

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA**

And Independent Auditor's Report thereon

Year ended December 31, 2023

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2023

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's 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.

The finance committee 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.

Maury O'Neill, Chief Administrative Officer / Deputy Clerk

Manuela Batovanja, Treasurer

November 20, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The Municipality of Wawa

Opinion

We have audited the consolidated financial statements of The Corporation of The Municipality of Wawa (the Municipality), 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 change in net financial assets for the year then ended
- the consolidated statement of remeasurement losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and 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 Municipality as at December 31, 2023 and its consolidated results of operations, its consolidated changes in net financial assets, consolidated remeasurement losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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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. 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 and as at January 1, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities 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 Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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We also:

- Identify and assess the risks 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, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small flourish at the end.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

November 20, 2024

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Financial assets		
Cash	\$ 1,025,147	\$ 1,108,899
Investments	11,250,270	9,168,603
Taxes receivable (note 3)	1,426,925	1,095,482
Accounts receivable	1,066,195	3,115,196
Inventory for resale	104,035	86,033
Loans receivable (note 4)	207,082	190,982
Investment in government business enterprise (note 5)	53,098	50,424
	<u>15,132,752</u>	<u>14,815,619</u>
Financial liabilities		
Accounts payable and accrued liabilities	680,956	2,001,273
Deferred revenue - obligatory reserves (note 6)	2,963,530	2,395,168
Deferred revenue - other (note 6)	43,252	51,023
Employee future benefit obligations (note 8)	1,446,290	1,414,962
Asset retirement obligations (note 9)	1,153,135	1,117,650
Long-term obligations (note 10)	2,200,349	2,267,812
	<u>8,487,512</u>	<u>9,247,888</u>
Net financial assets	6,645,240	5,567,731
Non-financial assets		
Tangible capital assets (note 11)	32,217,684	33,371,500
Prepaid expenses	40,961	36,296
Inventories	54,699	49,721
	<u>32,313,344</u>	<u>33,457,517</u>
Commitments (note 16)		
Accumulated surplus (note 14)	\$ 38,958,584	\$ 39,025,248
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 39,040,078	\$ 39,055,170
Accumulated remeasurement losses	(81,494)	(29,922)
	<u>\$ 38,958,584</u>	<u>\$ 39,025,248</u>

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget (note 17)	2023	2022 (Restated - note 2)
Revenue:			
Net taxation (note 12)	\$ 5,179,429	\$ 5,097,437	\$ 4,969,116
Government transfers and grants	6,548,295	4,512,834	6,376,887
Fees and user charges	2,869,685	3,122,401	3,219,162
Investment and interest income	224,010	405,714	192,652
Other	793,722	617,567	682,474
Total revenue	15,615,141	13,755,953	15,440,291
Expenses:			
General government	1,815,861	1,947,182	1,965,140
Protection services	1,282,315	1,320,041	1,288,106
Transportation services	3,286,300	3,347,844	2,850,721
Environmental services	2,808,267	2,937,250	2,789,647
Health services	127,576	161,469	143,664
Social and family services	1,753,986	1,725,282	1,695,498
Recreation and cultural services	2,238,376	2,231,962	2,121,408
Planning and development	115,691	64,530	120,686
Total expenses	13,428,372	13,735,560	12,974,870
Annual surplus before undernoted	2,186,769	20,393	2,465,421
Asset retirement obligation accretion expense (note 9)	-	(35,485)	(33,762)
Annual (deficit) surplus	2,186,769	(15,092)	2,431,659
Accumulated surplus, beginning of year	39,055,170	39,055,170	35,795,697
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	827,814
Accumulated surplus, end of year	\$ 41,241,939	\$ 39,040,078	\$ 39,055,170

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Change in Net Financial Assets

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

	Budget (note 17)	2023	2022 (Restated - note 2)
Annual (deficit) surplus	\$ 2,186,769	\$ (15,092)	\$ 2,431,659
Acquisition of tangible capital assets	(5,058,341)	(1,273,467)	(3,553,171)
Amortization of tangible capital assets	2,427,283	2,427,283	2,247,926
	(444,289)	1,138,724	1,126,414
Change in prepaid supplies	-	(4,665)	(13,098)
Change in inventories of supplies	-	(4,978)	6,843
Change in net financial liabilities excluding net remeasurement losses	(444,289)	1,129,081	1,120,159
Remeasurement losses	-	(51,572)	(29,922)
Change in net financial assets	(444,289)	1,077,509	1,090,237
Net financial assets, beginning of year	5,567,731	5,567,731	3,962,797
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	514,697
Net financial assets, end of year	\$ 5,123,442	\$ 6,645,240	\$ 5,567,731

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Remeasurement Losses

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

	2023	2022
Accumulated remeasurement losses, beginning of year	\$ (29,922) \$	-
Unrealized losses attributable to:		
Investments	(154,781)	(63,741)
Realized gains attributable to:		
Investments	103,209	33,819
Net remeasurement losses for the year	(51,572)	(29,922)
Accumulated remeasurement losses, end of year	\$ (81,494) \$	(29,922)

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement in 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 (deficit) surplus	\$ (15,092)	\$ 2,431,659
Items not involving cash:		
Amortization of tangible capital assets	2,427,283	2,247,926
Loss on disposal of tangible capital assets	-	-
Change in future employee benefit obligations	31,328	(379,776)
Accretion expense	35,485	33,762
	<u>2,479,004</u>	<u>4,333,571</u>
Change in non-cash assets and liabilities:		
Taxes receivable	(331,443)	34,832
Accounts receivable	2,049,001	(1,075,797)
Loans receivable	(16,100)	22,751
Prepaid expenses	(4,665)	(13,098)
Inventories	(22,980)	(11,944)
Accounts payable and accrued liabilities	(1,320,317)	715,180
Deferred revenue - obligatory reserves	568,362	904,843
Deferred revenue - other	(7,771)	7,150
	<u>3,393,091</u>	<u>4,917,488</u>
Capital activities:		
Cash used to acquire tangible capital assets	(1,273,467)	(3,553,171)
Investing activities:		
Investment in government business enterprise	(2,674)	(3,716)
Financing activities:		
Increase in investments	(2,133,239)	(5,181,100)
Repayment of long-term liabilities	(67,463)	(64,460)
	<u>(2,200,702)</u>	<u>(5,245,560)</u>
Net change in cash	(83,752)	(3,884,959)
Cash, beginning of year	1,108,899	4,993,858
Cash, end of year	<u>\$ 1,025,147</u>	<u>\$ 1,108,899</u>

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

The Municipality of Wawa (the “Municipality”) is a municipality in the Province of Ontario, Canada. The Municipality provides municipal services such as public works, planning, parks and recreation, library and other general government operations in accordance with the provisions of 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 governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses 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 entities and organizations include:

Wawa Public Library Board

Board of Management for the Wawa Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Investment in Government Business Enterprise:

The Municipality’s investment in a Government Business Enterprise (GBE), is accounted for by the modified equity method. Under the modified equity method, the business enterprise’s accounting principles are not adjusted to conform with those of the Municipality and inter-organization transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of the GBE 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 the GBE will be reflected as reductions in the investment asset account.

(iii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Health Unit

Algoma District Social Services Administration Board

(iv) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(v) 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 these consolidated financial statements.

(b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

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 in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured. Grants received where expenditures have not been incurred are included in deferred revenue.

Government transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

User fees and other revenues 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.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Financial Instruments:

The Municipality 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. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties. The Municipality subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities 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 (losses).

Financial assets measured at amortized cost include cash and cash equivalents, taxes receivable, accounts receivable and loans receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term obligations.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial assets, a valuation allowance is used to reflect the financial asset at the lower cost and estimated net recoverable value, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(e) Inventories:

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

(f) Deferred revenue:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year 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.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(g) 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.

i. Tangible capital assets:

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

Asset	Useful Life - Years
Machinery, equipment and computers	3 - 20 years
Library collection	5 years
Landfill and land improvements	10 years
Vehicles	5 - 15 years
Buildings and building improvements	20 - 40 years
Infrastructure	25 - 50 years

Assets are amortized in the month following purchase or in-service date. Assets under construction are not amortized until the asset is available for productive use.

The Municipality of Wawa has a capitalization threshold between \$5,000 and \$75,000 for various categories of tangible capital assets. Individual assets below the threshold are expensed, unless they are pooled, because collectively, they have significant value. The Municipality's threshold for pooled assets is \$5,000.

ii. Contributions for 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.

iii. Leased tangible capital assets:

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

iv. Works of art and historical treasures:

Works of art and historical treasures are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be determined. Disclosure of the existence of such property is required under PSAB.

Tangible capital assets meeting the aforementioned description for the Municipality of Wawa are:

Wawa Goose Monument	\$ 275,000
Drill Rig Monument	50,000
Train Display	5,000

(h) Surplus land:

The carrying value of surplus land is based on the purchase and development costs and does not reflect any gain that may arise if the land sells for more than the carrying value.

(i) 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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, asset retirement obligation and in performing actuarial valuations of employee future benefits.

Actual results could differ from these estimates.

(j) Employee future benefits:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Post-employment benefits:

The Municipality 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 Municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records the current service cost within salaries and benefits expense at the time incurred.

(l) Asset retirement obligation:

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

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

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

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

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.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

2. Change in accounting policies (continued):

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.

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.

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 was no impact from the adoption of this standard.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

2. Change in accounting policies (continued):

PS 3280 Asset Retirement Obligations:

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 new accounting standard has resulted in a withdrawal of the existing *Section PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

The Municipality removed the landfill liability that had been recognized to date and recognized an asset retirement obligation upon adoption of *PS 3280* on January 1, 2022, using the modified retrospective method. The liability represents the required closure and post-closure care for the landfill site owned by the Municipality. The liabilities were measured as of the date of purchase of the site, when the liability was assumed. As of the date of adoption of the standard, the relevant discount rate is 4.70% per annum.

On January 1, 2022, the Municipality recognized an additional asset retirement obligation relating to several buildings that contain asbestos owned by the Municipality. The buildings were originally purchased between 1972 and 1990, and the liability was measured as of the date of purchase of the buildings when the liability was assumed. The buildings had 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:

- Landfill obligation:
 - A decrease of \$1,598,585 to Landfill closure and post closure liability to remove the liability recognized to date under the old standard, and an accompanying increase of \$1,598,585 to opening Accumulated Surplus.
 - An asset retirement obligation in the amount of \$662,008, representing the original obligation discounted to the present value amount using a rate of 4.70%, with the following corresponding adjustments:
 - An increase of \$313,923 to the Landfill and land improvements capital asset account, representing the original estimate of the obligation as of the commencement of the use of the landfills.
 - An accompanying increase of \$167,425 to Accumulated Amortization, representing the years of increased amortization for the landfill site had the liabilities originally been recognized.
 - Adjustments for previously booked landfill expenses of \$515,510 adjusted through opening Accumulated Surplus.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

2. Change in accounting policies (continued):

PS 3280 Asset Retirement Obligations (continued):

- Asbestos and other obligations:
 - An asset retirement obligation in the amount of \$421,880, representing the original obligation.
 - An increase of \$421,880 to the buildings and building improvements tangible capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$255,261 to the accumulated amortization, representing the years of increased amortization had the liability originally been recognized.
 - A decrease to opening accumulated surplus of \$255,261 as a result of the recognition of the liability, accompanying increase in amortization expense for the years since purchase.

On a combined basis, the implementation of the new standard has resulted in a increase in opening accumulated surplus of \$827,814, an increase in net tangible assets of \$313,117 and a decrease in in financial liabilities of \$514,697 effective January 1, 2022.

3. Taxes receivable:

	2023	2022
Current	\$ 608,873	\$ 574,225
Prior years	1,658,052	1,296,257
	2,266,925	1,870,482
Allowance for doubtful accounts	(840,000)	(775,000)
	\$ 1,426,925	\$ 1,095,482

4. Loans receivable:

In 2021, the Municipality entered into a promissory note in exchange for the sale of certain land and infrastructure. The promissory note bears interest at prime plus 2% per annum and is secured by the related asset. The note is payable upon the third anniversary of the registration of the mortgage.

	2023	2022
Promissory note receivable	\$ 270,082	\$ 190,982
	\$ 270,082	\$ 190,982

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

5. Investment in government business enterprise:

The Municipality has a 20% equity share of 2729028 Ontario Inc. (the "Corporation"). The Corporation will construct natural gas storage facilities (above ground storage tanks and associated vaporization systems) as well as local natural gas distribution systems (gas mains and laterals) to service businesses and residents in municipalities of the North Shore. The Corporation is a business enterprise of the Municipality and is accounted for on a modified equity basis in the consolidated financial statements. The Municipality has committed to contributing \$100,000 to the Corporation.

	2023	2022
Balance, beginning of year:	\$ 50,424	\$ 46,708
Municipality's contribution	2,674	3,716
Balance, end of year	\$ 53,098	\$ 50,424

Financial information for the Corporation for 2023 was not available at the time of the audit report date.

6. Deferred revenue:

The balances in the deferred revenue - obligatory of the Municipality consist of:

	2023	2022
Lot levies	\$ 56,072	\$ 53,994
Federal Gas Tax	1,365,120	1,180,916
Ontario Gas Tax	250,269	231,248
Ontario Community Infrastructure Fund	974,092	709,570
Ontario's Northern Ontario Resource Development Support	317,977	219,440
	\$ 2,963,530	\$ 2,395,168

Continuity of deferred revenue - obligatory is as follows:

	2023	2022
Balance, beginning of year	\$ 2,395,168	\$ 1,490,325
Contributions deferred	737,015	1,155,215
Interest	89,814	37,292
	3,221,997	2,682,832
Contributions used	(258,467)	(287,664)
Balance, end of year	\$ 2,963,530	\$ 2,395,168

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

6. Deferred revenue (continued):

The balances in the deferred revenue - other of the Municipality consist of:

	2023	2022
Deferred revenue - non-obligatory	\$ 43,252	\$ 51,023

Continuity of deferred revenue - other of the Municipality is as follows:

	2023	2022
Balance, beginning of year	\$ 51,023	\$ 43,873
Contributions deferred	19,989	19,650
Contributions used	(27,760)	(12,500)
Balance, end of year	\$ 43,252	\$ 51,023

7. Trust funds:

The trust funds administered by the Municipality amounting to \$186,259 (2022 – \$173,102) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Municipality for the benefit of others; they are not presented as part of the Municipality's consolidated statement of financial position or financial activities.

8. Employee future benefit obligations:

Employee future benefits are liabilities of the Municipality to its employees and early retirees for the following benefits earned but not taken as at December 31 are as follows:

	2023	2022
Accumulated sick leave benefit plan entitlements	\$ 63,687	\$ 74,662
Vacation pay	198,618	206,892
Medical and dental plan entitlements	1,183,985	1,133,408
Employee future benefit obligations	\$ 1,446,290	\$ 1,414,962

A reserve fund in the amount of \$95,262 (2022 - \$85,926) has been established to fund this liability.

Accumulated sick leave payable

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2023, this liability is estimated at \$63,687 (2022 - \$74,662).

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

8. Employee future benefit obligations (continued):

Employee health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The valuation of the employee future benefits was completed effective December 31, 2022, and has been used for the extrapolation at December 31, 2023.

At December 31, 2023, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is \$1,183,985 (2022 - \$1,133,408).

The benefit liability continuity is as follows:

	2023	2022
Accrued benefit liability, January 1	\$ 1,133,408	\$ 1,527,927
Expense	34,382	59,735
Payments	(40,327)	(35,890)
Interest accrued	56,522	46,195
Actuarial gain	–	(464,559)
Accrued benefit liability, December 31	\$ 1,183,985	\$ 1,133,408

	2023	2022
<i>Significant assumptions:</i>		
Discount rate	5.00%	5.00%
Health cost increase	3.5 – 6.0%	3.5 – 6.0%

9. Asset retirement obligation:

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

a) Landfill closure:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

9. Asset retirement obligation (continued):

a) Landfill closure (continued):

The Municipality owns and operates a landfill site. The liability for the closure of operational sites and post-closure care has been recognized under PS 3280 Asset Retirement Obligation. The reported liability is based on estimates and assumptions with respect to events extending over a forty-year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Post-closure care for the landfill sites is estimated to be required for 30 years from the date of site closure. These costs were discounted to December 31, 2023 using a discount rate of 4.7% per annum.

During the year, the Municipality increased the capacity of the site to approximately 330,384 metric tons (2022 – 99,423 m³) with approximately 67,000 metric tons of remaining capacity.. The original fill area of the site is at capacity and was closed in 2023. The expansion fill area opened for operation on September 1, 2023. At current average fill rates, the site has a remaining operating life of approximately 12 years and expected closure in 2035.

b) Asbestos and other removal obligations:

The Municipality owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove or remediate these items. Following the adoption of PS3280 – Asset retirement obligations, the Municipality recognized an obligation relating to the removal and post-removal care of the asbestos and other obligations in these buildings 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 or other obligations 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).

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

9. Asset retirement obligation (continued):

Changes to the asset retirement obligation in the year are as follows:

Asset Retirement Obligation	Landfill closure	Asbestos removal and other	Balance at December 31, 2023
Opening balance	\$ 695,770	\$ 421,880	\$ 1,117,650
Accretion expense	35,485	–	35,485
Closing balance	\$ 731,255	\$ 421,880	\$ 1,153,135

Asset Retirement Obligation	Landfill closure	Asbestos removal and other	Balance at December 31, 2022
Opening balance	\$ –	\$ –	\$ –
Adjustment on adoption of the asset retirement obligation standard (note 2)	662,008	421,880	1,083,888
Opening balance as restated	662,008	421,880	1,083,888
Accretion expense	33,762	–	33,762
Closing balance	\$ 695,770	\$ 421,880	\$ 1,117,650

Obligations related to landfill closure will be funded from future taxation revenues. The Municipality has established a reserve to contribute to the cost of closing and maintaining the landfill site of \$20,000 (2022 - \$Nil).

These costs will be funded by levies in the year the expenditures are incurred.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

10. Long-term obligations:

	2023	2022
Ontario Infrastructure and Lands Corporation debenture, payable semi-annual \$77,632 with interest at 5.6%, repayable July 2049	\$ 2,140,274	\$ 2,176,170
Loan payable CMHC, \$30,569 annually including interest at 3.59%, repayable December 2025	57,996	85,497
Ontario Infrastructure and Lands Corporation Debenture payable \$2,110 semi-annually with interest at 3.00%, repayable February 2024	2,079	6,145
	<u>\$ 2,200,349</u>	<u>\$ 2,267,812</u>

Principal due on long-term debt is approximately as follows:

2024	\$ 68,500
2025	69,598
2026	42,365
2027	44,770
2028	47,312
Thereafter	1,927,804

The annual principal and interest payments required to service the long-term obligations of the Municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

Interest paid in the year and included in current expenses is \$125,592 (2022 – \$127,594).

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

11. Tangible capital assets:

										2023
		Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - other	Machinery, Equipment and Computers	Vehicles	Other	Assets under Construction	Total
Cost										
Balance, beginning of the year	\$	223,244	2,277,993	8,874,007	70,242,449	2,498,447	307,809	1,216,925	1,819,789	\$ 87,460,663
Additions		-	152,507	-	2,408,648	25,687	-	25,808	266,476	2,879,126
Disposals/transfers		-	(9,991)	-	(829,980)	-	(105,211)	-	(1,605,659)	(2,550,841)
Balance, end of year		223,244	2,420,509	8,874,007	71,821,117	2,524,134	202,598	1,242,733	480,606	87,788,948
Accumulated amortization										
Balance, beginning of the year		-	(1,080,889)	(6,381,852)	(44,897,222)	(990,608)	(275,463)	(463,129)	-	(54,089,163)
Disposals/transfers		-	9,991	-	829,980	-	105,211	-	-	945,182
Amortization expense		-	(121,898)	(253,145)	(1,825,540)	(103,803)	(30,259)	(92,638)	-	(2,427,283)
Balance, end of year		-	(1,192,796)	(6,634,997)	(45,892,782)	(1,094,411)	(200,511)	(555,767)	-	(55,571,264)
Net book value, end of year	\$	223,244	1,227,713	2,239,010	25,928,335	1,429,723	2,087	686,966	480,606	\$ 32,217,684
Net book value, beginning of year	\$	223,244	1,197,104	2,492,155	25,345,227	1,507,839	32,346	753,796	1,819,789	\$ 33,371,500

Assets under construction:

Assets under construction having a value of \$1,819,789 (2022 - \$1,819,789) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

11. Tangible capital assets (continued):

	2022								
	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - other	Machinery, Equipment and Computers	Vehicles	Other	Assets under Construction	Total
Cost									
Balance, beginning of the year	\$ 223,244	2,277,993	8,719,467	65,823,381	2,516,523	307,809	1,193,937	3,259,286	\$ 84,321,640
Additions	-	-	154,540	4,784,552	8,525	-	45,051	-	4,992,668
Disposals/transfers	-	-	-	(365,484)	(26,601)	-	(22,063)	(1,439,497)	(1,853,645)
Balance, end of year	223,244	2,277,993	8,874,007	70,242,449	2,498,447	307,809	1,216,925	1,819,789	87,460,663
Accumulated amortization									
Balance, beginning of the year	-	(961,260)	(6,139,321)	(43,610,557)	(914,286)	(236,075)	(393,886)	-	(52,255,385)
Disposals/transfers	-	-	-	365,484	26,601	-	22,063	-	414,148
Amortization expense	-	(119,629)	(242,531)	(1,652,149)	(102,923)	(39,388)	(91,306)	-	(2,247,926)
Balance, end of year	-	(1,080,889)	(6,381,852)	(44,897,222)	(990,608)	(275,463)	(463,129)	-	(54,089,163)
Net book value, end of year	\$ 223,244	1,197,104	2,492,155	25,345,227	1,507,839	32,346	753,796	1,819,789	\$ 33,371,500
Net book value, beginning of year	\$ 223,244	1,316,733	2,580,146	22,212,824	1,602,237	71,734	800,051	3,259,286	\$ 32,066,255

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

12. Tax revenues:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the property tax bills for 2023.

	2023	2022
Residential and farm taxation	\$ 3,533,708	\$ 3,485,937
Commercial and industrial taxation	1,839,322	1,767,166
Taxation from other governments	233,301	230,845
	5,606,331	5,483,948
Less: Amount levied and remitted to school boards	(508,894)	(514,832)
Net taxation	\$ 5,097,437	\$ 4,969,116

During 2023, the Municipality collected and transferred property taxes totaling \$508,894 (2022 – \$514,832) on behalf of area school boards.

13. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these unconsolidated boards:

	2023	2022
Algoma District Services Administration Board	\$ 1,688,489	\$ 1,678,938
Algoma Health Unit	109,387	116,872
	\$ 1,797,876	\$ 1,795,810

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

14. Accumulated surplus:

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

	2023	2022
Surplus:		
Invested in tangible capital assets	\$ 32,217,684	\$ 33,371,500
Invested in government business enterprise	53,098	50,424
Accumulated remeasurement losses	(81,494)	(29,922)
Operating fund	1,990,189	2,144,193
Amounts to be recovered:		
Net long-term obligations	(2,200,349)	(2,267,812)
Asset retirement obligations	(1,153,135)	(1,117,650)
Employee future benefit obligations	(1,446,290)	(1,414,962)
Total surplus	29,379,703	30,735,771
Reserves and reserve funds set aside for specific purpose by Council:		
Working capital	287,780	277,119
Acquisition of tangible capital assets	4,774,297	3,848,639
Sick leave	89,232	34,026
Water and sewer	2,022,691	1,827,936
Other programs	2,404,881	2,301,757
Total reserves and reserve funds	9,578,881	8,289,477
	\$ 38,958,584	\$ 39,025,248

15. Pension agreements:

OMERS provides pension services to more than 600,000 active and retired members and more than 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 going concern actuarial liabilities of \$136,185 million (2022 - \$130,306 million) in respect of benefits accrued for service with total going concern actuarial net 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). As 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 Authority'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 \$242,308 (2022 - \$225,140) and is included as an expense on the consolidated statement of operations and accumulated surplus.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

16. Commitments:

The Municipality has entered into various contracts for services as well as long-term lease agreements for office equipment and services which extend to 2028. The minimum annual payments under these contracts for the next four years are as follows:

2024	\$ 1,433,851
2025	53,824
2026	44,479
2027	25,041

The Municipality has entered into long-term agreements for license fees and roadway access with Algoma Central Railway which extend indefinitely. The minimum annual payments under the terms of these arrangements is \$2,100.

17. Budget information:

The operating budget approved by Council for 2023 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2023. The budget established does not include a budget for the amortization of tangible capital assets and includes allocations from reserves.

The budget information presented in the statement of operations and accumulated surplus and the statement of change in net financial assets have been restated to be comparable with the Canadian public sector accounting standards. A reconciliation of the Council approved budget and the budget presented in these consolidated financial statements is presented below:

Adopted budget:	
Budgeted annual surplus for the year	\$ –
Adjustments to adopted budget:	
Principal payments on long-term debt	270,866
Acquisition of tangible capital assets	5,058,341
Amortization of tangible capital assets	(2,427,283)
Net transfers to/from reserves and other	(715,155)
Budget surplus per consolidated statement of operations and accumulated surplus	\$ 2,186,769

18. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

19. Financial risk:

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 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) Liquidity risk:

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

The Municipality reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and credit facilities available to repay creditors as they become due. In the opinion of management the liquidity risk exposure to the Municipality is low.

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

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to this risk mainly in respect of certain bank credit facilities.

The Municipality has interest rate exposure renewal of its credit facilities with fixed rates of interest.

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

20. Segmented information:

The Municipality of Wawa is a diversified municipal government institution that provides a wide range of services to its citizens. Municipality services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are:

General Government

General Government is comprised of Municipal Council, the Chief Administrators' Office (CAO), Clerks Department, Legal Department, Human Resources Department, Information Technology Services and the Finance Department. Each of these departments provides program support to various other areas. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Council.

Protection Services

Protection to persons and property is comprised of police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens, preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection, or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation Services

The transportation department is responsible for the delivery of Municipal public works services related to the planning, development, and maintenance of roadway systems, winter control and street lighting. Transportation department is responsible for the operation of small aircraft airport and fueling depot in Wawa.

Environmental Services

In addition to the management of Waterworks and Sanitary Systems, the environmental department is responsible for waste disposal and recycling facilities. This section is responsible for providing clean, portable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system.

Health and Social Services

This section consists of Ambulance services, Social Services including Housing Services, Childcare, Assistance to aged persons, Cemetery Services as well as the Municipality's contributions to the Health Unit.

Recreation and Cultural Services

This section provides public services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services such as fitness and other programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Municipality's citizens through the provision of the library and cultural services and by preserving local history and managing archived data.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

20. Segmented information (continued):

Planning and Development

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development ensures that the Municipality of Wawa is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that Municipality is an enjoyable and beautiful community to live, work and play. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

20. Segmented disclosure (continued):

								2023
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 720,763	488,621	1,239,225	1,100,376	698,392	826,175	23,885	\$ 5,097,437
Government grants	2,688,028	453,393	41,852	39,318	1,112,245	172,253	5,745	4,512,834
Fees and user charges	75,489	56,942	983,834	1,699,357	-	305,129	1,650	3,122,401
Interest income and other	181,253	120,853	208,531	161,685	102,619	244,480	3,860	1,023,281
	3,665,533	1,119,809	2,473,442	3,000,736	1,913,256	1,548,037	35,140	13,755,953
Expenses:								
Salaries, wages and employee benefits	996,209	249,663	1,158,683	429,517	26,875	800,022	25,965	3,686,934
Materials, supplies and contracted services	845,721	1,019,350	1,435,016	1,431,386	1,853,340	1,012,248	24,282	7,621,343
Amortization of tangible capital assets	105,252	51,028	754,145	1,076,347	6,536	419,692	14,283	2,427,283
	1,947,182	1,320,041	3,347,844	2,937,250	1,886,751	2,231,962	64,530	13,735,560
Asset retirement obligation accretion expense	-	-	-	35,485	-	-	-	35,485
Annual surplus (deficit)	\$ 1,718,351	(200,232)	(874,402)	28,001	26,505	(683,925)	(29,390)	\$ (15,092)

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2023

20. Segmented disclosure (continued):

	2022							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 717,285	470,118	1,039,970	1,256,308	671,348	773,190	40,897	\$ 4,969,116
Government grants	2,923,142	462,912	1,399,548	415,376	1,148,338	17,234	10,337	6,376,887
Fees and user charges	86,322	44,045	1,192,738	1,637,870	-	257,537	650	3,219,162
Interest income and other	164,135	116,041	179,512	173,112	92,508	143,333	6,485	875,126
	3,890,884	1,093,116	3,811,768	3,482,666	1,912,194	1,191,294	58,369	15,440,291
Expenses:								
Salaries, wages and employee benefits	1,131,157	237,738	732,330	374,435	12,304	747,068	-	3,235,032
Materials, supplies and contracted services	733,641	999,339	1,502,502	1,377,603	1,820,322	960,220	98,285	7,491,912
Amortization of tangible capital assets	100,342	51,029	615,889	1,037,609	6,536	414,120	22,401	2,247,926
	1,965,140	1,288,106	2,850,721	2,789,647	1,839,162	2,121,408	120,686	12,974,870
Asset retirement obligation accretion expense	-	-	-	33,762	-	-	-	33,762
Annual surplus (deficit)	\$ 1,925,744	(194,990)	961,047	659,257	73,032	(930,114)	(62,317)	\$ 2,431,659