

**The Corporation of
The Township of Red Rock
Consolidated Financial Statements
For the year ended December 31, 2023**

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The Corporation of the Township of Red Rock Statement of Administrative Responsibility

December 31, 2023

The management of the Corporation of the Township of Red Rock have prepared the accompanying financial statements and are responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants of Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, Administration has developed and maintains a system of internal control designed to provide reasonable assurance that the Corporation's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Chief Administrative Officer reviews the financial statements before such statements are submitted to Council and published for the residents of Red Rock. The external auditors have access to, and meet with Administration and Council to discuss their audit and the results of their examination.

The 2023 financial statements have been reported on by the Corporation of the Township of Red Rock's external auditors, BDO Canada LLP, the auditors appointed by Council. The auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



Mark Figliomeni, Chief Administrative Officer



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Thunder Bay ON P7B 5N3
Canada

Independent Auditor's Report

To the Members of Council of The Corporation of the Township of Red Rock

Qualified Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Red Rock, which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statements of operations and accumulated surplus, change in net financial assets 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 report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2023, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Effective January 1, 2023, the Township was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of January 1, 2023. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended December 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at December 31, 2023 and 2022 and the accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years.

The Township also did not adopt PS 3270 solid waste landfill closure and post-closure liability, which is now a withdrawn standard. Our audit opinion on the consolidated financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this departure from Canadian public sector accounting standards. The recognition of legal obligations associated with the use of a landfill is now under the scope of PS 3280 Asset Retirement Obligations.

Independent Auditor's Report (cont'd)

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 Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Township'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 Township or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (cont'd)

- 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 Township'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 Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township 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 Township 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.


BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
September 16, 2024

The Corporation of the Township of Red Rock Consolidated Statement of Financial Position

December 31	2023	2022
Financial assets		
Cash (Note 2)	\$ 1,909,509	\$ 3,677,959
Short term investments (Note 3)	1,004,404	-
Taxes receivable	244,092	156,179
Accounts and grants receivable (Note 4)	1,225,524	1,606,435
User charges receivable	77,368	61,095
Inventory held for resale	188,243	192,523
	<u>4,649,140</u>	<u>5,694,191</u>
Liabilities		
Bank indebtedness (Note 2)	-	1,449,016
Accounts payable and accrued liabilities	647,268	989,668
Vested sick leave (Note 5)	94,831	76,657
Deferred revenue (Note 6)	879,619	830,531
Long-term debt (Note 7)	1,579,143	339,363
	<u>3,200,861</u>	<u>3,685,235</u>
Net financial assets	<u>1,448,279</u>	<u>2,008,956</u>
Non-financial assets		
Tangible capital assets (Note 8)	33,794,749	33,400,679
Prepaid expenses and inventories of supplies	57,491	64,494
	<u>33,852,240</u>	<u>33,465,173</u>
Accumulated surplus (Note 9)	<u>\$ 35,300,519</u>	<u>\$ 35,474,129</u>



Chief Administrative Officer



Mayor

The Corporation of the Township of Red Rock Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2023 Budget	2023 Actual	2022 Actual
	(Note 15)		
Revenue			
Taxation			
Residential and farm taxation	\$ 1,254,121	\$ 1,259,043	\$ 1,203,317
Commercial and industrial taxation	266,145	261,479	247,894
Taxation from other governments	82,127	69,463	78,141
User charges			
Water and sewer billings	449,700	449,460	391,007
Other fees and service charges	232,773	231,655	176,249
Government transfers			
Federal (Note 10)	997,323	506,870	1,391,385
Provincial (Note 10)	1,325,377	1,335,568	2,086,976
Other revenue			
Permits, licenses and fines	162,800	54,673	162,732
Investment income	20,700	77,782	23,219
Land sales	-	28,729	102,323
	<u>4,791,066</u>	<u>4,274,722</u>	<u>5,863,243</u>
Expenses (Note 11)			
General government	840,508	888,815	894,343
Protection to persons and property	330,611	303,706	306,286
Transportation services	752,189	890,703	754,101
Environmental services	1,252,220	1,270,377	1,210,647
Health services	57,962	58,906	57,384
Social and family services	48,904	48,758	46,662
Recreation and cultural services	811,266	822,468	838,972
Planning and development	88,111	164,599	205,884
	<u>4,181,771</u>	<u>4,448,332</u>	<u>4,314,279</u>
Annual surplus (deficit)	609,295	(173,610)	1,548,964
Accumulated surplus, beginning of year	<u>35,474,129</u>	<u>35,474,129</u>	<u>33,925,165</u>
Accumulated surplus, end of year	<u>\$ 36,083,424</u>	<u>\$ 35,300,519</u>	<u>\$ 35,474,129</u>

The Corporation of the Township of Red Rock Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	2023 Budget	2023 Actual	2022 Actual
Annual surplus (deficit)	\$ 609,295	\$ (173,610)	\$ 1,548,964
Acquisition of tangible capital assets	(2,256,751)	(1,691,893)	(3,398,130)
Amortization of tangible capital assets	869,387	889,217	869,387
Loss (gain) on disposal of tangible capital assets	-	(7,803)	14,782
Proceeds on disposal of tangible capital assets	-	416,409	-
Change in prepaid expenses and inventory of supplies	-	7,003	(2,948)
Net change in net financial assets	(778,069)	(560,677)	(967,945)
Net financial assets, beginning of year	2,008,956	2,008,956	2,976,901
Net financial assets, end of year	\$ 1,230,887	\$ 1,448,279	\$ 2,008,956

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

The Corporation of the Township of Red Rock Consolidated Statement of Cash Flows

For the year ended December 31	2023	2022
Operating transactions		
Annual surplus (deficit)	\$ (173,610)	\$ 1,548,964
Items not involving cash		
Amortization	889,217	869,387
Loss (gain) on disposal of tangible capital assets	(7,803)	14,782
Gain on sale of property held for resale	(28,729)	(102,323)
Interest on short term investments	(4,404)	-
Changes in non-cash operating balances		
Taxes receivable	(87,913)	2,146,107
Accounts and grants receivable	380,911	999,541
User charges receivable	(16,273)	(2,442)
Accounts payable and accrued liabilities	(342,400)	(1,346,192)
Vested sick leave	18,174	20,092
Deferred revenue	49,088	193,188
Prepaid expenses and inventories of supplies	7,003	(2,948)
	<u>683,261</u>	<u>4,338,156</u>
Capital transactions		
Acquisition of tangible capital assets	(1,691,893)	(3,398,130)
Proceeds on disposal of tangible capital assets	416,409	-
Proceeds on sale of properties held for resale	33,009	128,385
	<u>(1,242,475)</u>	<u>(3,269,745)</u>
Investing transactions		
Purchase of short term investments	(1,000,000)	-
Financing transactions		
Increase (decrease) in bank indebtedness, net	(1,449,016)	759,588
Advances of long-term debt	1,272,571	-
Repayment of long-term debt	(32,791)	(31,755)
	<u>(209,236)</u>	<u>727,833</u>
Increase (decrease) in cash for the year	(1,768,450)	1,796,244
Cash, beginning of year	<u>3,677,959</u>	<u>1,881,715</u>
Cash, end of year	\$ 1,909,509	\$ 3,677,959

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

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements The consolidated financial statements of the Township are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Corporation of the Township of Red Rock (the "Township") is a municipality in the Province of Ontario and operates under the provisions of Provincial statutes, such as the Municipal Act and related legislation. The Township provides municipal services such as protection to persons and property, public works, transportation, planning, social and family, recreation and other general government services.

Reporting Entity The financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Township. The following entities have been consolidated:

Red Rock Public Library Board

All inter-entity transactions and balances have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Township and the resulting interest income and expenditures.

A government partnership exists where the Township has shared control over the board or entity. The Township's pro-rata share of the assets, liabilities, revenues and expenditures is reflected in the financial statements using the proportionate consolidation method. There are no joint local boards accounted for in this manner in these financial statements.

The Township contributes to the following joint local boards, which are not proportionately consolidated in these statements:

Thunder Bay District Health Unit
Thunder Bay Area Emergency Measures Organization
Thunder Bay District Social Services Administration Board

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

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

1. Significant Accounting Policies (cont'd)

Financial Instruments	<p>Cash and equity instruments quoted in an active market are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.</p> <p>When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.</p> <p>For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.</p> <p>All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.</p> <p>Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.</p>
Inventories	<p>Inventories held for consumption are recorded at the lower of cost and net realizable value.</p>
Accounting for School Board Transactions	<p>The Township collects taxation revenue on behalf of the school boards. The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the current fund balances of these consolidated financial statements. Education taxes collected by the Township that are over-remitted or not remitted to the respective school boards as at December 31 are reported as a financial asset or liability on the statement of financial position.</p>

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

1. Significant Accounting Policies (cont'd)

Tangible Capital Assets	<p>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 assets are available for productive use as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Land Improvements</td> <td style="text-align: right;">-</td> <td style="text-align: right;">20 years</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">-</td> <td style="text-align: right;">15 to 60 years</td> </tr> <tr> <td>Library Collections, Machinery and Equipment</td> <td style="text-align: right;">-</td> <td style="text-align: right;">3 to 40 years</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">-</td> <td style="text-align: right;">5 to 20 years</td> </tr> <tr> <td>Linear Assets</td> <td style="text-align: right;">-</td> <td style="text-align: right;">15 to 75 years</td> </tr> </table> <p>Assets under construction are not amortized until the asset is available for use.</p>	Land Improvements	-	20 years	Buildings	-	15 to 60 years	Library Collections, Machinery and Equipment	-	3 to 40 years	Vehicles	-	5 to 20 years	Linear Assets	-	15 to 75 years
Land Improvements	-	20 years														
Buildings	-	15 to 60 years														
Library Collections, Machinery and Equipment	-	3 to 40 years														
Vehicles	-	5 to 20 years														
Linear Assets	-	15 to 75 years														
Retirement Benefits and Other Employee Benefit Plans	<p>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 records pension expense when contributions are due.</p>															
Deferred Revenue	<p>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 in the year in which it is used for the specified purpose.</p>															
Government Transfers	<p>Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.</p>															

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

1. Significant Accounting Policies (cont'd)

Revenue Recognition	<p>Charges for water and sewer usage are recorded as user fees on the basis of consumption. Connection fee revenues are recognized when the connection has been established.</p> <p>Other user charges and fees are recognized as revenue in the period in which the related services are performed.</p> <p>Interest is recognized as it is earned. Interest earned on deferred revenue forms part of the deferred revenue balance. Investment income earned on reserve funds is added to the fund balance and forms part of the reserve fund balance.</p> <p>Sales of goods and services are recognized when title is transferred or the services are rendered.</p> <p>Other revenue is recognized on an accrual basis.</p>
Taxation Revenue	<p>The amount of the total property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenues required to meeting operating budget requirements. Education tax rates are established by the province each year in order to fund the costs of education on a province wide basis.</p> <p>Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed value for all properties within the municipality are provided to the Township in the form of the returned assessment roll in December of each year.</p> <p>The amount of property taxes levied on an individual property is the product of the CVA of the property and the tax rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.</p> <p>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. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.</p>

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

1. Significant Accounting Policies (cont'd)

Use of Estimates The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in these financial statements include assumptions used in estimating provisions for doubtful taxes and accounts receivable, useful lives of tangible capital assets and vested sick leave liability.

2. Cash and Bank Indebtedness

The Township's bank accounts earn interest at an effective interest rate between 0.00% - 5.70% (2022 - between 0.00% - 4.95%).

The Township's credit facilities include a \$2,000,000 revolving demand facility at a floating rate of bank prime (2022 - \$3,000,000). The prime rate was 7.2% at December 31, 2023 (2022 - 6.45%). As at December 31, 2023, the Township utilized \$nil (2022 - \$1,449,016) of this facility. The credit facility is secured by a general security agreement providing a charge on all assets of the Township.

3. Short Term Investments

	2023	2022
Cashable guaranteed investment certificate, bearing interest at a floating rate of bank prime less 2.0% (5.2% at December 31, 2023) maturing November 2024	\$ 1,004,404	\$ -

4. Accounts and Grants Receivable

	2023	2022
Infrastructure Canada	\$ 501,276	\$ 493,857
Ministry of Infrastructure	398,779	575,846
Northern Ontario Heritage Fund Corporation	87,702	9,477
Other	55,592	34,178
Receiver General	182,175	493,077
	\$ 1,225,524	\$ 1,606,435

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

5. Vested Sick Leave Liability

Under the sick leave benefits plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Township's employment.

The significant assumptions adopted and estimated for the calculation of the vested sick leave liability are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	5.15 %	6.45 %
Inflation rate	5.92 %	5.69 %
Retirement age	65	65

The liability for these accumulated days, to the extent that they have vested and may be taken in cash by an employee on retirement or his/her voluntary or involuntary termination amount to \$94,831 (2022 - \$76,657) at the end of the year.

6. Deferred Revenue

	<u>2023</u>	<u>2022</u>
Canada Community Building Fund (Previously Federal Gas Tax)	\$ 476,122	\$ 420,406
Parks Canada	20,659	-
Employment and Social Development Canada Ministry of Infrastructure - Ontario Community Infrastructure Fund	-	45,222
Northern Ontario Resource Development Support Fund	282,645	204,249
Other	83,389	134,191
	<u>16,804</u>	<u>26,463</u>
	<u>\$ 879,619</u>	<u>\$ 830,531</u>

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Township, the Province of Ontario and the Association of Municipalities of Ontario. Gas tax funding may only be used towards eligible projects as specified in the funding agreement.

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

7. Long Term Debt

	2023	2022
Ontario Infrastructure Debenture		
Loan, unsecured, repayable \$17,470 semi-annually, including interest at 3.49%, maturing April 2033	\$ 280,462	\$ 304,971
Ontario Infrastructure Debenture		
Loan, unsecured, repayable \$4,543 semi-annually, including interest at 2.49%, maturing December 2026	26,111	34,392
Ontario Infrastructure Debenture		
Loan, unsecured, repayable \$45,543 semi-annually, including interest at 5.15%, maturing October 2048	1,272,570	-
	\$ 1,579,143	\$ 339,363

Principal payments due in the next five years and thereafter are as follows:

Year	Amount
2024	\$ 59,739
2025	62,195
2026	64,758
2027	58,290
2028	60,853
Thereafter	1,273,308
	\$ 1,579,143

Total payments for the year for Ontario infrastructure debenture debt were as follows:

	2023	2022
Principal payments	\$ 32,791	\$ 31,755
Interest payments	11,237	12,273
	\$ 44,028	\$ 44,028

**The Corporation of the Township of Red Rock
Notes to the Consolidated Financial Statements**

December 31, 2023

8. Tangible Capital Assets

	Land	Land Improvements	Buildings	Library Collections, Machinery and Equipment	Vehicles	Bridges and Culverts	Balance Forward
Cost, beginning of year	\$ 1,360,308	\$ 2,968,155	\$ 27,580,496	\$ 3,649,384	\$ 1,338,082	\$ 1,051,496	\$ 37,947,921
Additions	-	-	905,340	183,198	130,797	-	1,219,335
Disposals and write downs	-	-	(401,409)	-	(131,962)	-	(533,371)
Transfers	-	-	-	-	-	-	-
Cost, end of year	1,360,308	2,968,155	28,084,427	3,832,582	1,336,917	1,051,496	38,633,885
Accumulated amortization, beginning of year	-	1,993,989	3,148,881	2,378,781	1,199,934	666,903	9,388,488
Amortization	-	54,411	455,041	161,898	26,686	11,474	709,510
Disposals and write downs	-	-	-	-	(124,765)	-	(124,765)
Accumulated amortization, end of year	-	2,048,400	3,603,922	2,540,679	1,101,855	678,377	9,973,233
Net carrying amount, end of year	\$ 1,360,308	\$ 919,755	\$ 24,480,505	\$ 1,291,903	\$ 235,062	\$ 373,119	\$ 28,660,652

**The Corporation of the Township of Red Rock
Notes to the Consolidated Financial Statements**

December 31, 2023

8. Tangible Capital Assets (cont'd)

	Balance Forward	Road Network	Storm Network	Waste Water Network	Water Network	Assets under Construction	2023 Total
Cost, beginning of year	\$ 37,947,921	\$ 2,402,338	\$ 483,100	\$ 1,517,712	\$ 6,100,749	\$ -	\$ 48,451,820
Additions	1,219,335	-	-	-	216,675	255,883	1,691,893
Disposals and write downs	(533,371)	-	-	-	-	-	(533,371)
Transfers	-	-	-	-	-	-	-
Cost, end of year	38,633,885	2,402,338	483,100	1,517,712	6,317,424	255,883	49,610,342
Accumulated amortization, beginning of year	9,388,488	1,859,993	344,181	892,534	2,565,945	-	15,051,141
Amortization	709,510	36,148	8,098	22,638	112,823	-	889,217
Disposals and write downs	(124,765)	-	-	-	-	-	(124,765)
Accumulated amortization, end of year	9,973,233	1,896,141	352,279	915,172	2,678,768	-	15,815,593
Net carrying amount, end of year	\$ 28,660,652	\$ 506,197	\$ 130,821	\$ 602,540	\$ 3,638,656	\$ 255,883	\$ 33,794,749

**The Corporation of the Township of Red Rock
Notes to the Consolidated Financial Statements**

December 31, 2023

8. Tangible Capital Assets (cont'd)

	Land	Land Improvements	Buildings	Library Collections, Machinery and Equipment	Vehicles	Bridges and Culverts	Balance Forward
Cost, beginning of year	\$ 1,360,308	\$ 2,968,155	\$ 26,827,984	\$ 3,609,519	\$ 1,254,835	\$ 1,051,496	\$ 37,072,297
Additions	-	-	752,512	63,517	83,247	-	899,276
Disposals and write downs	-	-	-	(23,652)	-	-	(23,652)
Transfers	-	-	-	-	-	-	-
Cost, end of year	1,360,308	2,968,155	27,580,496	3,649,384	1,338,082	1,051,496	37,947,921
Accumulated amortization, beginning of year	-	1,938,962	2,691,597	2,229,418	1,176,611	655,429	8,692,017
Amortization	-	55,027	457,284	158,233	23,323	11,474	705,341
Disposals and write downs	-	-	-	(8,870)	-	-	(8,870)
Accumulated amortization, end of year	-	1,993,989	3,148,881	2,378,781	1,199,934	666,903	9,388,488
Net carrying amount, end of year	\$ 1,360,308	\$ 974,166	\$ 24,431,615	\$ 1,270,603	\$ 138,148	\$ 384,593	\$ 28,559,433

**The Corporation of the Township of Red Rock
Notes to the Consolidated Financial Statements**

December 31, 2023

8. Tangible Capital Assets (cont'd)

	Balance Forward	Road Network	Storm Network	Waste Water Network	Water Network	Assets under Construction	2022 Total
Cost, beginning of year	\$ 37,072,297	\$ 2,396,362	\$ 483,100	\$ 1,517,712	\$ 3,441,519	\$ 166,352	\$ 45,077,342
Additions	899,276	5,976	-	-	2,492,878	-	3,398,130
Disposals and write downs	(23,652)	-	-	-	-	-	(23,652)
Transfers	-	-	-	-	166,352	(166,352)	-
Cost, end of year	37,947,921	2,402,338	483,100	1,517,712	6,100,749	-	48,451,820
Accumulated amortization, beginning of year	8,692,017	1,823,724	336,083	869,896	2,468,904	-	14,190,624
Amortization	705,341	36,269	8,098	22,638	97,041	-	869,387
Disposals and write downs	(8,870)	-	-	-	-	-	(8,870)
Accumulated amortization, end of year	9,388,488	1,859,993	344,181	892,534	2,565,945	-	15,051,141
Net carrying amount, end of year	\$ 28,559,433	\$ 542,345	\$ 138,919	\$ 625,178	\$ 3,534,804	\$ -	\$ 33,400,679

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

9. Accumulated Surplus

The Township segregates its accumulated surplus into the following categories:

	<u>2023</u>	<u>2022</u>
Investment in tangible capital assets	\$ 33,794,749	\$ 33,400,679
Current funds to be applied to operations of local boards for the following year	54,363	79,845
Reserves set aside for specific purpose by Council:		
Sewer and water	-	63,853
Working capital	714,587	1,228,010
Reserve funds:		
Administrative capital expenditure	55,761	52,814
Employee retirement costs	(27,116)	(12,521)
Library capital expenditure	74,746	70,796
Public works capital expenditure	78,346	74,205
Project remove	7,046	6,674
Protection to persons and property	108,610	102,934
Recreational capital expenditure	87,911	83,264
Sewer capital expenditure	121,473	110,372
Tax refunds	67,453	63,888
Water capital expenditure	162,590	149,316
	<u>\$ 35,300,519</u>	<u>\$ 35,474,129</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure. Reserve funds represent funds set aside by by-law or council resolution for specific purposes.

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

10. Government Transfers

	Budget 2023	2023	2022
Federal Transfers			
Canada Community Building Fund (Previously Federal Gas Tax)	\$ -	\$ 3,523	\$ 78,080
Infrastructure Canada	936,265	400,003	1,257,901
Employment and Social Development Canada	61,058	45,222	16,079
Federal Economic Development Agency for Northern Ontario	-	-	39,325
Parks Canada	-	47,900	-
Other	-	10,222	-
	997,323	506,870	1,391,385
Provincial Transfers			
Ontario Municipal Partnership Fund	637,500	637,500	637,500
Ministry of Infrastructure	331,473	446,868	1,342,348
Ministry of Northern Development, and Ministry of Mines	213,202	114,196	-
Ministry of Municipal Affairs and Housing	-	12,550	35,616
Northern Ontario Heritage Fund	139,960	104,395	51,203
Other	3,242	20,059	20,309
	1,325,377	1,335,568	2,086,976
	\$ 2,322,700	\$ 1,842,438	\$ 3,478,361

**The Corporation of the Township of Red Rock
Notes to the Consolidated Financial Statements**

December 31, 2023

11. Expenses By Object

	Budget 2023	2023	2022
Salaries, wages and employee benefits	\$ 1,384,069	\$ 1,340,320	\$ 1,323,471
Materials and supplies	797,864	931,258	880,882
Contracted services	857,724	983,437	946,404
Rents and financial expenses	198,200	238,072	207,072
(Gain)/loss on disposal of tangible capital assets	-	(7,803)	14,782
Donations	2,500	1,950	3,075
Contributions to unconsolidated joint boards:			
Thunder Bay District Health Unit	23,123	23,123	22,544
Thunder Bay District Social Services Administration Board	48,904	48,758	46,662
Amortization	869,387	889,217	869,387
	\$ 4,181,771	\$ 4,448,332	\$ 4,314,279

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

12. Employee Benefits Plan Liability

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its full time staff. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS 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 benefits.

OMERS provides pension services to more than 600,000 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 valuation disclosed total actuarial liabilities of \$136.2 billion (\$130.3 billion in 2022) in respect of benefits accrued for service with actuarial assets at that date of \$132.0 billion (\$123.6 billion in 2022) indicating an actuarial deficit of \$4.2 billion (\$6.7 billion in 2022). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Township to OMERS with respect of the employee and employer portions for 2023 was \$172,631 (\$145,595 in 2022), which is included as an expenditure on the consolidated statement of operations and accumulated surplus.

13. Policing

Effective 2015, the OPP provides policing services to the Township by default. The annual cost of policing is determined under the Police Services Act O.Reg 267/14. The total cost of policing services expensed for 2023 was \$155,080 (2022 - \$148,908) after adjusting for rebates.

14. Contingent Liability

As at December 31, 2023, there was outstanding claims pending against the Township for which the amount of settlement, if any, was not determinable. Consequently, no provision for these claim has been made in these financial statements.

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

15. Budget

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and change in net financial assets for comparative purposes. The 2023 budget amounts for the Township approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statements. As a result, the budget figures presented in the statements of operations and change in net financial assets was adjusted as follows:

Approved budget surplus for the year	\$	-
Add:		
Capital expenditures		2,256,751
Budgeted transfers to reserves		139,042
Loan repayments		91,526
Less:		
Budgeted transfers from reserves		(557,779)
Amortization		(869,387)
Loan advances		(450,858)
		<u>609,295</u>
Budget surplus per statement of operations	\$	<u>609,295</u>

16. Commitments

The Township entered into a nine year agreement for wastewater treatment plant management services. The following are the future minimum annual payments due over the next five years, and thereafter:

Year	Amount
2024	\$ 359,782
2025	365,140
2026	370,579
2027	376,100
2028	381,703
Thereafter	<u>780,555</u>
	<u>\$ 2,633,859</u>

17. Comparative Amounts

The comparative amounts presented in the consolidated financial statements have been reclassified to conform to the current year's presentation.

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

18. Financial Instruments

The Township is exposed to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market risk. This note describes the Township's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, and arises principally from the Township's taxes receivable and user charges receivable. This risk is minimized as the Township can put a property up for tax sale after it has been vested or water/sewer service can be cut off.

The majority of the Township's accounts and grants receivables are from government sources and the Township works to ensure they meet all eligibility criteria in order to qualify to receive funding, therefore the Township does not believe it is subject to any significant concentrations of credit risk related to accounts and grants receivable. At year end, the Township's taxes receivable, accounts and grants receivable, and user charges receivable are as follows: current \$1,444,660 (2022 - \$1,039,687) and over 90 days \$102,324 (2022 - \$514,022).

The Township is also subject to credit risk on the excess deposits over the amount not covered by the Canadian Deposit Insurance Corporation (CDIC). There have been no significant changes from the previous year in the exposure to risk.

Liquidity Risk

Liquidity risk is the risk that the Township will encounter difficulty in meeting obligations associated with financial liabilities. The Township is exposed to liquidity risk through its accounts payable and accrued liabilities. The Township regularly compares budgets to actual to monitor its ability to maintain sufficient liquidity to meet its liabilities when due. The contractual maturities (representing undiscounted contractual cash-flows) of the Township's bank indebtedness, accounts payable and accrued liabilities, vested sick leave, and long-term debt are as follows: within 6 months \$673,242 (2022 - \$2,239,010), 6 months to 1 year \$29,870 (2022 - \$228,890), 1 to 5 years \$246,096 (2022 - \$133,085), and over 5 years \$1,360,438 (2022 - \$265,010). There have been no significant changes from the previous year in the exposure to risk.

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 interest rate risk arising from the possibility that changes in interest rates will affect the Township's credit facility and its short term investments, however this risk is mitigated due to the guaranteed investment certificate being cashable. The risk has been changed from the prior year as the credit facility was paid off in the current year and the short term investment was purchased in the current year.

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

19. Segmented Information

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

a) General Government

This area relates to the operations of the Township itself and cannot be directly attributed to a specific segment.

b) Protection to Persons and Property

Protection is comprised of police services, fire protection and ambulance services. The police services work is to ensure the safety and protection of the citizens and their property. The fire department is responsible for providing fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The ambulance service transports the injured to the hospital and provides emergency medical care to those in distress.

c) Transportation Services

Transportation is responsible for providing the Township's road maintenance services.

d) Environmental Services

Environmental services provides waste disposal services to citizens as well as maintaining the Municipality's sewer and drinking water systems. They process and clean sewage and ensure the Municipality's water system meets all Provincial standards.

e) Health Services

Health services are comprised of public health services, which work to improve the overall health of the population and overcome health inequalities by providing services to individuals and the community.

f) Social and Family Services

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

The Corporation of the Township of Red Rock Notes to the Consolidated Financial Statements

December 31, 2023

19. Segmented Information (cont'd)

g) Recreational and Cultural Services

This service area provides services meant to improve the health and development of the Municipality's citizens. Recreational and cultural programs such as, swimming and skating lessons and English as a second language are provided at arenas, aquatic centres and community centres. Also, the Municipality provides library services to assist with its citizens' informational needs.

h) Planning and Development

This department provides a number of services including municipal planning, maintenance and enforcement of building and construction codes, and review of all property development plans through its application process.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

**The Corporation of the Township of Red Rock
Notes to the Consolidated Financial Statements**

December 31, 2023

19. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2023 Total
Revenue									
Taxation	\$ 1,589,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,589,985
Government grants - Federal	57,047	-	81,878	137,904	-	-	168,780	61,261	506,870
Government grants - Provincial	804,931	-	-	347,877	-	-	166,067	16,693	1,335,568
User fees and service charges	60,238	8,656	339	481,532	-	-	130,350	-	681,115
Permits, licenses and fines	37,878	16,795	-	-	-	-	-	-	54,673
Investment income	77,782	-	-	-	-	-	-	-	77,782
Other	28,729	-	-	-	-	-	-	-	28,729
	<u>2,656,590</u>	<u>25,451</u>	<u>82,217</u>	<u>967,313</u>	<u>-</u>	<u>-</u>	<u>465,197</u>	<u>77,954</u>	<u>4,274,722</u>
Expenses									
Salaries, wages and employee benefits	449,555	41,271	460,963	33,538	-	-	279,085	75,908	1,340,320
Materials and supplies	83,371	47,239	303,536	222,221	-	-	192,632	82,259	931,258
Contracted services	229,005	162,693	31,956	467,735	35,783	-	50,857	5,408	983,437
Rents and financial	124,703	18,666	8,020	52,330	-	-	34,353	-	238,072
Outside transfers (Gain)/loss on disposal of tangible capital assets	1,950 (7,803)	-	-	-	23,123	48,758	-	-	73,831 (7,803)
Amortization	8,034	33,837	86,228	494,553	-	-	265,541	1,024	889,217
	<u>888,815</u>	<u>303,706</u>	<u>890,703</u>	<u>1,270,377</u>	<u>58,906</u>	<u>48,758</u>	<u>822,468</u>	<u>164,599</u>	<u>4,448,332</u>
Net surplus (deficit)	<u>\$ 1,767,775</u>	<u>\$ (278,255)</u>	<u>\$ (808,486)</u>	<u>\$ (303,064)</u>	<u>\$ (58,906)</u>	<u>\$ (48,758)</u>	<u>\$ (357,271)</u>	<u>\$ (86,645)</u>	<u>\$ (173,610)</u>

**The Corporation of the Township of Red Rock
Notes to the Consolidated Financial Statements**

December 31, 2023

19. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2022 Total
Revenue									
Taxation	\$ 1,529,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,529,352
Government grants - Federal	89,006	-	974,733	239,922	-	-	48,399	39,325	1,391,385
Government grants - Provincial	678,212	-	-	1,312,284	-	-	51,528	44,952	2,086,976
User fees and service charges	48,648	5,416	-	397,267	-	-	115,925	-	567,256
Permits, licenses and fines	161,149	1,583	-	-	-	-	-	-	162,732
Investment income	23,219	-	-	-	-	-	-	-	23,219
Land sales	102,323	-	-	-	-	-	-	-	102,323
	<u>2,631,909</u>	<u>6,999</u>	<u>974,733</u>	<u>1,949,473</u>	<u>-</u>	<u>-</u>	<u>215,852</u>	<u>84,277</u>	<u>5,863,243</u>
Expenses									
Salaries, wages and employee benefits	438,406	40,336	488,311	42,059	-	-	264,933	49,426	1,323,471
Materials and supplies	71,880	62,778	151,869	257,817	-	-	228,864	107,674	880,882
Contracted services	221,292	155,173	20,588	410,947	34,840	-	55,341	48,223	946,404
Rents and financial	135,711	12,771	8,471	18,901	-	-	31,218	-	207,072
Outside transfers	3,075	-	-	-	22,544	46,662	-	-	72,281
Loss on disposal of tangible capital assets	14,782	-	-	-	-	-	-	-	14,782
Amortization	9,197	35,228	84,862	480,923	-	-	258,616	561	869,387
	<u>894,343</u>	<u>306,286</u>	<u>754,101</u>	<u>1,210,647</u>	<u>57,384</u>	<u>46,662</u>	<u>838,972</u>	<u>205,884</u>	<u>4,314,279</u>
Net surplus (deficit)	<u>\$ 1,737,566</u>	<u>\$ (299,287)</u>	<u>\$ 220,632</u>	<u>\$ 738,826</u>	<u>\$ (57,384)</u>	<u>\$ (46,662)</u>	<u>\$ (623,120)</u>	<u>\$ (121,607)</u>	<u>\$ 1,548,964</u>