	(3,295,224)
Available for general municipal purposes	\$ 9,398,798	\$ 9,428,538	\$ 9,134,310

14. Commitments:

The Township has two agreements with the Township of Seguin Fire Department for fire protection services.

- Crane Lake Area: the term of the agreement is five years expiring December 31, 2029. The total cost is based on number of properties and approximates \$64,395 per year.
- Blackstone Lake Area: the term of the agreement is five years expiring January 20, 2027. The total cost is based on number of properties and approximates \$31,152 per year.

The Township has an agreement with SJB Construction Inc. for the lease of office space. The term of the agreement is approximately three years expiring December 31, 2027 and the cost is \$50,400 per year.

15. Contributions to unconsolidated joint boards:

The following contributions were made to these joint boards:

	2024	2023
North Bay Parry Sound Health Unit	\$ 22,529	\$ 21,872
District of Parry Sound Social Services Administration Board	968,759	948,559
District of Parry Sound (West) Belvedere Heights Home for the Aged	214,376	250,646

The Township is contingently liable for its share of any accumulated deficits as at the end of the year for these boards. As of our reporting date, the 2024 audited financial statements indicate that the boards have a surplus.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

16. Accumulated surplus:

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

	2024	2023
Equity in tangible capital assets	\$ 33,325,961	\$ 32,132,586
Reserve and reserve funds set aside for specific purpose by Council:		
General government	22,776,248	20,365,304
Planning	8,626	11,384
	22,784,874	20,376,688
	\$ 56,110,835	\$ 52,509,274

17. Budget:

The Financial Plan (Budget) By-Law adopted by Council on April 19, 2024 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense.

As a result, the budget figures presented in the consolidated statements of operations and accumulated surplus and change in net financial assets represent the Financial Plan adopted by Council on April 19, 2024 with adjustments as follows:

Financial plan (budget) bylaw surplus for the year	\$	–
Add:		
Capital expenditures		615,000
Budgeted transfers to accumulated surplus		2,536,795
Repayment of long term debt		34,146
Less;		
Budgeted transfers from accumulated surplus		(2,982,299)
Amortization		(1,959,076)
Budget deficit per statement of operations	\$	(1,755,434)

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

18. Public sector salary disclosure:

During 2024, eleven employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Township.

19. Trust funds:

Trust funds administered by the Township amounting to \$135,463 (2023 - \$123,320) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

20. Financial instruments:

The Township is exposed to various risks through its financial instruments. The following analysis provides information about the Township's risk exposure and concentration as of December 31, 2024.

(a) Credit risk:

The Township holds cash accounts with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

The Township is exposed to credit risk in accounts receivable which includes ratepayers, government and other receivables. The Township measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts.

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

(b) Liquidity risk:

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

The Township reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash to repay creditors as they become due.

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

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Township is exposed to this risk mainly in respect of its bank facilities and long-term debt.

The Township has minimal interest rate exposure on its bank facilities and long-term debt, which are at fixed rates.

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

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

21. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the current year financial statements.

22. Investment in Partnership:

The Town owns 16.7% of the West Parry Sound Recreation and Cultural Centre, which is a Joint Municipal Service Board established by the following Municipalities:

- The Corporation of The Township of The Archipelago
- The Corporation of the Township of Carling
- The Corporation of the Municipality of McDougall
- Corporation of the Township of McKellar
- The Corporation of the Town of Parry Sound
- The Corporation of the Township of Seguin

The Centre is currently in its construction phase. The Centre's primary role will be to provide pool and recreation services to the general public.

The Town accounts for its interests in these partnerships using the proportionate consolidation method.

The following table presents the condensed financial information for the West Parry Sound Recreation and Cultural Centre as of December 31, 2024:

	2024
Financial assets	
Cash	\$ 3,005,313
Accounts receivable	6,985,495
Total assets	\$ 9,990,808
Liabilities	
Accounts payable	\$ 1,927,777
Other liabilities	2,587,500
	4,515,277
Net financial assets	5,475,531
Non-financial assets	12,283,890
Accumulated surplus	17,759,421
Results of operations	
Revenue	7,887,223
Expenses	145,078
Surplus	\$ 7,742,145

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

23. Segmented information:

The Township is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire and water and roads. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item is related to the revenues and expenses that relate to the operations of the Township itself and cannot be directly attributed to a specific segment. As well, bio forest, water quality, fish management and environmental issues are included in this segment.

Protection to Persons and Property

Protection is comprised of fire prevention, building inspections, by-law enforcement and police. The township does not have a fire department, however it has negotiated contracts with other municipalities for limited vehicle/vessel rescues in certain areas. Forest fires not including structural fires is by agreement with the Ministry of Natural Resources. Fire prevention and education programs are delivered by the Township. The Township pays a levy for the Ontario Provincial Police.

Transportation Services

Transportation is responsible for maintaining and upgrading roads in the Township.

Solid Waste

Solid waste services consists of providing waste disposal to citizens.

Health

Health services are comprised of public health unit which works to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities. Health services also oversee the care and maintenance of the cemetery.

Social and Family Services

Social service provides services that help the less fortunate in society. Social housing is provided to help shelter families and elderly in need.

Recreation and Culture

Recreational programs and cultural programs like seniors' walking group, pickleball, euchre, church etc. are provided at the community centre. The Township provides dock facilities including a marina for its residents. Also, the Municipality provides library services through a contract with the Parry Sound Public Library Board to assist with its citizens' informational needs.

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Notes to Consolidated Financial Statements

Year ended December 31, 2024

23. Segmented information (continued):

Planning and Development

This department provides a number of services including severances, zonings and review of all property development plans through its application process.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, certain government grants and other revenue are apportioned to services based on a percentage of operations.

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

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Note 23 - Segmented Information (continued)

Year ended December 31, 2024

	General government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Recreation and cultural services	Planning and development	2024 Total
Revenues:									
Government grants - Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
- Provincial	1,434,217	-	113,754	179,227	-	-	145,875	17,355	1,890,428
User fees and service charges	28,315	1,650	129	67,535	43,847	-	5,000	87,725	234,201
Permits, licenses and fees	45	238,583	300	-	-	-	-	1,659	240,587
Investment income	1,258,684	-	-	-	-	-	-	2,479	1,261,163
Interest charges and tax sales proceeds	142,674	528	-	-	-	-	9,911	-	153,113
Income from other municipalities	292,520	-	-	-	-	-	-	-	292,520
Holiday Cove	-	-	-	-	-	-	251,577	-	251,577
Miscellaneous	8,621	-	-	442,276	-	-	5,833	2,371	459,101
	3,165,076	240,761	114,183	689,038	43,847	-	418,196	111,589	4,782,690
Expenses:									
Salaries and benefits	2,280,208	593,754	823,919	822,534	1,181	-	212,468	449,589	5,183,653
Materials and supplies	621,633	44,244	273,660	374,007	23,769	-	217,513	42,851	1,597,677
Interest on long-term debt	-	-	29,801	-	24,986	-	-	-	54,787
Rents and financial expenses	29,917	103,457	-	38,248	-	-	4,030	606	176,258
External transfers	18,750	645,755	-	15,032	742,629	1,183,135	156,527	24,500	2,786,328
Contracted services	599,520	17,889	28,887	32,188	15,464	-	28,068	87,542	809,558
Loss (gain) on disposal of assets	-	-	-	-	-	-	-	-	-
Accretion expense	-	-	-	(55,262)	-	-	-	-	(55,262)
Amortization of tangible capital assets	110,744	8,910	1,549,157	93,748	12,918	-	183,598	-	1,959,075
	3,660,772	1,414,009	2,705,424	1,320,495	820,947	1,183,135	802,204	605,088	12,512,074
Deficiency of revenues over expenses	(495,696)	(1,173,248)	(2,591,241)	(631,457)	(777,100)	(1,183,135)	(384,008)	(493,499)	(7,729,384)
Funded through:									
Taxation									9,428,538
Annual surplus									\$ 1,699,154

THE CORPORATION OF THE TOWNSHIP OF THE ARCHIPELAGO

Note 23 - Segmented Information (continued)

Year ended December 31, 2024

	General government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Recreation and cultural services	Planning and development	2023 Total
Revenues:									
Government grants - Federal	\$ 144,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,881
- Provincial	1,420,928	-	612,137	359,964	-	-	32,793	17,355	2,443,177
User fees and service charges	71,442	2,920	540	78,246	45,769	-	5,000	51,075	254,992
Permits, licenses and fees	630	235,746	450	-	-	-	-	3,318	240,144
Investment income	1,091,550	-	-	-	-	-	-	1,777	1,093,327
Interest charges and tax sales proceeds	120,866	1,260	-	-	-	-	23,767	-	145,893
Income from other municipalities	271,720	-	-	-	-	-	-	-	271,720
Holiday Cove	-	-	-	-	-	-	245,449	-	245,449
Miscellaneous	41,962	297	-	66,042	-	-	(81,130)	1,425	28,596
	3,163,979	240,223	613,127	504,252	45,769	-	225,879	74,950	4,868,179
Expenses:									
Salaries and benefits	2,161,618	592,461	740,285	792,490	1,492	-	226,376	421,368	4,936,090
Materials and supplies	610,226	38,580	283,271	564,545	52,224	-	201,929	25,018	1,775,793
Interest on long-term debt	-	-	32,018	-	26,223	-	5,697	-	63,938
Rents and financial expenses	31,953	102,288	-	65,426	-	-	3,847	-	203,514
External transfers	27,967	654,341	-	14,884	726,012	1,199,205	153,257	-	2,775,666
Contracted services	584,380	1,547	33,174	106,284	15,404	-	54,843	82,691	878,323
Loss on disposal of assets	1,458	-	(29,500)	-	18,102	-	-	-	(9,940)
Accretion expense	-	-	-	5,350	-	-	-	-	5,350
Amortization of tangible capital assets	102,018	6,772	1,482,540	52,414	12,918	-	187,133	-	1,843,795
	3,519,620	1,395,989	2,541,788	1,601,393	852,375	1,199,205	833,082	529,077	12,472,529
Deficiency of revenues over expenses	(355,641)	(1,155,766)	(1,928,661)	(1,097,141)	(806,606)	(1,199,205)	(607,203)	(454,127)	(7,604,350)
Funded through:									
Taxation									9,134,310
Annual surplus									\$ 1,529,960