

**CORPORATION OF THE
TOWN OF DEEP RIVER**

Consolidated Financial Statements
For the Year Ended December 31, 2023

MANAGEMENT REPORT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the **Corporation of the Town of Deep River** are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of 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.

Town 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.

The Audit Committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant reporting or internal control matters prior to the Council's approval of the consolidated financial statements.

The consolidated financial statements have been audited by Baker Tilly REO LLP, an independent external auditor appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Chief Administrative Officer

December 18, 2024
Deep River, Ontario



Treasurer

December 18, 2024
Deep River, Ontario

CORPORATION OF THE TOWN OF DEEP RIVER

Consolidated Financial Statements

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(a) DEEP RIVER PUBLIC LIBRARY BOARD

(b) TRUST FUND – CEMETERY CARE

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the
CORPORATION OF THE TOWN OF DEEP RIVER

Qualified Opinion

We have audited the consolidated financial statements of the **CORPORATION OF THE TOWN OF DEEP RIVER** which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statements of operations, change in net financial assets (net debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our auditor's report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **CORPORATION OF THE TOWN OF DEEP RIVER** as at December 31, 2023 and the results of its consolidated operations, changes in net financial assets (net debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified 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 Town 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 qualified opinion.

Insufficient Support for Asset Retirement Obligations

Under Public sector accounting standards, as of December 31, 2023, the Corporation of the Town of Deep River was required to adopt a new accounting standard, PS3280 – Asset Retirement Obligations. The Corporation of the Town of Deep River has recognized a liability for asset retirement obligations in the statement of financial position as at December 31, 2023 and the related expenses in the statement of revenue and expense for the year then ended, and has restated the comparative figures using the modified retroactive approach.

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. During the initial year of adoption, the Town was made to identify all legal obligations associated with retirement of its assets to ensure completeness of the asset retirement obligations recorded, and estimate the future costs of remediation for these obligations to determine the value. The Town has not provided sufficient appropriate audit evidence regarding the completeness and the valuation of the amounts recorded and the disclosures required in respect of this liability.

See accompanying notes and schedules.

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ACCOUNTING • TAX • ADVISORY

Consequently, we were unable to determine whether the amounts in questions should have been adjusted with respect to the accumulated deficit as at December 31, 2022; tangible capital assets and the asset retirement obligations as at December 31, 2022 and December 31, 2023 and the related expenses for the years then ended; and the related disclosures in notes 21 and 22. The relevant figures are included in the table below:

| | 2023 | 2022 |
|---------------------------------------|-------------|-------------|
| Asset retirement obligation liability | \$5,777,017 | \$5,635,560 |
| Accretion expense | \$128,152 | \$124,420 |

Emphasis of Matter – Comparative Information

In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

We draw attention to Notes 19, 20, and 21 to the financial statements which explain that certain comparative information presented for the year ended December 31, 2022 has been restated.

Notes 19, 20, and 21 explain the reasons for the restatement and also explain the adjustments that were applied to restate comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

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

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 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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,

See accompanying notes and schedules.

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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 Town'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 Town'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 the auditor's report. However, future events or conditions may cause the Town 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 Town 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.

Baker Tilly REO LLP

Chartered Professional Accountants
Licensed Public Accountants

Pembroke, Ontario
December 18, 2024

See accompanying notes and schedules.

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CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Financial Position
As At December 31, 2023

| | 2023 | 2022 (Restated) |
|--|----------------------|---------------------------|
| FINANCIAL ASSETS | | |
| Cash (Note 2) | \$ 918,615 | \$ 330,970 |
| Investments (Notes 2 & 3) | 630,646 | 623,601 |
| Taxes receivable | 592,235 | 363,541 |
| Trade and other receivables | 1,914,133 | 1,913,965 |
| Loans receivable (Note 4) | 187,595 | 252,304 |
| Inventories for resale | 7,294 | 11,573 |
| | \$ 4,250,518 | \$ 3,495,954 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 2,609,384 | \$ 2,027,820 |
| Deferred revenue - general | 37,505 | 73,473 |
| Deferred revenue - obligatory reserves (Schedule 3) | 146,992 | - |
| Long term liabilities (Note 5) | 7,420,012 | 7,903,113 |
| Employee benefits and post-employment liabilities (Note 6) | 1,770,727 | 1,757,886 |
| Asset retirement obligations (Note 22) | 5,777,017 | 5,635,560 |
| | 17,761,637 | 17,397,852 |
| NET FINANCIAL ASSETS (NET DEBT) | (13,511,119) | (13,901,898) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets - net (Schedule 4) | 36,296,935 | 35,192,571 |
| Inventory of supplies | 4,082 | 22,825 |
| Prepaid expenses | 46,079 | 38,192 |
| | 36,347,096 | 35,253,588 |
| ACCUMULATED SURPLUS (Schedule 5) | \$ 22,835,977 | \$ 21,351,690 |

See accompanying notes and schedules.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Operations
For the Year Ended December 31, 2023

| | 2023 | 2023 | 2022 |
|---|----------------------------|---------------|-----------------------------|
| | Budget (Note 16) | Actual | Actual (Restated) |
| REVENUES (Note 8) | | | |
| Taxation and payments in lieu | \$ 8,396,879 | \$ 8,061,991 | \$ 8,017,905 |
| User charges | 4,484,292 | 4,406,855 | 3,818,385 |
| Government transfers | 796,793 | 992,117 | 1,155,860 |
| Deferred revenue earned | - | - | 16,885 |
| Other | 796,365 | 2,179,339 | 547,258 |
| | 14,474,329 | 15,640,302 | 13,556,293 |
| EXPENDITURES | | | |
| General government | 1,662,943 | 1,861,233 | 1,752,290 |
| Protection to persons and property | 3,469,544 | 3,778,992 | 4,590,008 |
| Transportation services | 1,046,675 | 1,740,932 | 1,423,153 |
| Environmental services | 3,332,101 | 4,278,134 | 4,274,508 |
| Health services | 88,684 | 70,757 | 38,345 |
| Recreation and cultural services | 1,928,158 | 2,227,149 | 2,161,510 |
| Planning and development | 127,920 | 198,818 | 203,163 |
| | 11,656,025 | 14,156,015 | 14,442,977 |
| ANNUAL SURPLUS (DEFICIT) | 2,818,304 | 1,484,287 | (886,684) |
| ACCUMULATED SURPLUS, beginning of year | 21,351,690 | 21,351,690 | 22,238,374 |
| ACCUMULATED SURPLUS, end of year | \$ 24,169,994 | \$ 22,835,977 | \$ 21,351,690 |

See accompanying notes and schedules.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the Year Ended December 31, 2023

| | 2023 | 2023 | 2022 |
|---|----------------------------|-----------------|-----------------------------|
| | Budget (Note 16) | Actual | Actual (Restated) |
| ANNUAL SURPLUS (DEFICIT) | \$ 2,818,304 | \$ 1,484,287 | \$ (886,684) |
| Amortization of tangible capital assets | - | 2,170,822 | 2,084,491 |
| Acquisition of tangible capital assets | (5,047,500) | (3,277,239) | (3,791,824) |
| Loss on sale of tangible capital assets | - | 2,053 | 5,092 |
| Changes in level of supplies inventories | - | 18,743 | (15,918) |
| Changes in level of prepaid expenses | - | (7,887) | (27,406) |
| CHANGE IN NET FINANCIAL ASSETS (NET DEBT) | (2,229,196) | 390,779 | (2,632,249) |
| NET FINANCIAL ASSETS (NET DEBT), beginning of year | (13,901,898) | (13,901,898) | (11,269,649) |
| NET FINANCIAL ASSETS (NET DEBT), end of year | \$ (16,131,094) | \$ (13,511,119) | \$(13,901,898) |

See accompanying notes and schedules.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

| | 2023 | 2022 (Restated) |
|---|--------------|---------------------------|
| CASH FROM OPERATING ACTIVITIES | | |
| Annual surplus (deficit) | \$ 1,484,287 | \$ (886,684) |
| Adjustments for items not affecting cash | | |
| Amortization of tangible capital assets | 2,170,822 | 2,084,491 |
| Loss on disposal of assets | 2,053 | 5,092 |
| Changes in non-cash working capital | | |
| Taxes receivable | (228,694) | 9,550 |
| Trade and other receivables | (168) | (633,012) |
| Loans receivable | 64,709 | 63,453 |
| Inventories for resale | 4,279 | (826) |
| Inventory of supplies | 18,743 | (15,918) |
| Prepaid expenses | (7,887) | (27,406) |
| Accounts payable and accrued liabilities | 581,564 | 485,752 |
| Employee benefits and post-employment liabilities | 12,841 | 37,167 |
| Asset retirement obligations | 141,457 | 259,831 |
| Deferred revenue - general | (35,968) | 16,721 |
| Deferred revenue - obligatory | 146,992 | (16,885) |
| | 4,355,030 | 1,381,326 |
| CASH (USED IN) CAPITAL ACTIVITIES | | |
| Purchase of tangible capital assets | (3,277,239) | (3,791,824) |
| CASH FROM (USED IN) INVESTING ACTIVITIES | | |
| Investments | (7,045) | 18,092 |
| CASH (USED IN) FINANCING ACTIVITIES | | |
| Payments on long term liabilities | (483,101) | (470,001) |
| INCREASE (DECREASE) IN CASH | 587,645 | (2,862,407) |
| CASH, beginning of year | 330,970 | 3,193,377 |
| CASH, end of year | \$ 918,615 | \$ 330,970 |

See accompanying notes and schedules.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Continuity of Reserves
For the Year Ended December 31, 2023

SCHEDULE 1

| | BALANCE | REVENUES | | | TRANSFERS | | | BALANCE |
|---|-------------------|---------------------|-----------------|--------------|---------------|-------------|-------------|-------------|
| | Beginning of Year | Investment Earnings | From Operations | Total | To Operations | To Capital | Total | End of Year |
| Reserves | | | | | | | | |
| Acquisition of capital assets | \$ 1,565 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,565 |
| Sick leave and payroll contingency | 418,154 | - | - | - | 18,153 | - | 18,153 | 400,001 |
| Legal contingency | 48,526 | - | - | - | - | - | - | 48,526 |
| Waterworks | 292,380 | - | - | - | 76,503 | - | 76,503 | 215,877 |
| Sewer | 762,153 | - | 163,103 | 163,103 | - | 400,759 | 400,759 | 524,497 |
| Working funds | 965,370 | - | - | - | 80,000 | - | 80,000 | 885,370 |
| Recreation facilities | 2,123 | - | - | - | - | - | - | 2,123 |
| Insurance claims | 46,720 | - | - | - | - | - | - | 46,720 |
| WSIB | 72,964 | - | - | - | - | - | - | 72,964 |
| Physician recruitment | 39,685 | - | - | - | - | - | - | 39,685 |
| Living legacy | 4,425 | - | - | - | - | - | - | 4,425 |
| Asset replacement | 156,838 | - | 1,376,371 | 1,376,371 | - | 1,164,119 | 1,164,119 | 369,090 |
| Landfill closure | 103,576 | - | - | - | 9,054 | - | 9,054 | 94,522 |
| Recreation | 10,135 | - | - | - | - | - | - | 10,135 |
| Marina capital | 15,870 | - | 167 | 167 | - | - | - | 16,037 |
| Capital contingency | 126,623 | - | - | - | 66,269 | - | 66,269 | 60,354 |
| Restricted donations | 3,500 | - | - | - | - | - | - | 3,500 |
| Airport runway | - | - | 5,000 | 5,000 | - | - | - | 5,000 |
| Elections | 289 | - | 4,000 | 4,000 | - | - | - | 4,289 |
| Service modernization | 481,074 | - | - | - | - | - | - | 481,074 |
| Library stabilization | 15,770 | - | 14,730 | 14,730 | 2,800 | - | 2,800 | 27,700 |
| Library capital | 12,878 | - | 13,123 | 13,123 | 2,800 | - | 2,800 | 23,201 |
| | 3,580,618 | - | 1,576,494 | 1,576,494 | 255,579 | 1,564,878 | 1,820,457 | 3,336,655 |
| Reserve Funds (Schedule 2) | 1,009,935 | - | 29,096 | 29,096 | 286,769 | - | 286,769 | 752,262 |
| Total Reserves and Reserve Funds | \$ 4,590,553 | \$ - | \$ 1,605,590 | \$ 1,605,590 | \$ 542,348 | \$1,564,878 | \$2,107,226 | \$4,088,917 |

11. See accompanying notes and schedules.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Statement of Continuity of Reserve Funds
For the Year Ended December 31, 2023

SCHEDULE 2

| | BALANCE | REVENUES | | | | TRANSFERS | | | | BALANCE |
|----------------------------|----------------------|------------------------|--------------------|-------|----------|------------------|---------------|-------|------------|----------------|
| | Beginning of Year | Investment Earnings | From Operations | Other | Total | To Operations | To Capital | Other | Total | End of Year |
| Reserve Funds | | | | | | | | | | |
| Capital asset replacement | \$ 562,761 | \$ - | \$ - | \$ - | \$ - | \$286,769 | \$ - | \$ - | \$ 286,769 | \$ 275,992 |
| Hydro sale proceeds | 381,114 | - | 13,868 | - | 13,868 | - | - | - | - | 394,982 |
| Humanitarian donations | 3,658 | - | 3,000 | - | 3,000 | - | - | - | - | 6,658 |
| Airport operations | 62,390 | - | 12,228 | - | 12,228 | - | - | - | - | 74,618 |
| Main street revitalization | 12 | - | - | - | - | - | - | - | - | 12 |
| | \$1,009,935 | \$ - | \$ 29,096 | \$ - | \$29,096 | \$286,769 | \$ - | \$ - | \$ 286,769 | \$752,262 |

12. See accompanying notes and schedules.

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Deferred Revenue - Obligatory
For the Year Ended December 31, 2023

SCHEDULE 3

| | BALANCE | REVENUES | | | | TRANSFERS | | | | BALANCE |
|--------------------------|-------------------|-------------------------|----------------|----------------------|------------|--------------|------------|-------|------------|-------------|
| | Beginning of Year | Interest on Investments | From Operating | Government Transfers | Total | To Operating | To Capital | Other | Total | End of Year |
| Deferred Revenue | | | | | | | | | | |
| Obligatory Reserve Funds | | | | | | | | | | |
| Development Charges | \$ - | \$ - | \$ 146,992 | \$ - | \$ 146,992 | \$ - | \$ - | \$ - | \$ 146,992 | \$146,992 |

13. See accompanying notes and schedules.

Corporation of the Town of Deep River
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

Schedule 4

| | BY ASSET CLASS | | | | | | | | | | | | Totals | |
|---|--------------------|---------------|--------------|--------------|----------------------|---------------|----------------|---------------------|---------------------|------------------|---------------------------|---------------|-----------------|--|
| | General | | | | | | Infrastructure | | | | | | | |
| | Land | Buildings | Vehicles | Equipment | Computer Equipment | Other | Roads | Plants & Facilities | Underground & Other | Other Structures | Assets Under Construction | 2023 | 2022 (Restated) | |
| Cost | | | | | | | | | | | | | | |
| Balance, Beginning of year | \$ 2,706,863 | \$ 13,830,101 | \$ 3,285,823 | \$ 1,451,240 | \$ 262,380 | \$ 514,634 | \$ 5,772,324 | \$ 20,780,791 | \$ 17,805,101 | \$ 5,159,669 | \$ 18,915 | \$ 71,587,841 | \$ 68,568,416 | |
| Add: | | | | | | | | | | | | | | |
| Additions during year | - | 222,536 | 577,296 | 137,241 | 61,689 | 48,085 | 1,204,152 | - | 428,196 | 616,959 | - | 3,296,154 | 3,863,717 | |
| Less: | | | | | | | | | | | | | | |
| Disposals during year | (1,455) | (900) | (18) | (92) | - | (53,777) | - | - | - | - | (18,915) | (75,157) | (844,292) | |
| Balance, End of year | 2,705,408 | 14,051,737 | 3,863,101 | 1,588,389 | 324,069 | 508,942 | 6,976,476 | 20,780,791 | 18,233,297 | 5,776,628 | - | 74,808,838 | 71,587,841 | |
| Accumulated Amortization | | | | | | | | | | | | | | |
| Balance, Beginning of year | 297,110 | 8,784,106 | 2,682,721 | 909,657 | 67,030 | 321,173 | 3,268,587 | 13,825,958 | 4,601,339 | 1,637,589 | - | 36,395,270 | 35,078,087 | |
| Add: | | | | | | | | | | | | | | |
| Amortization during the year | 24,759 | 278,950 | 302,714 | 101,770 | 72,434 | 52,937 | 204,480 | 655,702 | 320,595 | 156,481 | - | 2,170,822 | 2,084,491 | |
| Less: | | | | | | | | | | | | | | |
| Reduction on disposals | - | (604) | (19) | (47) | - | (53,519) | - | - | - | - | - | (54,189) | (767,308) | |
| Balance, End of year | 321,869 | 9,062,452 | 2,985,416 | 1,011,380 | 139,464 | 320,591 | 3,473,067 | 14,481,660 | 4,921,934 | 1,794,070 | - | 38,511,903 | 36,395,270 | |
| Net Book Value of Tangible Capital Assets | | | | | | | | | | | | | | |
| | \$ 2,383,539 | \$ 4,989,285 | \$ 877,685 | \$ 577,009 | \$ 184,605 | \$ 188,351 | \$ 3,503,409 | \$ 6,299,131 | \$ 13,311,363 | \$ 3,982,558 | \$ - | \$ 36,296,935 | \$ 35,192,571 | |
| BY FUNCTIONAL CLASSIFICATION | | | | | | | | | | | | | | |
| | General Government | Police | Fire | Roads | Other Transportation | Water Supply | Sewer | Waste Management | Recreation | Planning Other | Assets Under Construction | 2023 | 2022 (Restated) | |
| Cost | | | | | | | | | | | | | | |
| Balance, Beginning of year | \$ 3,042,904 | \$ 374,427 | \$ 1,387,046 | \$ 5,772,325 | \$ 5,244,069 | \$ 17,343,471 | \$ 23,796,057 | \$ 1,230,242 | \$ 12,298,782 | \$ 1,079,603 | \$ 18,915 | \$ 71,587,841 | \$ 68,568,416 | |
| Add: | | | | | | | | | | | | | | |
| Additions during year | 155,774 | 74,004 | 135,755 | 1,204,152 | 334,609 | 596,595 | 428,196 | - | 367,069 | - | - | 3,296,154 | 3,863,717 | |
| Less: | | | | | | | | | | | | | | |
| Disposals during year | - | - | - | - | (3,125) | - | - | - | (53,117) | - | (18,915) | (75,157) | (844,292) | |
| Balance, End of year | 3,198,678 | 448,431 | 1,522,801 | 6,976,477 | 5,575,553 | 17,940,066 | 24,224,253 | 1,230,242 | 12,612,734 | 1,079,603 | - | 74,808,838 | 71,587,841 | |
| Accumulated Amortization | | | | | | | | | | | | | | |
| Balance, Beginning of year | 1,707,286 | 356,934 | 1,010,194 | 3,268,588 | 3,589,365 | 9,244,980 | 9,297,670 | 349,857 | 7,570,396 | - | - | 36,395,270 | 35,078,087 | |
| Add: | | | | | | | | | | | | | | |
| Amortization during the year | 151,916 | 35,069 | 80,101 | 204,480 | 294,413 | 654,464 | 384,838 | 27,486 | 338,055 | - | - | 2,170,822 | 2,084,491 | |
| Less: | | | | | | | | | | | | | | |
| Reduction on disposals | - | - | - | - | (1,072) | - | - | - | (53,117) | - | - | (54,189) | (767,308) | |
| Balance, End of year | 1,859,202 | 392,003 | 1,090,295 | 3,473,068 | 3,882,706 | 9,899,444 | 9,682,508 | 377,343 | 7,855,334 | - | - | 38,511,903 | 36,395,270 | |
| Net Book Value of Tangible Capital Assets | | | | | | | | | | | | | | |
| | \$ 1,339,476 | \$ 56,428 | \$ 432,506 | \$ 3,503,409 | \$ 1,692,847 | \$ 8,040,622 | \$ 14,541,745 | \$ 852,899 | \$ 4,757,400 | \$ 1,079,603 | \$ - | \$ 36,296,935 | \$ 35,192,571 | |

CORPORATION OF THE TOWN OF DEEP RIVER
Consolidated Schedule of Accumulated Surplus
For the Year Ended December 31, 2023

SCHEDULE 5

| | 2023 | 2022 (Restated) |
|---|----------------------|---------------------------|
| RESERVE FUNDS - Schedule 2 | | |
| Capital asset replacement | \$ 275,992 | \$ 562,761 |
| Hydro sale proceeds | 394,982 | 381,114 |
| Humanitarian donations | 6,658 | 3,658 |
| Airport operations | 74,618 | 62,390 |
| Main street revitalization | 12 | 12 |
| Total | 752,262 | 1,009,935 |
| RESERVES - Schedule 1 | | |
| Acquisition of capital assets | 1,565 | 1,565 |
| Sick leave and payroll contingency | 400,001 | 418,154 |
| Legal contingency | 48,526 | 48,526 |
| Waterworks | 215,877 | 292,380 |
| Sewer | 524,497 | 762,153 |
| Working funds | 885,370 | 965,370 |
| Recreation facilities | 2,123 | 2,123 |
| Insurance claims | 46,720 | 46,720 |
| WSIB | 72,964 | 72,964 |
| Physician recruitment | 39,685 | 39,685 |
| Living legacy | 4,425 | 4,425 |
| Asset replacement | 369,090 | 156,838 |
| Landfill closure | 94,522 | 103,576 |
| Recreation | 10,135 | 10,135 |
| Marina capital | 16,037 | 15,870 |
| Capital contingency | 60,354 | 126,623 |
| Restricted donations | 3,500 | 3,500 |
| Airport runway | 5,000 | - |
| Elections | 4,289 | 289 |
| Service modernization | 481,074 | 481,074 |
| Library stabilization | 27,700 | 15,770 |
| Library capital | 23,201 | 12,878 |
| Total | 3,336,655 | 3,580,618 |
| Total - Reserves and Reserve Funds | 4,088,917 | 4,590,553 |
| SURPLUSES | | |
| Invested in tangible capital assets | 26,142,014 | 24,566,340 |
| General revenue fund | 108,008 | (436,423) |
| Landfill operations board | 44,782 | 24,666 |
| Unfunded | | |
| • Employment benefits and post-employment liabilities | (1,770,727) | (1,757,886) |
| • Asset retirement obligations | (5,777,017) | (5,635,560) |
| Total Surpluses | 18,747,060 | 16,761,137 |
| ACCUMULATED SURPLUS | \$ 22,835,977 | \$ 21,351,690 |

See accompanying notes and schedules.

Corporation of the Town of Deep River
Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2023

Schedule 6

| | General Government | | Protection | | Transportation | | Environment | | Health | | Recreation | | Planning | | Totals | |
|-----------------------------------|---------------------|---------------------|-------------------|--------------------|---------------------|-------------------|---------------------|---------------------|------------------|-------------------|-------------------|------------------|------------------|-----------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 Restated |
| Revenues | | | | | | | | | | | | | | | | |
| Taxation | \$ 1,131,830 | \$ 795,648 | \$ 4,125,696 | \$ 4,343,843 | \$ 774,308 | \$ 1,040,150 | \$ - | \$ - | \$ 89,031 | \$ 11,184 | \$ 1,701,126 | \$ 1,621,730 | \$ 240,000 | \$ 205,350 | \$ 8,061,991 | \$ 8,017,905 |
| User charges | 25,110 | 27,364 | 237,157 | 124,005 | 56,321 | 28,122 | 3,605,667 | 3,232,331 | 16,924 | 25,161 | 463,151 | 392,456 | 2,525 | 7,080 | 4,406,855 | 3,818,385 |
| Government transfers | 333,555 | 532,769 | 44,890 | 35,643 | 413,108 | 450,866 | 115,846 | 116,905 | - | - | 54,718 | 17,698 | 30,000 | - | 992,117 | 1,155,860 |
| Other income | 1,893,147 | 262,154 | 43,250 | 60,304 | 37,889 | 22,804 | 58,563 | 9,938 | 458 | 580 | 126,275 | 175,323 | 19,757 | - | 2,179,339 | 547,258 |
| Deferred revenue earned | - | - | - | - | - | 16,885 | - | - | - | - | - | - | - | - | - | 16,885 |
| | 3,383,642 | 1,617,935 | 4,450,993 | 4,563,795 | 1,281,626 | 1,558,827 | 3,780,076 | 3,359,174 | 106,413 | 36,925 | 2,345,270 | 2,207,207 | 292,282 | 212,430 | 15,640,302 | 13,556,293 |
| Expenses | | | | | | | | | | | | | | | | |
| Salaries, wages and benefits | 1,046,393 | 1,002,506 | 3,258,938 | 3,275,619 | 654,752 | 670,317 | 279,058 | 217,701 | 38,055 | 7,058 | 1,026,251 | 1,077,492 | 92,317 | 37,495 | 6,395,764 | 6,288,188 |
| Interest on long term liabilities | 189 | - | - | - | 7,233 | 2,341 | 272,132 | 277,373 | - | - | 65,966 | 68,715 | - | - | 345,520 | 348,429 |
| Materials and supplies | 461,325 | 469,385 | 235,244 | 230,411 | 441,419 | 315,267 | 488,769 | 757,081 | 4,627 | 3,212 | 603,745 | 594,317 | 78,678 | 66,928 | 2,313,807 | 2,436,601 |
| Contracted services | 15,979 | 12,418 | 135,102 | 969,198 | 138,297 | 25,207 | 2,249,898 | 1,864,117 | - | - | 128,132 | 120,158 | 27,823 | 98,740 | 2,695,231 | 3,089,838 |
| External transfers | - | - | - | - | 337 | - | - | - | 28,075 | 28,075 | 65,000 | 30,000 | - | - | 93,412 | 58,075 |
| Interfunctional adjustments | - | - | 34,538 | 31,687 | - | - | (34,538) | (31,687) | - | - | - | - | - | - | - | - |
| Amortization | 176,675 | 111,989 | 115,170 | 83,093 | 498,894 | 410,021 | 1,042,028 | 1,208,559 | - | - | 338,055 | 270,828 | - | - | 2,170,822 | 2,084,490 |
| Accretion | 160,672 | 155,992 | - | - | - | - | (19,213) | (18,636) | - | - | - | - | - | - | 141,459 | 137,356 |
| | 1,861,233 | 1,752,290 | 3,778,992 | 4,590,008 | 1,740,932 | 1,423,153 | 4,278,134 | 4,274,508 | 70,757 | 38,345 | 2,227,149 | 2,161,510 | 198,818 | 203,163 | 14,156,015 | 14,442,977 |
| Net Revenue (Expenses) | \$ 1,522,409 | \$ (134,355) | \$ 672,001 | \$ (26,213) | \$ (459,306) | \$ 135,674 | \$ (498,058) | \$ (915,334) | \$ 35,656 | \$ (1,420) | \$ 118,121 | \$ 45,697 | \$ 93,464 | \$ 9,267 | \$ 1,484,287 | \$ (886,684) |

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

The **CORPORATION OF THE TOWN OF DEEP RIVER** is an incorporated municipality in the Province of Ontario. Its operations are guided by the provisions of provincial statutes such as the *Municipal Act*, *Municipal Affairs Act* and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Deep River are the representation of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

REPORTING ENTITY

- (a) The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, reserves, reserve funds and cash flows of the Town and include the activities of all committees of Council and the following boards and utilities which are under the control of Council:

- Deep River Public Library Board
- Deep River Waterworks

The municipality is also a member of two joint local boards which are accounted for using the proportionate consolidation method whereby the municipality's proportionate share of revenues, expenditures, assets and liabilities are included in the accounts after elimination of the proportionate share of inter-entity transactions:

| | Proportionate Share |
|---|----------------------------|
| • North Renfrew Landfill Operations Board | 52.00 % |
| • Pembroke and Area Airport Commission | 8.076 % |

Inter-organizational transactions and balances have been eliminated in the preparation of these financial statements.

(b) Accounting for County and School Board Transactions

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

(c) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated but are reported separately in the Trust Funds Statement of Financial Activities and Fund Balances and the Trust Funds Statement of Financial Position.

BASIS OF ACCOUNTING

(a) Accrual Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenditures are recognized in the period the goods and services are acquired and a liability is incurred, or transfers are due.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Cash

Cash is defined as cash on hand, cash on deposit and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

(c) Revenue Recognition

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. Any supplementary billing adjustments made necessary by assessment appeals submitted by the ratepayers and changes to assessed value reflecting new construction are recognized in the year they are determined.

User charges and other revenues are recognized in the year the goods and services are provided and once collection is reasonable assured.

Investment income is recognized as it is earned. Investment income earned on federal gas tax reserve funds is recorded as deferred revenue and included in Municipal revenues in the year that they are applied to qualifying capital expenditures.

Government transfers are recognized as revenue in the year in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligible criteria have been met, and reasonable estimates of the amounts can be made.

(d) Inventories for Resale

Inventories for resale are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) 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 (Net Debt) for the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the 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:

| <u>Assets</u> | <u>Useful Life-Years</u> |
|--------------------------------|---------------------------------|
| Buildings | 10-50 |
| Vehicles | 4-20 |
| Equipment | 10-20 |
| Computer equipment | 2 |
| Other | 5-7 |
| Roads | 20-40 |
| Plants and facilities | 20-80 |
| Underground and other networks | 50-75 |
| Other structures | 15-25 |

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

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

The Town has a capitalization threshold 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.

Certain assets have been assigned a nominal value of one Canadian dollar because of the difficulty of determining a tenable valuation. The most significant of such assets are the Town's road allowances and most Town lands.

Contributions of Tangible Capital Assets

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

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 TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

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

(f) Pension and Employee Benefits

The Town expenses its contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, when contributions are due.

Employee benefits include vacation entitlement, sick leave benefits and certain post-employment benefits. Vacation entitlements and sick leave benefits are accrued as entitlements are earned. Other post-employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee groups.

(g) Deferred Revenue - Obligatory

Development charges collected are reported as deferred revenue – obligatory in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the period in which related expenditures are incurred.

(h) Investments

Investments consist of bond and money market mutual funds and are recorded at market value.

(i) Measurement Uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates. Management makes accounting estimates when determining the estimated useful life of the Corporation's tangible assets, reserve transfers, accrued payables, accrued receivables, the accrued liabilities for employee benefits, sick leave and vacation and asset retirement obligations. Actual results could differ from those estimates.

There is measurement uncertainty surrounding the estimation of liabilities for asset retirement obligations (including solid waste landfills) of \$5.8 million (2022, \$5.6 million, see Note 22). These estimates are subject to uncertainty due to several factors including but not limited to insufficient information on the type and extent of designated substances (e.g., asbestos), indeterminate timing of settlement, and the impact of project design on costs.

(j) Segment Disclosures

The municipality adopted the Public Sector Accounting Board standard requiring financial information to be provided on a segmented basis (PSAB 2700). Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

(k) **Asset Retirement Obligations**

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

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

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

The liability for the removal of asbestos in several of the buildings owned by the Town has been recognized based on estimated undiscounted future expenses. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

The recognition of the ARO liability results in an accompanying increase to the respective tangible capital assets. Building assets impacted by an asbestos liability are being amortized based on the estimated useful life as per the amortization accounting policy.

(g) **Financial instruments**

Financial Instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument:

| <u>Financial Instrument</u> | <u>Measurement</u> |
|--|--------------------|
| Cash | Amortized cost |
| Investments | Fair value |
| Accounts receivable | Amortized cost |
| Loans receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Long term liabilities | Amortized cost |

For financial assets and financial liabilities measured at amortized cost, interest is to be recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

2. **RESTRICTED CASH AND INVESTMENTS**

Cash and investments in the amount of \$634,372 (2022 - \$627,271) have been restricted to support reserve funds and deferred revenue - obligatory.

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

3. INVESTMENTS

| | 2023 | 2022 |
|--|------------|------------|
| Investment in Public Sector Group of Funds | | |
| • Canadian Government Bond Portfolio | \$ 612,922 | \$ 585,930 |
| Mutual funds | 17,724 | 37,671 |
| | \$ 630,646 | \$ 623,601 |

The book value of the investments is \$703,788 (2022 - \$709,735).

4. LOANS RECEIVABLE

| | 2023 | 2022 |
|--|------------|------------|
| Loan receivable from Community Skiway Inc. (Mount Martin Ski Hill), interest at the Bank of Canada prime rate, secured by a chattel mortgage on Mount Martin Ski Hill equipment. The loan was paid off in full in March 2023. | \$ - | \$ 5,142 |
| Loan receivable from Weesoe Community Communication Technologies for the purpose of providing expanded and enhanced internet for the Town. The fixed rate loan is receivable over a five-year period in semi-annual instalments of \$32,293 including interest at 2.45% per annum and is secured by a general security agreement. The loan is due August 2026. | 187,595 | 247,162 |
| | \$ 187,595 | \$ 252,304 |

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

5. LONG TERM LIABILITIES

- (a) The balance of long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

| | 2023 | 2022 |
|---|--------------|--------------|
| <u>Bank Loan</u> | | |
| Royal Bank prime minus 0.85% non-revolving term loan, maturing August 2026, repayable in blended monthly instalments of \$22,074 | \$ 848,074 | \$ 1,064,251 |
| <u>Ontario Infrastructure Debentures</u> | | |
| 5.42% debentures, maturing September 2049, repayable in blended semi-annual instalments of \$129,685 | 3,594,023 | 3,656,064 |
| 4.12% debentures, maturing December 2025, repayable in blended semi-annual instalments of \$31,693 | 120,505 | 177,170 |
| 2.9% debentures, maturing November 2036, repayable in blended semi-annual instalments of \$43,871 | 944,666 | 1,003,725 |
| 3.5% debentures, maturing September 2047, repayable in blended semi-annual instalments of \$32,464 | 1,048,387 | 1,075,897 |
| 3.14% debentures, maturing December 2037, repayable in semi-annual instalments of \$30,156 plus interest | 844,369 | 904,681 |
| <u>Shared debentures</u> | | |
| Town of Deep River share of debentures issued by the Township of Laurentian Valley for capital costs of the Pembroke and Area Airport Commission, interest at 2.47% per annum, maturing May 2040, repayable in semi-annual instalments of \$585 plus interest | 19,988 | 21,325 |
| | \$ 7,420,012 | \$ 7,903,113 |

- (b) Principal payments on long term liabilities are estimated as follows:

| | |
|------------|--------------|
| 2024 | \$ 497,618 |
| 2025 | 506,451 |
| 2026 | 451,632 |
| 2027 | 417,246 |
| 2028 | 243,509 |
| Thereafter | 5,303,556 |
| | \$ 7,420,012 |

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

5. **LONG TERM LIABILITIES (cont'd)**

The long-term liabilities in (a) issued in the name of the municipality 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.

- (c) Total interest charges for Town long term liabilities reported on the Consolidated Statement of Operations are \$345,520 (2022 - \$348,429).

Of the total charges shown above, \$73,388 (2022 - \$71,056) was paid from general revenues of the Town, \$219,933 (2022 - \$233,980) was recovered from the water supply operation and \$52,199 (2022 - \$43,393) was recovered from the sanitary sewer operation. These amounts are included on the Consolidated Statement of Operation, classified under the appropriate functional expenditure headings.

6. **EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES**

| | 2023 | 2022 (Restated) |
|---------------------------------------|---------------------|---------------------------|
| Accrued vacation pay benefits | \$ 139,378 | \$ 126,773 |
| Sick leave (Note 6 (a)) | 586,873 | 586,361 |
| Post-employment benefits (Note 6 (b)) | 921,287 | 921,563 |
| WSIB (Note 6 (c)) | 123,189 | 123,189 |
| | \$ 1,770,727 | \$ 1,757,886 |

(a) **SICK LEAVE BENEFITS**

Under the sick leave benefit plans, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the municipality's employment. An amount of \$11,661 (2022 - \$28,305) was paid to employees who left the municipality's employment during the current year. Reserves in the amount of \$400,001 (2021 - \$418,154) have been established to provide for these liabilities and are reported on the Consolidated Statement of Financial Position.

(b) **POST-EMPLOYMENT BENEFITS**

The Town has defined benefit plans providing various post-retirement medical and life insurance benefits.

The liability and expense for 2023 is based on an actuarial valuation performed as at December 31, 2021.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

6. **EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES** (cont'd)

Information about the plan is as follows:

Accrued benefit liability

| | 2023 | 2022 |
|---|-------------|-------------|
| Accrued benefit liability as at beginning of year | \$ 921,563 | \$ 907,692 |
| Current service cost | 44,862 | 43,601 |
| Interest cost | 25,633 | 25,370 |
| Amortization of actuarial gain/loss | (2,371) | (2,500) |
| Contributions/benefits paid during the year | (68,400) | (52,600) |
| Accrued benefit liability as at end of year | \$ 921,287 | \$ 921,563 |

Reconciliation of accrued benefit obligation

| | 2023 | 2022 |
|--|-------------|-------------|
| Accrued benefit obligation as at beginning of year | \$ 898,711 | \$ 882,339 |
| Benefits accrued during year | 44,862 | 43,602 |
| Benefits paid during year | (68,400) | (52,600) |
| Interest on accrued benefit obligation during year | 25,632 | 25,370 |
| Accrued benefit obligation as at end of year | \$ 900,805 | \$ 898,711 |

| | |
|--------------------------------|-------|
| Discount rate | 2.89% |
| Assumed dental cost trend rate | 4.00% |

The assumed health care cost trend rate was 10%, decreasing by 1% annually to 5%.

(c) **WORKPLACE SAFETY & INSURANCE BOARD (WSIB)**

As a Schedule 2 employer, the Town funds its obligations to the WSIB on a “pay as you go” basis. The future benefit costs recorded at the year-end are based on calculations prepared by the WSIB. As at December 31, 2022, the Municipality’s accrued benefit liability related to future payments for WSIB is based on the 2020 WSIB calculation which is the most recent calculation available. No independent actuarial valuation is considered necessary.

7. **CONTAMINATED SITES LIABILITY**

The Town has adopted PS3260 Liability for Contaminated Sites. The Town has not identified any liabilities as at December 31, 2023 (2022 - Nil) as a result of this standard.

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

8. REVENUES

| | 2023 | 2023 | 2022 |
|--|---------------------|---------------|----------------------|
| | Budget (Note 16) | Actual | Actual (Restated) |
| Taxation | | | |
| Residential and farm taxation | \$ 6,322,079 | \$ 6,410,868 | \$ 6,190,345 |
| Commercial, industrial and business taxation | 965,985 | 961,519 | 871,519 |
| Taxation from other governments | 4,515,934 | 4,096,675 | 4,228,743 |
| | 11,803,998 | 11,469,062 | 11,290,607 |
| Deduct: amounts received or receivable for County and school boards | (3,407,119) | (3,407,071) | (3,272,702) |
| | 8,396,879 | 8,061,991 | 8,017,905 |
| User Charges | 4,484,292 | 4,406,855 | 3,818,385 |
| Government Transfers | | | |
| Government of Canada | - | 19,719 | 3,879 |
| Province of Ontario | 778,106 | 960,845 | 1,126,764 |
| Other municipalities | 18,687 | 11,553 | 25,217 |
| | 796,793 | 992,117 | 1,155,860 |
| Deferred Revenue Earned | - | - | 16,885 |
| Other | | | |
| Investment income | 83,446 | 118,343 | 82,411 |
| Penalties and interest on taxes | 200 | 39,287 | 78,172 |
| Donations | 13,925 | 21,010 | 41,436 |
| Other | 698,794 | 2,002,752 | 350,331 |
| Loss on disposal of asset | - | (2,053) | (5,092) |
| | 796,365 | 2,179,339 | 547,258 |
| | \$ 14,474,329 | \$ 15,640,302 | \$ 13,556,293 |

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

9. **EXPENDITURES BY OBJECT**

The Consolidated Statement of Operations presents the consolidated expenditures by function. The following classifies those same expenditures by object.

| | 2023 | 2022 (Restated) |
|--|----------------------|---------------------------|
| Salaries, wages and employee benefits | \$ 6,395,764 | \$ 6,288,188 |
| Interest on long term liabilities | 345,520 | 348,429 |
| Transfers to external organizations | 93,412 | 58,075 |
| Materials, contracted services, rents and financial expenses | 5,009,038 | 5,526,439 |
| Amortization and accretion | 2,312,281 | 2,221,846 |
| | \$ 14,156,015 | \$ 14,442,977 |

10. **PENSION AGREEMENT**

The Corporation of the Town of Deep River, on behalf of its eligible employees, is a participant in the Ontario Municipal Employees Retirement System (OMERS). OMERS is a defined benefit pension plan, fully funded by equal contributions from participating employers and employees, and by the investment earnings of the OMERS Fund. OMERS pensions are calculated using a defined benefit formula, taking into account length of service and average annual wage that is designed to integrate with the pension payable from the Canada Pension Plan.

Because OMERS is a multi-employer pension plan, The Corporation of the Town of Deep River does not recognize any share of the pension plan deficit of \$7.6 billion (2022 – \$6.1 billion) based on the total fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed to OMERS for 2023 was \$419,986 (2022 - \$373,337) for current service and is included as an expenditure on the Consolidated Statement of Operations. At December 31, 2023 there is no liability for past service under this agreement.

11. **FINANCIAL INSTRUMENTS**

The Municipality's financial instruments consist of cash, investments, taxes receivable, trade and other receivables, loan receivable, accounts payable and accrued liabilities and long-term liabilities.

It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes receivable, water and sewer receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. It is management's opinion that the large number and diversity of taxpayers and users minimizes the credit risk.

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

12. JOINT LOCAL BOARDS

The Town is a member of two joint local boards as follows:

Pembroke and Area Airport Commission

The Pembroke and Area Airport Commission was established in 1968 under the *Municipal Act* and on June 25, 1992 was continued as a body corporation by special legislation of the province of Ontario. The Commission's primary function is the management of the Pembroke and Area Airport.

The Town's proportionate share of contributions to the Commission is 8.076% (2022 – 8.124%). The only transactions the Town had with the Commission during the year was the annual municipal levy of \$8,666 (2022 - \$51,930). This transaction is in the normal course of operations and measured at its exchange amount.

Summary financial information for the year ended December 31, 2023 and the Town's proportionate share are as follows:

| | Total | Town's Share |
|----------------------|--------------|---------------------|
| Net financial assets | \$ 837,886 | \$ 67,668 |
| Non-financial assets | 4,242,583 | 342,631 |
| Accumulated surplus | 5,080,469 | 410,299 |
| Revenue | 2,092,610 | 168,999 |
| Expenditures | 1,796,590 | 145,093 |
| Annual surplus | \$ 296,020 | \$ 23,906 |

North Renfrew Landfill Operations Board

The North Renfrew Landfill Operations Board is a joint local board which was formed to direct the operation of the Bagg's Road Landfill.

The Town's proportionate share of contributions to the Board is 52% (2022 - 52%). The Town made operating contributions to the Board in the amount of \$164,289 (2022 - \$134,217).

These transactions are in the normal course of operations and measured at their exchange amount.

Summary financial information for the year ended December 31, 2023 and the Town's proportionate share are as follows:

| | Total | Town's Share |
|-----------------------------|--------------|---------------------|
| Net financial assets (debt) | \$ (431,730) | \$ (224,500) |
| Non-financial assets | 53,698 | 27,923 |
| Accumulated (deficit) | (378,032) | (196,577) |
| Revenue | 350,485 | 182,252 |
| Expenses | 276,316 | 143,684 |
| Annual surplus | \$ 74,169 | \$ 38,568 |

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Town has entered a contract in the amount of \$5,980,000 plus HST for the collection, handling and processing of recyclables and the collection and disposal of residential and commercial waste for the period October 1, 2023, to September 30, 2033, with an option to renew the contract for an additional two years. As of December 31, 2023, the unpaid portion of this contract amounted to approximately \$5,830,600 plus HST.

The Town has entered a contract in the amount of \$436,000 plus HST for the operations of the Miller's Road Landfill for the period April 1, 2022, to March 31, 2027, with an option to renew the contract for an additional one year at the amount of \$92,000 plus HST. As December 31, 2023, the unpaid portion of this contract amounted to approximately \$266,400 plus HST.

The Town had an agreement with the Ontario Clean Water Agency (OCWA) to manage, operate and maintain the drinking water system and the wastewater treatment system. The agreement was for a two-year term commencing January 1, 2022, to December 31, 2023. The cost for 2023 was \$1,509,778. After year end, the agreement was extended to March 31, 2024, and then was renewed for a three- year period commencing April 1, 2024, to March 31, 2027, with estimated costs of \$901,893 for 2024 and \$706,246 per year thereafter. The agreement can be terminated by either party by giving 365 days' notice in writing.

The North Renfrew Landfill Operations Board has entered a contract in the amount of \$3,563,039 plus HST for the operation of the North Renfrew (Baggs Road) Solid Waste Disposal Site for the period from August 1, 2023, to July 31, 2033. As of December 31, 2023, the unpaid portion of this contract amounts to \$3,427,456 plus HST. The Board has also entered a contract in the estimated amount of \$89,000 plus HST for the period March 2021 to February 2026. As of December 31, 2023, the estimated unpaid portion of this contract amounts to \$38,567 plus HST (Town share - \$20,055 plus HST).

14. TRUST FUNDS

Trust funds administered by the Town totalling \$376,502 (2022 - \$353,550) are presented in separate trust fund financial statements. As such, balances held in trust by the Town for the benefit of others have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

15. CONTINGENT LIABILITIES

The Town is the subject of a legal proceeding related to employment issues. Management believes that the ultimate settlement amount, if any, cannot be reasonably determined at this time. In addition, the nature of municipal activities is such that there may be litigation pending or in prospect at any time. Management believes that the Town has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Town's financial position. Any adjustments, arising from these matters, will be recorded in future years.

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

16. BUDGET FIGURES

The operating budget approved by Town Council for 2023 is reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Town does not in some cases include tangible capital asset amounts in the annual budget as they do not require immediate funding. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

17. SEGMENTED DISCLOSURES

The Town of Deep River provides a range of services to its ratepayers. For each segment as reported in Schedule 6, revenues and expenses represent amounts that are directly attributable to the segment. Amounts not directly attributable to a segment are reported in general government. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

The activities that are included in each functional line of services are as follows:

- General government consists of the Mayor and Council, the Chief Administrative Officer and administrative services which include the Director of Finance/Treasurer and Clerk.
- Protection to persons and property consists of Fire, Police, By-law Enforcement, Animal Control and Building Departments
- Transportation services include engineering, storm sewer, road, and sidewalk construction and maintenance, street lighting and winter control as well as the Town's share of the Pembroke and Area Airport Commission.
- Environmental services consist of waterworks and sanitary operations, wastewater treatment, solid waste disposal and recycling and the Town's share of the North Renfrew Landfill Operations Board.
- Health services include cemetery operations and physician recruitment contributions
- Recreation and culture services is comprised primarily of parks services and the operations of recreational facilities and the Deep River Public Library.
- Planning and development consist of planning and zoning and economic development.

18. SUBSEQUENT EVENTS

Subsequent to the year end, the Town approved contracts and contract settlements with estimated costs totalling to approximately \$1.7 million.

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

19. PRIOR PERIOD ERROR

During the year, it was discovered that the accrued sick leave liability and the opening surplus pertaining to unfunded employee benefits and post-employment liabilities for Library employees were both understated by \$25,987. The prior year salaries and employee benefits were understated by \$25,987 resulting in the annual surplus being overstated by \$25,987.

| Statement of Financial Position | December 31, 2022 | | December 31, 2022 |
|--|-------------------------------|--------------------|--------------------------|
| | As corrected (Note 19) | Adjustments | As restated |
| Accumulated surplus | \$ 24,868,785 | \$ (25,987) | \$ 24,842,798 |
| Net financial assets (net debt) | \$ (8,898,493) | \$ (25,987) | \$ (8,924,480) |

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

21. CHANGES TO ACCOUNTING POLICIES – Adoption of New Accounting Standards

- (a) PS 3280 Asset Retirement Obligations (ARO) establishes the accounting and reporting requirements for legal obligations associated with the requirement of tangible capital assets controlled by a government or government organization. The Town adopted this standard on January 1, 2023 on a modified retrospective basis with prior period restatement.

In the past, the Town has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction, or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded.

The new standard also replaces Section PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. An obligation that justifies recognition of a liability can result from existing legislation, regulation, agreement, contract, or is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows that same method of amortization as the associated tangible capital asset.

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

21. CHANGES TO ACCOUNTING POLICIES – Adoption of New Accounting Standards (continued)

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from city buildings and closure activities. The Town reports liabilities related to the legal obligations where it is obligated to incur costs to retire a tangible capital asset. Ongoing efforts to assess the extent to which designated substances exist in Town assets, and new information obtained through regular maintenance and renewal of assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation.

The measurement of asset retirement obligations is also impacted by activities that occurred to settle All or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Town uses buildings that have assessments that provide information on the extent and nature of the designated substances in the building in order to measure the liability. This information is extrapolated to a group of similar assets that do not have designated substance reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a similar asset (if applicable).

As a result of applying this accounting standard, an asset retirement obligation of \$5,777,017 (2022 - \$5,635,560) was recognized as a liability in the Consolidated Statement of Financial Position. These obligations represent estimated retirement costs for Town owned buildings and landfill and post landfill closure obligations. The liabilities, ARO assets and associated ARO accumulated amortization and amortization expense for the period January 1 to December 31, 2023 were used as proxy for January 1, 2022 to December 31, 2022 information.

The associated tangible capital asset cost, accumulated amortization and amortization expense have been restated. The adoption of PS 3280 ARO was applied to the comparative period as follows:

| Statement of Financial Position | December 31, 2022 | December 31, 2022 | |
|---|----------------------------------|-------------------|----------------|
| | Previously reported (Note 19) | Adjustments | As restated |
| Landfill closure and post closure liabilities | \$ (658,142) | \$ 658,142 | \$ - |
| Asset retirement obligation liability | \$ - | \$(5,635,560) | \$ (5,635,560) |
| Net debt | \$ (8,924,480) | \$(4,977,418) | \$(13,901,898) |
| Tangible capital assets including ARO | \$ 33,706,261 | \$ 1,486,310 | \$ 35,192,571 |
| Accumulated surplus | \$ 24,842,798 | \$(3,491,108) | \$ 21,351,690 |

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

21. CHANGES TO ACCOUNTING POLICIES – Adoption of New Accounting Standards (continued)

- (b) The Town adopted the following standards concurrently beginning January 1, 2023 prospectively:
PS 1201 Financial Statement Presentation, PS2601 Foreign Currency Translation, PS 3041 Portfolio Investments, and PS 3450 Financial Instruments.

PS 1201 Financial Statement Presentation replaces PS1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Consolidated Statement Remeasurement Gains and Losses separate from the Consolidated Statement of Operations.

Requirements in PS2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arise from foreign currency changes are presented in the new Consolidated Statement of Remeasurement Gains and Losses, when applicable.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in Consolidated Statement of Remeasurement Gains and Losses.

In accordance with PS 3450 Financial Instruments, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements. The Consolidated Statement of Remeasurement Gains and Losses has not been included in these Consolidated Financial Statements as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

CORPORATION OF THE TOWN OF DEEP RIVER

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

22. ASSET RETIREMENT OBLIGATIONS

On January 1, 2022, the Town adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method of adoption, the assumptions used to estimate the Town's asset retirement obligations are applied as of the date of adoption for the standard.

The Town removed the accrued landfill obligation that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 on January 1, 2022. The liability represents the required closure and post-closure care costs for the landfill site owned by the Town. On January 1, 2022, the Town recognized an additional asset retirement obligation relating to several buildings owned by the Town that contain asbestos. The Town's asset retirement obligations (AROs) consist of several obligations as follows:

(a) LANDFILL OBLIGATIONS

The Town operates a landfill site that now receives only construction and demolition waste. Currently the landfill site is estimated to be 13% filled and has a remaining volume of approximately 74,500 m³. The estimated remaining life of the site at the current level of usage is 20 years. The estimated required period of post-closure care is 25 years. The present value of the expected closure and post-closure costs have been reported as a liability in the Consolidated Statement of Financial Position. The liability was estimated using a discount factor of 3.0%. The present value of estimated expenditures for closure and post-closure care is \$1,116,500. A reserve in the amount of \$94,522 has been established to provide for this liability and is reported on the schedule of accumulated surplus.

The Town is also a joint member of the North Renfrew Landfill Operations Board which owns and operates one open landfill site. Currently, the landfill site is estimated to be 56% filled and has a remaining volume of 83,549 m³. At the current rate of usage, the landfill site is expected to close in 21 years or as early as December 2044. The Board is liable for closing costs of this landfill site and post-closure costs for monitoring, reporting, site reconnaissance and maintenance on an annual basis for a period of at least 25 years following the closure of the site. The present value of the expected closure and post-closure costs have been reported as a liability in the Consolidated Statement of Financial Position. The liability was estimated using a discount factor of 5.64%. The present value of estimated expenditures for closure and post-closure care is \$501,164 (Town share - \$260,605).

CORPORATION OF THE TOWN OF DEEP RIVER
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

22. **ASSET RETIREMENT OBLIGATIONS (continued)**

(b) **ASBESTOS AND OTHER OBLIGATIONS**

The Town owns several buildings that are known to have asbestos which represents a health hazard upon demolition/decommission and there is a legal obligation to remove it. The Town recognized an obligation relating to the removal and post-removal care of the asbestos as estimated at January 1, 2022. These costs were not discounted due to uncertainty surrounding the expected timing of cash outflows. The transition and recognition of AROs involved an accompanying increase to the building capital assets and the restatement of prior year balances.

| | Landfill | Asbestos and other removal | Total |
|---|--------------|-------------------------------|--------------|
| Balance, January 1, 2022, as previously stated | \$ - | \$ - | \$ - |
| Adjustment on adoption of PS 3280 Asset retirement obligations (Note 19) | 1,350,864 | 4,147,340 | 5,498,204 |
| Balance, January 1, 2022, as restated | 1,350,864 | 4,147,340 | 5,498,204 |
| Accretion expense | 12,936 | 124,420 | 137,356 |
| Balance, December 31, 2022, as restated | 1,363,800 | 4,271,760 | 5,635,560 |
| Accretion expense | 13,305 | 128,152 | 141,457 |
| Balance, December 31, 2023 | \$ 1,377,105 | \$ 4,399,912 | \$ 5,777,017 |