

Consolidated Financial Statements of

**CORPORATION OF THE TOWN
OF COCHRANE**

And Independent Auditor's Report thereon

Year ended December 31, 2023

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Cochrane (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Mayor



Chief Administrative Officer

November 26, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Residents and Ratepayers of the Corporation of the Town of Cochrane

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Cochrane (the Town), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets (debt) for the year then ended
- the consolidated statement of remeasurement gains (losses) for the year ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net financial debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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



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

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements (“Note 2”), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated as a result of the modified retroactive adoption of the asset retirement obligation standard and the adoption of the financial statement presentation, portfolio investments and financial instrument standards. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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



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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the 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 the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

November 26, 2024

CORPORATION OF THE TOWN OF COCHRANE

Consolidated Financial Statements

Year ended December 31, 2023

Consolidated Financial Statements

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THE CORPORATION OF THE TOWN OF COCHRANE

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Financial assets		
Cash	\$ 754,563	\$ 143,714
Investments (note 3)	6,931,502	6,513,363
Taxes and user charges receivable (note 5)	643,837	543,495
Accounts receivable (note 7)	5,372,112	4,035,149
Demand Promissory Note (note 8)	670,206	668,988
Due from Government of Canada	86,482	47,880
Promissory note receivable (note 9)	1,031,697	1,371,098
Long-term receivables (note 10)	14,537	29,091
Inventory for resale	133,071	114,151
Investment in government business enterprises (note 11)	5,104,222	4,843,144
	<u>20,742,229</u>	<u>18,310,073</u>
Financial liabilities		
Bank indebtedness	-	52,745
Accounts payable and accrued liabilities	3,064,825	4,163,860
Deferred revenue (note 13)	2,105,082	1,792,186
Asset retirement obligation (note 15)	1,467,927	1,451,119
Employee post employment benefit obligations (note 16)	970,943	1,044,221
Term loans and long-term debt (note 17)	11,697,451	11,948,740
	<u>19,306,228</u>	<u>20,452,871</u>
Net financial assets (debt)	1,436,001	(2,142,798)
Non-financial assets		
Tangible capital assets (note 18)	67,414,437	67,165,593
Supply inventory	306,130	216,444
Prepaid expenses	402,190	352,320
	<u>68,122,757</u>	<u>67,734,357</u>
Contractual obligations (note 21)		
Contingencies and guarantees (note 27)		
Accumulated surplus	<u>\$ 69,558,758</u>	<u>\$ 65,591,559</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (note 19)	69,683,397	65,767,457
Accumulated remeasurement losses	(124,639)	(175,898)
	<u>\$ 69,558,758</u>	<u>\$ 65,591,559</u>

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

On behalf of Council:

_____ Mayor

_____ Councilor

THE CORPORATION OF THE TOWN OF COCHRANE

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget 2023 (note 23)	Actual 2023	Actual 2022 (Restated - note 2)
Revenue:			
Taxation	\$ 9,029,016	\$ 9,004,015	\$ 8,395,659
User charges	7,405,467	7,859,694	7,080,495
Government transfers for operating and capital:			
Provincial	5,289,432	3,980,542	2,808,006
Federal	1,088,069	2,134,764	2,183,629
Investment income	40,000	51,700	111,334
Penalties and interest on taxes	103,900	118,551	107,660
Fines - Provincial Offences Act	85,000	48,836	22,470
Other	410,737	770,955	298,565
Government business enterprises income (note 11)	60,000	314,834	343,707
CDSSAB contributions	1,353,553	1,342,336	1,284,922
Loss on disposal of capital assets	-	(619)	(1,013,312)
Total revenue	24,865,174	25,625,608	21,623,135
Expenses:			
General government	2,551,357	2,215,945	3,874,864
Protection services	2,352,410	3,702,857	2,788,337
Transportation services	4,118,314	4,070,589	3,793,359
Environmental services	4,172,330	3,590,258	3,209,247
Health services	729,316	697,192	678,996
Social and family services	2,784,168	2,543,017	2,686,418
Recreation and cultural services	4,652,760	4,422,183	4,042,101
Planning and development	572,383	413,681	395,865
Telecommunication operations	89,721	53,946	91,551
Total expenses	22,132,009	21,709,668	21,560,738
Annual surplus	2,733,165	3,915,940	62,397
Accumulated surplus, beginning of year	65,767,457	65,767,457	65,426,178
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	278,882
Accumulated surplus, end of year	\$ 68,500,622	\$ 69,683,397	\$ 65,767,457

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

THE CORPORATION OF THE TOWN OF COCHRANE

Consolidated Statement of Change in Net Financial Assets (Debt)

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

	Budget 2023 (note 23)	Actual 2023	Actual 2022 (Restated - note 2)
Annual surplus	\$ 2,733,165	\$ 3,915,940	\$ 62,397
Net remeasurement gains (losses) for the year	-	51,259	(161,645)
	2,733,165	3,967,199	(99,248)
Acquisition of tangible capital assets	(3,146,477)	(4,023,464)	(6,038,173)
Amortization of tangible capital assets	3,378,355	3,647,997	3,378,355
Loss on disposal of tangible capital assets	-	107	1,013,312
Proceeds on disposal of tangible capital assets	-	126,516	9,600
Change in supply inventory	-	(89,686)	(89,259)
Change in prepaid expenses	-	(49,870)	1,629,842
	231,878	(388,400)	(96,323)
Change in net financial assets (debt)	2,965,043	3,578,799	(195,571)
Net financial debt, beginning of year	(10,681,250)	(2,142,798)	(2,242,915)
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	295,688
Net financial assets (debt), end of year	\$ (7,716,207)	\$ 1,436,001	\$ (2,142,798)

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

THE CORPORATION OF THE TOWN OF COCHRANE

Statement of Remeasurement Gains and Losses

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

	2023	2022
		(Restated - note 2)
Accumulated remeasurement losses, beginning of year	\$ (175,898)	\$ (14,253)
Unrealized gains (losses) attributable to: Pooled funds	51,259	(161,645)
Net remeasurement gains (losses) for the year	51,259	(161,645)
Accumulated remeasurement losses, end of year	\$ (124,639)	\$ (175,898)

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF COCHRANE

Consolidated Statement of Cash Flows

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

	2023	2022
		(Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,915,940	\$ 62,397
Items not involving cash:		
Amortization of tangible capital assets	3,647,997	3,378,355
Accretion expense	16,808	-
Loss on disposal of tangible capital assets	107	1,013,312
Changes in accrued post-retirement benefit obligations	(73,278)	(33,523)
Government business enterprises	(314,834)	(343,707)
	7,192,740	4,076,834
Change in non-cash working capital balances:		
Decrease (increase) in taxes and user charges receivable	(100,342)	196,820
Increase in accounts receivable	(1,336,963)	(661,962)
Increase in due from Government of Canada	(38,602)	(26,540)
Decrease in long-term receivables	14,554	19,553
Decrease in inventory held for resale	(18,920)	(49,607)
Increase (decrease) in accounts payable and accrued liabilities	(1,099,035)	696,112
Increase (decrease) in deferred revenue	312,896	(354,145)
Increase in supply inventory	(89,686)	(89,259)
Decrease (increase) in prepaid expenses	(49,870)	1,629,842
Net change in cash from operating activities	4,786,772	5,437,648
Capital activities:		
Acquisition and construction of tangible capital assets	(4,023,464)	(5,968,630)
Proceeds on sale of tangible capital assets	126,516	9,600
Net change in cash from capital activities	(3,896,948)	(5,959,030)
Financing activities:		
Long-term debt principal repayment	(251,289)	(276,209)
Short term debt repayment	(52,745)	-
Net change in cash from financing activities	(304,034)	(276,209)
Investing activities:		
Dividends from government business enterprises	52,538	75,091
Principal repayments on promissory note receivable	339,401	325,812
Change in temporary investments	(366,880)	66,486
Net change in cash from investing activities	25,059	467,389
Net change in cash	610,849	(330,202)
Cash, beginning of year	143,714	473,916
Cash, end of year	\$ 754,563	\$ 143,714

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

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

The Corporation of the Town of Cochrane (the "Municipality") is a single-tier municipal corporation located in Northern Ontario. It is subject to provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

(i) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. These consolidated financial statements include the following:

- Recreation, Events and Culture Board
- Cochrane Library Board
- Cochrane and Suburban Planning Board
- Committee of Adjustment
- Cochrane Child Care Centre Board
- Cochrane Utilities Board
- Economic Development Board
- Accessibility Advisory Committee
- Cochrane Cemetery Committee
- Police Services Board
- Cochrane Volunteer Development and Recognition Board
- Rural Advisory Committee
- Cochrane Environmental Advisory Committee

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

(ii) Non-consolidated entities:

The following joint boards are not consolidated:

- Porcupine Health Unit
- Porcupine Health Unit Building Trust
- Cochrane District Social Services Administration Board (CDSSAB)

(iii) Accounting for school board transactions:

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

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iv) Government business enterprises:

Government Business Enterprise (“GBE”) include Northern Ontario Wires (“NOW”) and Northern Ontario Energy (“NOE”). Government Business Enterprises are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprises' accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of Government Business Enterprises in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from Government Business Enterprises will be reflected as reductions in the investment asset account.

(b) Basis of accounting:

(i) Accrual accounting:

The consolidated financial statements of the Municipality have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Investments:

Temporary investments consist of guaranteed investment certificates not redeemable before maturity and bonds invested in various Canadian corporations, banks, and federal, provincial and municipal governments.

(iii) Revenue recognition:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (“MPAC”). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amount the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of supplementary assessments and appeals are estimated based on historical results.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the accounts in the period the interest and penalties are levied.

Government transfers are recognized in the period that the events giving rise to the transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met and the amount can be reasonable estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred revenue and are recognized as revenue in the period in which all of these criteria are met.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(iii) Revenue recognition (continued):

User fees and other revenues and fines are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(iv) Accounts receivable:

Accounts receivable are reported net of any allowance for doubtful accounts.

(v) Reserve and reserve funds:

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

(vi) Use of estimates and measurement uncertainty:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period. Significant estimates and assumptions, which include accrued post-retirement obligations; property tax assessment appeals; property, liability and accident claims provisions; asset retirement obligations, are based on management's best information and judgement. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

(vii) Cash:

Amounts shown as cash on the consolidated Statement of Financial Position are comprised of account balances at chartered banks or credit unions.

(viii) 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 expenditures, provides the consolidated change in net financial assets for the year.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(ix) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset.

The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over the estimated useful lives as follows:

Asset	Useful Life - Years
Land	Infinite
Land improvements	15
Buildings	20 - 60
Vehicles and equipment	5 - 25
Roads, bridges and sidewalks	10 - 60
Water and sewer	50 - 80
Telephone and general	7 - 20

One half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use. Interest during the period of construction is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

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

(x) Inventory:

Supply inventories, which are for consumption, are recorded at the lower of cost and replacement cost and classified as non-financial assets. Inventories are recorded at the lower of cost and net realizable value and classified as financial assets.

(xi) Pension and employee benefits:

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. Because OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit, as this is a joint responsibility of all Ontario municipalities and their employees. Employer's contributions for current and past service are included as an expense on the consolidated statement of operations and accumulated surplus.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(xii) Deferred revenues:

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or the services are performed.

A requirement for local governments is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. Given the restriction in use until spent on qualifying projects or expenses these amounts are deferred.

(xiii) Financial instrument:

The Town initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Town subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities and bonds that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses.

Financial assets measured at amortized cost include cash, taxes receivable, user charges receivable, grants receivable and high interest savings accounts and guaranteed investment certificates and accounts receivables.

Financial assets measured at fair value include the pooled funds held within the investment.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, employee post employment benefits and long-term debt.

(xv) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include estimated useful lives of tangible capital assets, estimate of employee post-employment benefits obligation, asset retirement obligations and estimated amounts for uncollectible accounts receivable and reassessment of taxes receivable. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(xvi) Asset retirement obligation:

The Town recognizes the fair value of an Asset Retirement Obligation (“ARO”) when all of the following criteria have been 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; and
- A reasonable estimate of the amount can be made

A liability for the removal of asbestos-containing materials in certain Town facilities has been recognized based on estimated future expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the consolidated financial statements is recognized in the Statement of Operations at the time of remediation occurs.

2. Change in accounting policies:

The Municipality adopted the following standards concurrently beginning January 1, 2022 prospectively: *PS 1201 Financial Statement Presentation*, *PS 2601 Foreign Currency Translation*, *PS 3041 Portfolio Investments* and *PS 3450 Financial Instruments*. *PS 1201 Financial Statement Presentation* replaces *PS 1200 Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in *PS 2601 Foreign Currency Translation*, *PS 3450 Financial Instruments*, and *PS 3041 Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces *PS 2600 Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and nonmonetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. *PS 3041 Portfolio Investments* replaces *PS 3040 Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to *PS 3450 Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, *PS 3030 Temporary Investments* no longer applies.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policies (continued):

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

(a) Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date.

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. There is no impact from this standard.

(b) Investment:

(i) An increase/decrease of \$124,639 to investments to record the fair value adjustment to the pooled funds and an accompanying increase of \$124,639 to opening Accumulated Remeasurement Loss.

Furthermore, the Municipality reflected the following adjustment as of December 31, 2022:

(ii) An decrease of \$175,898 to investments to record the fair value adjustment to the pooled funds and an accompanying increase of \$175,898 to the Remeasurement Loss.

On January 1, 2022, the Municipality adopted Public Accounting Standard *PS 3280 Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The adoption of the standard has been applied on a modified retroactive basis.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policies (continued):

On January 1, 2022, the Municipality recognized an additional asset retirement obligation relating to a building owned by the Municipality that may contain asbestos. The building was originally purchased in 1988, and the liability was measured as of the date of purchase of the building when the liability was assumed. The building has an expected useful life of 40 years, and the estimate has not been changed since purchase.

In accordance with the provisions of this new standard, the Municipality reflected the following adjustments at January 1, 2022:

(a) Landfill obligation:

- (i) A decrease of \$1,730,000 to landfill closure liabilities to remove the liability recognized to date under the old standard, and an accompanying increase of \$1,730,000 to opening Accumulated Surplus.
- (ii) An increase of \$1,382,712 to the landfill capital asset account, representing the original estimate of the obligation as of the commencement of the use of the landfill, and an accompanying increase of \$1,382,712 accumulated amortization, representing increased amortization for the landfill had the liability originally been recognized.
- (iii) An asset retirement obligation in the amount of \$1,382,712, representing the original obligation discounted to the present value
- (iv) A decrease to opening accumulated surplus of \$1,382,712, as a result of the recognition of the liability and accompanying increase in amortization expense and accretion expense for the years since purchase of the landfill sites.

Furthermore, the Municipality reflected the following adjustment at December 31, 2022:

- (i) A decrease of \$426,747 to landfill closure liabilities to remove the adjustment to the liability recognized at December 31, 2022 under the old standard, and an accompanying decrease of \$426,747 to environmental expenses.
- (ii) An increase to the asset retirement obligation of \$16,016 and an accompanying increase to environmental expenses representing the annual accretion of the asset retirement obligation.

(b) Asbestos obligation:

- (i) An increase of \$68,407 to the building capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$68,407 to accumulated amortization, representing 40 years of increased amortization had the liability originally been recognized.
- (ii) An asset retirement obligation in the amount of \$68,407, representing an estimate of the current obligation.
- (ii) A decrease to accumulated surplus of \$68,407, as a result of the recognition of the liability and accompanying increase in amortization expense.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policies (continued):

(b) Asbestos obligation (continued):

Furthermore, the Municipality reflected the following adjustment at December 31, 2022:

(i) An increase to asset retirement obligation of \$792, and an accompanying increase to environmental expenses representing the annual accretion of the asset retirement obligation.

3. Investments:

Investments consist of GICs and a high interest savings account with interest rates between 1.57% to 7.20% with maturity dates of October 10, 2023, to May 3, 2026. The Municipality holds pooled bond funds which are recorded at fair value and include various Canadian corporations, banks, and federal, provincial, and municipal governments.

The fair value of the pooled investments at December 31, 2023 is \$1,764,968 (2022 - \$1,845,366). The cost of the pooled investments at December 31, 2023 is \$1,889,606 (2022 - \$1,845,366)

4. Operations of school boards:

During 2023, the Municipality collected and transferred property taxes totaling \$1,172,801 (2022 - \$1,164,315) on behalf of area school boards.

5. Taxes and user charges receivable:

	2023	2022
Current	\$ 388,577	\$ 323,575
Prior years	255,260	219,920
	<u>\$ 643,837</u>	<u>\$ 543,495</u>

6. Contributions to non-consolidated joint local boards:

Further to note 1(a)(ii), contributions were made by the Municipality to the following non-consolidated joint local boards:

	2023	2022
Porcupine Health Unit	\$ 202,824	\$ 185,244
District of Cochrane Social Services Administration Board	1,355,412	1,271,814

The Municipality is contingently liable for its share of any accumulated deficit as at the end of the year for these boards. Neither board reported a deficit at December 31, 2023.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

7. Accounts receivable:

	2023	2022
Current year	\$ 5,676,590	\$ 5,008,615
Allowance for doubtful accounts	(304,478)	(304,478)
	<u>\$ 5,372,112</u>	<u>\$ 4,704,137</u>

8. Demand Promissory Note:

The Town entered a Demand Promissory Note with the Cochrane Economic Development Corporation for the sum of \$660,000 on March 18, 2021. As of December 31, 2023, \$670,206 remains receivable with an interest effect at year-end of 7.20%. The Demand Promissory Note shall be due and payable, including all accrued outstanding interest, within sixty days of demand by the Town.

9. Promissory note receivable:

	2023	2022
CTS purchase agreement subordinated secured promissory note receivable, receivable over 72 months commencing February 24, 2021, bearing no interest, repayable in monthly payments of \$27,151	\$ 1,031,697	\$ 1,371,098

10. Long-term receivables:

	2023	2022
Watermain extension benefiting landowners, receivable over 20 years to 2024, bearing interest at 2.82% per annum, repayable in blended monthly payments of \$1,274	\$ 14,537	\$ 29,091
	<u>\$ 14,537</u>	<u>\$ 29,091</u>

11. Investment in government business enterprise:

The Municipality's government business enterprises are as follows:

Northern Ontario Wires Inc.

The Municipality's 100% interest in Northern Ontario Wires Inc. ("NOW") is accounted for using the modified equity basis in these consolidated financial statements. NOW serves as the electrical distribution utility for the municipalities of Cochrane, Iroquois Falls and Kapuskasing. The financial statements of NOW were prepared in accordance with International Financial Reporting Standards.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Investment in government business enterprise (continued):

The following table provides condensed supplementary financial information in respect of the Municipality's government business enterprise, NOW, for the year ended December 31, 2023, with comparative information for 2022:

	2023	2022
Financial Position		
Assets:		
Current assets	\$ 3,764,225	\$ 3,461,085
Capital assets	8,481,658	8,240,256
Other regulatory assets	702,518	668,771
	<u>\$ 12,948,401</u>	<u>\$ 12,370,112</u>
Liabilities and Shareholders' Equity		
Current liabilities	\$ 3,447,286	\$ 2,782,871
Future payment in lieu of taxes	47,341	26,286
Long-term debt	3,564,995	3,763,533
Contributions in aid of construction	125,896	129,462
Other regulatory liabilities	370,279	391,497
Post-retirement benefits payable	290,421	434,358
	<u>7,846,218</u>	<u>7,528,007</u>
Shareholders' equity:		
Capital stock	4,106,593	4,106,593
Accumulated surplus	964,417	850,432
Accumulated other comprehensive gain (loss)	31,173	(114,920)
	<u>5,102,183</u>	<u>4,842,105</u>
	<u>\$ 12,948,401</u>	<u>\$ 12,370,112</u>
Operating Activities		
Revenue	\$ 17,067,919	\$ 16,946,484
Expenses	(16,875,887)	(16,587,057)
Income before actuarial gain and payment in lieu of taxes	192,032	359,427
Actuarial gain	146,093	—
Taxes	(23,291)	(15,720)
Net earnings	<u>\$ 314,834</u>	<u>\$ 343,707</u>

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Investment in government business enterprise (continued):

The Municipality has a 100% interest in Northern Ontario Energy Inc. ("NOEI") and is accounted for at the deemed cost of shares of \$1,000. NOEI has limited activity and is not significant to the Municipality therefore condensed financial information is not reported.

The investment in government business enterprises is determined as follows:

	2023	2022
Northern Ontario Wires Inc., beginning of year	\$ 4,843,144	\$ 4,573,519
Net income for the year	314,834	343,707
Dividends	(54,756)	(75,082)
Net change in investment of Northern Ontario Wires Inc.	260,078	268,625
Northern Ontario Wires Inc., end of year	5,103,222	4,842,144
Northern Ontario Energy Inc. - shares	1,000	1,000
Balance of investment in Government Business Enterprises	\$ 5,104,222	\$ 4,843,144

12. Line of credit:

The Municipality has an additional authorized line of credit from Caisse Populaire de Cochrane in the amount of \$1,000,000 bearing interest at bank prime. At December 31, 2023, the amount drawn on the line of credit was \$Nil (2022 - \$50,000).

13. Deferred revenue:

Deferred revenue is funding received in the current and prior years for expenditures which were not incurred in the current or prior years. Deferred revenue - obligatory reserve funds are restricted in their use and, until applied to applicable expenditures, are recorded as deferred revenue. These revenues will be matched against the applicable future expenditures as they are incurred.

	2023	2022
Deferred revenue - general	\$ 1,415,190	\$ 1,389,358
Deferred revenue - obligatory reserve funds (note 14)	689,892	402,828
	\$ 2,105,082	\$ 1,792,186

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Deferred revenue - obligatory reserve fund:

A requirement of the public sector accounting standards of CPA Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds are summarized as follows:

	2023	2022
Ministry of Environment – sewer	\$ 70,610	\$ 67,597
Ministry of Environment – water	40,121	38,485
Gasoline tax – Federal	512,017	234,087
Provincial (MTO) Transit Funding	67,144	62,659
	<u>\$ 689,892</u>	<u>\$ 402,828</u>

15. Asset retirement obligation:

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

a) Landfill obligation:

The Municipality owns and operates an active landfill site. The liability for the closure of operational sites and post-closure care has been recognized under PS 3280 Asset Retirement Obligation. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

b) Asbestos obligation:

The Municipality has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities. Following the adoption of PS3280 – Asset retirement obligations, the Town recognized an obligation relating to the removal and post-removal care of the asbestos for these assets as estimated at January 1, 2022. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The transition and recognition of asset retirement obligations involved an accompanying increase to the landfill and building capital assets and the restatement of prior year numbers (see note 2).

Changes in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ 1,451,119	\$ –
Adjustment on adoption of PS 3280 asset retirement obligation standard	–	1,451,119
Opening balance, as restated	1,451,119	1,451,119
Accretion expense	16,808	–
Balance, end of year	<u>\$ 1,467,927</u>	<u>\$ 1,451,119</u>

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

15. Asset retirement obligation (continued):

The Municipality does not have any estimated remediation efforts budgeted for the next twelve months.

16. Employee post employment benefit obligations:

The Municipality provides certain employee benefits, which will require funding in future periods. The Municipality provides non-pension benefits to eligible employees in retirement. The Municipality pays the entire cost of the benefit program. The benefits are provided until the retiree's 65th birthday, or death, whichever comes first.

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board (WSIB) Act, the Municipality has elected to be treated as a Schedule 1 employer and remits monthly premiums to the WSIB.

An actuarial estimate of future liabilities has been completed at December 31, 2023 and dated February 28, 2024.

The following table sets out the actuarial results for each of the plans as at December 31, 2023.

	2023	2022
Accrued benefit obligation, beginning of year	\$ 1,044,221	\$ 1,077,744
Add: Other adjustment	274,089	–
Add: Benefit/service cost	46,428	34,895
Add: Interest	32,570	25,782
Less: Benefit payments	(123,903)	(118,969)
Add: Amortization of actuarial gain (loss)	(497,774)	227,241
Accrued benefit obligation, end of year	775,631	1,246,693
Unamortized actuarial gain (loss)	195,312	(202,472)
Accrued post-retirement benefit obligations	\$ 970,943	\$ 1,044,221

The accrued benefit obligation for employee future benefit plans as at December 31, 2023 is based on an actuarial valuation for accounting purposes. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the municipality's best estimates of expected rates of the following:

	2023	2022
Salaries	3.00%	3.00%
Discount on accrued benefits obligations	4.60%	2.50%
Dental premium rates	4.00%	4.00%
Health premium care rates	5.50% in 2025, decreasing to an ultimate rate of 4.00% per year over 15 years	
Expected future mortality rates	Canadian Pensioners' Mortality Table Public Sector projected on a Generational basis using CPM Improvement Scale B	

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Term loans and long-term debt:

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

	2023	2022
1. Caisse Populaire de Cochrane term loan bearing interest 3.22%, repayable in blended monthly payments of \$24,915, maturing October 2, 2023 and secured by Certified Resolution of Council.	\$ 2,465,250	\$ 2,678,481
2. Caisse Populaire de Cochrane term loan bearing interest at 1.57%, repayable in blended monthly payments of \$38,911, maturing December 1, 2025 and secured by Certified Resolution of Council.	3,093,407	3,508,236
3. Caisse Populaire de Cochrane term loan bearing interest at 2.95%, repayable in blended monthly payments of \$16,759, maturing January 20, 2023 and secured by Certified Resolution of Council.	737,360	905,213
4. Caisse Populaire de Cochrane term loan bearing interest at 2.95%, repayable in blended monthly payments of \$13,282, maturing January 20, 2023 and secured by Certified Resolution of Council.	2,323,438	2,391,562
5. Caisse Populaire de Cochrane term loan bearing interest at 2.15%, repayable in blended monthly payments of \$17,376, maturing May 3, 2026 and secured by Certified Resolution of Council.	1,233,613	1,413,533
6. Province of Ontario debenture loan, bearing interest at 2.82%, repayable in semi-annual blended payments of \$7,157, maturing November 1, 2024.	12,465	26,780
7. Caisse Populaire de Cochrane term loan bearing interest at 6.30%, repayable in blended monthly payments of \$13,991, maturing July 13, 2025 and secured by Certified Resolution of Council.	1,831,918	1,024,935
	\$ 11,697,451	\$ 11,948,740

The Municipality's credit facilities are provided by Caisse Populaire. The Municipality has access to a loan amount of \$6,828,259, bearing interest at 2.64% per annum calculated monthly and not in advance. The loan shall be disbursed in successive disbursements, with the final disbursement to be made by December 31, 2023, at the latest. As of December 31, 2023, \$1,831,918 has been drawn on this loan facility.

The principal repayments payable in the next five years and thereafter are as follows:

2024	\$ 1,172,811
2025	2,903,655
2026	1,155,955
2027	1,150,307
2028	4,088,567
Thereafter	1,226,156

THE CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Tangible capital assets:

Cost	Balance at December 31, 2022	Additions	Disposals / asset reclassification	Balance at December 31, 2023
	(Restated - note 2)			
Land and land improvements	\$ 6,285,262	\$	\$ 441,854	\$ 6,727,116
Buildings	49,816,770	312,954	68,406	50,198,130
Vehicle and equipment	14,396,504	604,916	(28,592)	14,972,828
Roads, bridges and sidewalks	39,395,378	414,622	1,189,448	40,999,448
Water and sewer	27,706,021		(93,934)	27,612,087
Assets under construction	2,247,774	2,690,972	(1,872,746)	3,066,000
Telephone and general	513,014	-	-	513,014
Total	\$ 140,360,723	\$ 4,023,464	\$ (295,564)	\$ 144,088,623

Accumulated Amortization	Balance at December 31, 2022	Disposals and write-downs	Amortization	Balance at December 31, 2023
	(Restated - note 2)			
Land and land improvements	\$ 3,720,654	\$ (743)	\$ 233,361	\$ 3,953,272
Buildings	27,997,545	-	1,359,122	29,356,667
Vehicle and equipment	7,861,855	(6,034)	738,876	8,594,697
Roads, bridges and sidewalks	24,584,192	(84,114)	907,928	25,408,006
Water and sewer	8,732,873	(78,050)	397,202	9,052,025
Telephone and general	298,011	-	11,508	309,519
Total	\$ 73,195,130	\$ (168,941)	\$ 3,647,997	\$ 76,674,186

	Net book value, December 31, 2022	Net book value, December 31, 2023
	(Restated - note 2)	
Land and land improvements	\$ 2,564,608	\$ 2,773,844
Buildings	21,819,225	20,841,463
Vehicle and equipment	6,534,649	6,378,131
Roads, bridges and sidewalks	14,811,186	15,591,442
Water and sewer	18,973,148	18,560,062
Assets under construction	2,247,774	3,066,000
Telephone and general	215,003	203,495
Total	\$ 67,165,593	\$ 67,414,437

THE CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Tangible capital assets (continued):

Cost	Balance at December 31, 2021 (Restated - note 2)	Additions (Restated - note 2)	Disposals / asset reclassification (Restated - note 2)	Balance at December 31, 2022 (Restated - note 2)
Land and land improvements	\$ 6,169,569	\$ 2,797	\$ 112,896	\$ 6,285,262
Buildings	49,409,593	456,977	(49,800)	49,816,770
Vehicle and equipment	13,733,787	1,065,913	(403,196)	14,396,504
Roads, bridges and sidewalks	39,224,056	2,810,260	(2,638,938)	39,395,378
Water and sewer	26,139,426	2,053,194	(486,599)	27,706,021
Assets under construction	2,621,221	3,524,000	(3,897,447)	2,247,774
Telephone and general	513,014	-	-	513,014
Total	\$ 137,810,666	\$ 9,913,141	\$ (7,363,084)	\$ 140,360,723

Accumulated Amortization	Balance at December 31, 2021	Disposals and write-downs	Amortization	Balance at December 31, 2022 (Restated - note 2)
Land and land improvements	\$ 3,314,866	\$ 186,367	\$ 219,421	\$ 3,720,654
Buildings	26,359,109	276,378	1,362,058	27,997,545
Vehicle and equipment	7,570,723	(434,231)	725,363	7,861,855
Roads, bridges and sidewalks	25,688,428	(1,773,672)	669,436	24,584,192
Water and sewer	9,062,349	(720,046)	390,570	8,732,873
Telephone and general	286,504	-	11,507	298,011
Total	\$ 72,281,979	\$ (2,465,204)	\$ 3,378,355	\$ 73,195,130

	Net book value, December 31, 2021	Net book value, December 31, 2022 (Restated - note 2)
Land and land improvements	\$ 2,854,703	\$ 2,564,608
Buildings	23,050,484	21,819,225
Vehicle and equipment	6,163,064	6,534,649
Roads, bridges and sidewalks	13,535,628	14,811,186
Water and sewer	17,077,077	18,973,148
Assets under construction	2,621,221	2,247,774
Telephone and general	226,510	215,003
Total	\$ 65,528,687	\$ 67,165,593

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

19. Accumulated surplus:

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

	2023	2022 (restated - Note 2)
Equity in tangible capital assets (note 20)	\$ 55,716,986	\$ 55,216,853
General Fund	2,295,482	989,422
Government Business Enterprise (note 11)	5,103,222	4,843,144
Amounts to be recovered:		
Asset retirement obligation	(1,467,927)	(1,451,119)
Employee future benefits	(970,943)	(1,044,221)
	<u>60,676,820</u>	<u>58,554,079</u>
Reserve and reserve funds set aside for specific purpose by Council:		
Tax rate stabilization reserve	375,502	375,502
Operating stabilization reserve fund	667,196	728,309
Infrastructure - Tax based services	747,993	2,355,131
Infrastructure - Water and wastewater	3,300,223	1,074,719
Infrastructure - Rose property development	185,257	18,533
Airport	927,879	662,873
Landfill expansion	1,615,795	1,452,082
Rental properties	255,806	165,902
Other specific purpose reserves	930,926	380,327
	<u>9,006,577</u>	<u>7,213,378</u>
Accumulated surplus	<u>\$ 69,683,397</u>	<u>\$ 65,767,457</u>

20. Equity in tangible capital assets:

The Municipality's equity in tangible capital assets is represented by:

	2023	2022 (restated - Note 2)
Tangible capital assets (note 18)	\$ 144,088,623	\$ 140,360,723
Accumulated amortization (note 18)	(76,674,186)	(73,195,130)
Long-term debt	(11,697,451)	(11,948,740)
Equity in tangible capital assets	<u>\$ 55,716,986</u>	<u>\$ 55,216,853</u>

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

21. Contractual obligations:

The Municipality has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. The contract expired December 31, 2023, with an annual fee estimate provided for the upcoming years. The fee estimate for 2024 is \$1,466,328 (2023 - \$1,418,133). During 2023, \$1,518,609 (2022 - \$1,431,383) was expended on police services.

22. Pension plan:

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pensions 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 going concern actuarial liabilities of \$136,185 million (2022 - \$130,306 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$131,983 million (2022 - \$123,628 million) indicating a going concern actuarial deficit of \$4,202 million (2022 - \$6,678 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations, and their employees and the Municipality's share is not determinable. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2023 was \$441,784 (2022 - \$437,327) and is included as an expense in the consolidated statement of operations and accumulated surplus.

23. Budget information:

The Municipality completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2023 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and has been reclassified to comply with PSAB reporting requirements. Budgets established for Reserves and Reserve Funds are on a project-oriented basis, the costs of which may be carried out over one or more years and funding is determined annually and made by transfers from individual funds and by the application of applicable grants or other funds available to reserves or reserve funds. During 2023, council approved net transfers of \$1,793,200 (2022 - \$2,031,892) from reserves and reserve funds for capital projects. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected within the Consolidated Statement of Operations and Accumulated Surplus.

24. Provincial offences act administration:

The Provincial Offences Act (POA) is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-laws and minor federal offences.

The revenues collected consist of fines levied under Parts I and III for POA charges and amounted to \$48,836 (2022 - \$22,470). The operating costs for the administration of the POA for the year amounted to \$Nil (2022 - \$Nil), resulting in a net contribution of \$48,836 (2022 - \$22,470), exclusive of capital costs. The Municipality's share is 7.97%.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

25. Comparative information:

The 2022 comparative amounts presented in the consolidated financial statements have been restated to conform to the current year's presentation.

26. Financial instruments:

The Municipality is exposed to various risks through its financial instruments. The following analysis provides information about the Municipality's risk exposure and concentration as of December 31, 2023.

(a) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The municipality is exposed to credit risk from customers and ratepayers. An allowance for doubtful accounts (notes 5 and 7) is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to interest rate risk primarily through its floating rate temporary borrowing and a portion of its term loans and long-term debt. The Municipality is exposed to various risks through its financial instruments.

27. Contingencies and guarantees:

The Municipality is involved in claims and litigation in the normal course of operations. Any settlements or awards will be recorded in the period they become determinable.

The Municipality has guaranteed repayment of a loan for NOW (note 11). The loan, with a balance of \$3,110,976 at December 31, 2023 (2022- \$3,277,413), bears interest of 2.99%, is repayable in blended monthly payments of \$21,841 and matures in December 2026.

The Municipality has guaranteed repayment of a loan for NOW (note 11). The loan, with a balance of \$652,484 at December 31, 2023 (2022- \$678,702), bears interest of 3.15%, is repayable in blended monthly payments of \$3,935 and matures in December 2027.

The Municipality has guaranteed a \$1,000,000 line of credit for NOW (note 11). The Municipality's guarantee is limited to \$500,000. At December 31, 2023, the line of credit balance was \$820,000 (2022- \$370,000).

28. Public sector salary disclosure:

In the 2023 calendar year, nine employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Town.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

29. Accounting standards issued but not yet adopted:

Section PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023, early adoption is permitted. This section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The Municipality has not yet adopted this standard or determined the effect on the consolidated financial statements.

30. Segmented information:

The Municipality of the Town of Cochrane is a diversified municipal government that provides a wide range of services to its citizens. For management reporting purposes, the Municipality's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

GENERAL GOVERNMENT

This segment encompasses all administrative support for governance and corporate management for the operations of the municipality, and the costs have been allocated to the appropriate segment.

PROTECTION SERVICES

Protection services is comprised of fire and police protection, animal control, building permits and inspectors. The fire department is responsible for providing fire suppression services, fire prevention and training and education related to prevention detection or extinguishment of fires. The Municipality has a contract with the Ontario Provincial Police (through agreement with the municipality) to provide services relating to the safety of persons and property, and transportation of prisoners. The Municipality is the administration office for the North Cochrane Provincial Offences Act Management Board and as such, receives fines but also provides court services to other municipalities within their jurisdiction.

RECREATION AND CULTURAL SERVICES

The Municipality provides recreation and leisure services such as fitness and aquatic programs and library service. It operates an arena, museums, parks and baseball fields and the Polar Bear Habitat and Cochrane Heritage Village. There are 3 parks and 2 baseball fields that are maintained by the Recreation and Municipal Operations staff.

PLANNING AND DEVELOPMENT

The planning department exists of a board that oversees the adherence of by-laws pertaining to zoning and land use of the municipality. Committees review applications for changes and ensure that the official plan is appropriate for the future development of the municipality. Commercial and industrial planning and development, residential development, agriculture and reforestation are all part of the planning department.

CORPORATION OF THE TOWN OF COCHRANE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

30. Segmented information (continued):

HEALTH SERVICES

The Municipality provides cemetery services to its citizens. It also provides, through participation in joint local boards, ambulance and public health services.

SOCIAL AND FAMILY SERVICES

The Municipality provides child care services. The Municipality also provides general assistance through participation in joint local boards.

TRANSPORTATION SERVICES

The public works department is responsible for the delivery of municipal public works services related to planning, development and maintenance of roadway systems, the maintenance of parks and open space and street lighting. The Municipality also owns and operates a handicapped van for residents that are in need.

ENVIRONMENTAL SERVICES

Environmental services consist of three distinct utilities - water, wastewater and solid waste disposal. The public works department provides drinking water to citizens of Cochrane, collects and treats wastewater, and provides collection, disposal and waste minimization programs and facilities for solid waste.

TELECOMMUNICATION OPERATIONS

Telecommunication operations are overseen by Cochrane Utilities Board.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes, certain government transfers, transfers from other funds and other revenues are apportioned to the segments have been apportioned based on a percentage of expenses.

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

THE CORPORATION OF THE TOWN OF COCHRANE

Note 30 - Segmented Information (continued)

Year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Social and Family Services	Planning and Development	Telecommunication	2023 Total
Revenue:										
User fees	\$ 646,084	\$ 182,853	\$ 1,318,075	\$ 4,334,090	\$ 54,219	\$ 1,047,431	\$ 265,492	\$ 11,450	\$ -	\$ 7,859,694
Government transfers	2,369,348	1,461,159	1,761,537	436,046	-	81,569	1,505	4,142	-	6,115,306
Other	930,418	54,779	(15,711)	12,302	-	274,407	1,355,412	34,986	-	2,646,593
	3,945,850	1,698,791	3,063,901	4,782,438	54,219	1,403,407	1,622,409	50,578	-	16,621,593
Expenses:										
Salaries and benefits	1,353,330	975,802	818,166	676,031	25,224	1,683,477	1,424,995	69,233	1,481	7,027,739
Long-term debt interest	3,373	12,397	165,602	150,649	2,295	73,343	7,442	9,610	-	424,711
Materials and services	708,941	1,085,276	1,898,933	1,754,901	12,964	1,603,497	201,657	203,598	40,957	7,510,724
Contracted services	85,405	1,511,709	-	-	-	-	-	-	-	1,597,114
Rent and financial	12,778	-	12,279	-	-	5,659	-	-	-	30,716
Amortization of tangible capital assets	52,118	117,673	1,175,609	1,008,677	2,620	1,056,207	92,345	131,240	11,508	3,647,997
External transfers	-	-	-	-	654,089	-	816,578	-	-	1,470,667
	2,215,945	3,702,857	4,070,589	3,590,258	697,192	4,422,183	2,543,017	413,681	53,946	21,709,668
Excess (deficiency) of revenue over expenses	1,729,905	(2,004,066)	(1,006,688)	1,192,180	(642,973)	(3,018,776)	(920,608)	(363,103)	(53,946)	(5,088,075)
Funded through:										
Taxation										9,004,015
Annual surplus										\$ 3,915,940

THE CORPORATION OF THE TOWN OF COCHRANE

Note 30 - Segmented Information (continued)

Year ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Social and Family Services	Planning and Development	Telecommunication	2022 Total
										(Restated - note 2)
Revenue:										
User fees	\$ 518,731	\$ 131,040	\$ 969,377	\$ 4,026,002	\$ 48,933	898,863	\$ 467,841	\$ 19,708	\$ -	\$ 7,080,495
Government transfers	2,314,116	777,282	1,806,666	17,565	-	58,392	7,440	10,174	-	4,991,635
Other	553,159	19,348	(825,795)	(102,024)	-	225,736	1,284,922	-	-	1,155,346
	3,386,006	927,670	1,950,248	3,941,543	48,933	1,182,991	1,760,203	29,882	-	13,227,476
Expenses:										
Salaries and benefits	1,344,923	773,007	956,961	713,548	21,280	1,694,473	1,585,894	116,047	4,468	7,210,601
Long-term debt interest	2,557	7,974	115,988	94,452	1,531	56,509	8,436	9,620	-	297,067
Materials and services	2,371,120	471,718	1,803,409	1,419,827	13,916	1,175,185	165,854	139,193	75,576	7,635,798
Contracted services	90,261	1,432,553	-	-	-	-	-	-	-	1,522,814
Rent and financial	10,649	-	10,114	-	-	4,881	-	-	-	25,644
Amortization of tangible capital assets	55,354	103,085	906,887	981,420	2,315	1,111,053	87,237	131,005	11,507	3,389,863
External transfers	-	-	-	-	639,954	-	838,997	-	-	1,478,951
	3,874,864	2,788,337	3,793,359	3,209,247	678,996	4,042,101	2,686,418	395,865	91,551	21,560,738
Excess (deficiency) of revenue over expenses	(488,858)	(1,860,667)	(1,843,111)	732,296	(630,063)	(2,859,110)	(926,215)	(365,983)	(91,551)	(8,333,262)
Funded through:										
Taxation										8,395,659
Annual surplus										\$ 62,397