

Consolidated Financial Statements of

**THE CORPORATION
OF THE TOWN OF
CARLETON PLACE**

Year ended December 31, 2023

THE CORPORATION OF THE TOWN OF CARLETON PLACE

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Carleton Place (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of 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 judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town'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 consolidated financial statements. These systems are monitored and evaluated by management.

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

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

Diane Smithson, B. Comm, Dipl.M.M.,
CMO
Chief Administrative Officer

Trisa McConkey B. Acc. Sc., C.P.A.,
C.G.A.
Treasurer



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INDEPENDENT AUDITOR’S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Carleton Place

Opinion

We have audited the financial statements of Corporation of the Town of Carleton Place (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and municipal equity for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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Emphasis of Matter – Comparative Information

We draw attention to Note 20 to the financial statements (“Note 20”), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 20 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. 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 Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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



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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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group of the 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

June 25, 2024

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - note 20)
Financial assets:		
Cash	\$ 40,878,774	\$ 38,016,668
Taxes receivable	2,734,970	1,995,993
User charges receivable	352,776	259,406
Accounts receivable	2,686,357	4,271,547
Long-term mortgage receivables (note 4)	5,171,813	5,961,058
	<u>51,824,690</u>	<u>50,504,672</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,606,062	2,958,177
Prepaid property taxes	299,412	874,900
Security deposits	4,937,221	7,086,983
Employee future benefit obligations (note 5)	593,857	581,759
Deferred revenues (note 6)	14,766,048	11,421,544
Asset retirement obligations (note 7)	284,785	-
Long-term liabilities (note 8)	4,236,890	4,807,648
Obligations under capital lease (note 9)	516,172	178,278
	<u>28,240,447</u>	<u>27,909,289</u>
Net financial assets	23,584,243	22,595,383
Non-financial assets:		
Tangible capital assets (note 10)	136,079,666	130,279,372
Inventories	82,665	96,609
Prepaid expenses	106,370	152,579
	<u>136,268,701</u>	<u>130,528,560</u>
Commitments (note 14)		
Contingent liabilities (note 15)		
Municipal equity (note 11)	<u>\$ 159,852,944</u>	<u>\$ 153,123,943</u>

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

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Consolidated Statement of Operations and Municipal Equity

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

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated - note 20)
Revenue:			
Taxation	\$ 14,408,478	\$ 15,393,974	\$ 13,749,784
User charges	11,640,618	10,317,658	10,460,887
Government transfers	4,528,834	7,374,297	8,814,230
Transfers from deferred revenue - obligatory reserve funds:			
Development charges	3,772,625	807,489	390,224
Parkland	271,977	158,092	-
Licenses and permits	1,084,806	996,961	882,862
Investment income	350,500	1,637,974	871,093
Penalties and interest on taxes	200,000	284,790	204,940
Contributed tangible capital assets	-	253,932	-
Other	486,156	808,925	921,478
	<u>36,743,994</u>	<u>38,034,092</u>	<u>36,295,498</u>
Expenses (note 16):			
General government	3,895,024	4,093,638	2,928,207
Protection to persons and property	5,275,699	5,384,499	5,471,973
Transportation services	5,807,584	6,530,826	4,446,828
Environmental services	5,503,936	5,553,939	6,916,812
Social and family services	4,955,010	4,716,116	3,600,067
Recreation and cultural services	3,554,475	4,096,159	3,810,170
Planning and development	3,257,091	929,914	999,931
	<u>32,248,819</u>	<u>31,305,091</u>	<u>28,173,988</u>
Annual surplus	4,495,175	6,729,001	8,121,510
Municipal equity, beginning of year	153,123,943	153,123,943	145,002,433
Municipal equity, end of year (note 11)	\$ 157,619,118	\$ 159,852,944	\$ 153,123,943

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

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Consolidated Statement of Changes in Net Financial Assets

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

	2023 Budget (note 17)	2023 Actual	2022 Actual (Restated - note 20)
Annual surplus	\$ 4,495,175	\$ 6,729,001	\$ 8,121,510
Amortization of tangible capital assets	3,935,328	4,045,831	3,822,095
Acquisition of tangible capital assets	(44,832,093)	(10,533,236)	(15,220,703)
Contributed tangible capital assets	-	(253,932)	-
Proceeds on disposal of tangible capital assets	-	556,460	-
Loss on disposal of tangible capital assets	-	871,923	452,316
Acquisition of assets under capital lease	-	(487,340)	(178,278)
Increase (decrease) in inventories	-	13,944	(3,444)
Increase (decrease) in prepaid expenses	-	46,209	(143,412)
	(40,896,765)	(5,740,141)	(11,271,426)
Change in net financial assets	(36,401,590)	988,860	(3,149,916)
Net financial assets, beginning of year	22,595,383	22,595,383	25,745,299
Net financial assets (liabilities), end of year	\$ (13,806,207)	\$ 23,584,243	\$ 22,595,383

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

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Consolidated Statement of Cash Flows

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

	2023	2022 (Restated - note 20)
Operating activities:		
Annual surplus	\$ 6,729,001	\$ 8,121,510
Item not involving cash:		
Amortization of tangible capital assets	4,045,831	3,822,095
Contributed tangible capital assets	(253,932)	-
Loss on disposal of tangible capital assets	871,923	452,316
Employee future benefit obligations	12,098	29,375
Increase in asset retirement obligations	284,785	-
Change in non-cash operating working capital:		
Taxes receivable	(738,977)	(245,190)
User charges receivable	(93,370)	3,867
Accounts receivable	1,585,190	(1,186,772)
Accounts payable and accrued liabilities	(352,115)	869,300
Prepaid property taxes	(575,488)	(300,166)
Security deposits	(2,149,762)	1,111,710
Deferred revenues	3,344,504	4,859,374
Inventories	13,944	(3,444)
Prepaid expenses	46,209	(143,412)
	<u>12,769,841</u>	<u>17,390,563</u>
Capital activities:		
Acquisition of tangible capital assets	(10,533,236)	(15,220,703)
Proceeds on disposal of tangible capital assets	556,460	-
Acquisition of assets under capital lease	(487,340)	(178,278)
	<u>(10,464,116)</u>	<u>(15,398,981)</u>
Investing activities:		
Receipt of long-term mortgage receivables	789,245	809,882
Financing activities:		
Increase in obligations under capital lease	487,340	178,278
Repayment of obligations under capital lease	(149,446)	-
Principal repayments of long-term liabilities	(570,758)	(794,740)
	<u>(232,864)</u>	<u>(616,462)</u>
Increase in cash	2,862,106	2,185,002
Cash, beginning of year	38,016,668	35,831,666
Cash, end of year	<u>\$ 40,878,774</u>	<u>\$ 38,016,668</u>

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

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements

Year ended December 31, 2023

The Corporation of the Town of Carleton Place (the "Town") was incorporated January 6, 1890 (previously incorporated as a village in 1870) and assumed its responsibilities under the authority of the Provincial Secretary. The Town operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the Town of Carleton Place are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Town are as follows:

(a) Reporting entity:

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenses, reserves, reserve funds and changes in investment in tangible capital assets of the Town. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

- Town of Carleton Place Public Library Board
- Town of Carleton Place Business Improvement Area Committee

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements. Over levies (under levies) are reported on the Consolidated Statement of Financial Position.

(b) Basis of accounting:

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

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 annual surplus provides the change in net financial assets for the year.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(c) Taxation and related revenues:

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by the Council of the Town, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark for regional services, and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(d) Tangible capital assets:

Tangible capital assets are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives, as follows, effective January 1, 2023:

Asset	Estimated Useful Life
Land improvements	5-25 years
Buildings:	
General	15-60 years
Water plant	60 years
Sewage plant	60 years
Machinery and equipment	3-60 years
Vehicles	10-15 years
Linear assets:	
Roads	5-35 years
Sidewalks/curbs	35 years
Underground networks:	
Water	60-80 years
Sewer	60-80 years
Storm	60-80 years
Bridges and culverts	75 years

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

For additions prior to January 1, 2023, amortization is provided straight-line basis over the estimated useful lives, as follows:

Asset	Estimated Useful Life
Land improvements	10-25 years
Buildings:	
General	20-60 years
Water plant	60 years
Sewage plant	60 years
Machinery and equipment	5-30 years
Vehicles	3-25 years
Linear assets:	
Roads	15-25 years
Sidewalks/curbs	35 years
Underground networks:	
Water	60 years
Sewer	60 years
Storm	60 years
Bridges and culverts	50 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$10,000 for vehicles and equipment and \$100,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

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

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations and Municipal Equity in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

When conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations and Municipal Equity.

(e) Leases:

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

Assets acquired under capital leases are amortized as described in Note 1(d). Obligations under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense.

(f) Inventories:

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

(g) Employee future benefit obligation:

The Town accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

The Town accrues its obligation for employee benefit plans. The cost of post-retirement 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 of employees and expected health care costs.

Actual gains (losses) which can arise from changes in the actuarial assumptions used to determine the accrued benefit obligation will be amortized over the average remaining service period of active employees, which is estimated to be 13.70 years (2022 - 12.45 years).

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(h) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meets the definition of a liability. Government transfers that meet the definition of a liability are recorded as deferred revenue and recognized as revenue as the liability is extinguished.

(i) Deferred revenue:

The Town receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, or services performed.

The Town also receives restricted contributions under the authority of the federal and provincial legislation and Town by-laws. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, parking-in-lieu and recreational land collected under the Planning Act and building surpluses earned under the Building Code Act are restricted in their use, and until applied to applicable costs, are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(j) Asset retirement obligations:

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.

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 are recognized in the Consolidated Statement of Changes in Operations Municipal Equity at the time of remediation.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Asset retirement obligations (continued):

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation. A liability has been recognized based on estimated future expenses on retirement of the tangible capital assets. Under the prospective method, the assumptions used on initial recognition are those as of the date the legal obligation was incurred. Assumptions used in the subsequent calculations are revised yearly.

(k) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Town:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(l) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and reported on the Consolidated Statement of Financial Position.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Consolidated Statement of Operations and Municipal Equity.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

All financial assets are assessed for impairment on an annual basis. Where a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations and Municipal Equity and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses. On sale, the unrealized gain or loss included in the Consolidated Statement of Remeasurement Gains and Losses associated with that instrument are reversed and recognized in the Consolidated Statement of Operations and Municipal Equity.

A Consolidated Statement of Remeasurement Gains and Losses has not been provided as there are no significant unrealized gains or losses at December 31, 2023 or 2022.

(m) Use of estimates:

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management's estimates include the actuarial assumptions used to develop the employee future benefit obligations liability and the asset retirement obligations liability. Actual results could differ from these estimates.

2. Changes in accounting policies:

(a) Asset retirement obligations:

On January 1, 2023, the Town adopted 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. An ARO liability can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a prospective basis.

In the past, Town has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policies (continued):

(a) Asset retirement obligations (continued)

The estimate of the liability includes costs directly attributable to asset retirement activities. When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

The Town's asset retirement obligations results from the removal and disposal of designated substances such as asbestos from the Town's buildings. The Town reports liabilities related to the legal obligations where the Town is obligated to incur costs to retire a tangible capital asset.

The Town's ongoing efforts to assess the extent to which designated substances exist in Town's assets, and new information obtained through regular maintenance and renewal of Town's assets, may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in adjustment to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis.

In accordance with the provisions of PS 3280 *Asset Retirement Obligations*, the Town reflected the following adjustments at January 1, 2023:

- An increase of \$299,180 to the cost of the tangible capital assets, representing the original estimate of the obligation as of the date of purchase; and
- An asset retirement obligation in the amount of \$299,180, representing the estimated cost of remediation as at that date.

(b) Financial instruments:

The Town adopted the following standards concurrently beginning January 1, 2023 on a prospective basis with no impact to the consolidated financial statements: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policies (continued):

(b) Financial instruments (continued):

- 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 Consolidated Statement of Remeasurement Gains and Losses separate from the Consolidated Statement of Operations and Accumulated Surplus. The requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments* are required to be adopted at the same time.
- PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Consolidated 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 new Consolidated Statement of Remeasurement Gains and Losses.

3. Operations of the School Boards and County of Lanark:

The Town collects and makes property tax transfers, including payments in lieu of property taxes, to the County of Lanark and School Boards. The amounts collected and remitted are as follows:

	School board 2023	County 2023	School board 2022	County 2022
Property taxes	\$ 3,972,849	\$ 7,384,521	\$ 3,775,880	\$ 6,749,655
Taxation from other governments	–	29,741	–	29,189
	\$ 3,972,849	\$ 7,414,262	\$ 3,775,880	\$ 6,778,844

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Long-term mortgage receivables:

- (a) The Town entered into a long-term financing agreement with Mississippi Valley Conservation Authority to finance the construction of a new facility to be located within the Town. Long term financing was a debenture funded through Ontario Infrastructure and Lands Corporation ("OILC") in the amount of \$4,640,000.

The loan is secured with an agreement that includes a mortgage on the property. The debenture terms include interest at a rate of 3.4%, semi annual blended payments of \$138,502 due June 1st and December 1st and is due June 2040.

Year	Amount
2024	\$ 160,166
2025	165,658
2026	171,339
2027	177,213
2028	183,290
Thereafter	2,618,459
	<u>\$ 3,476,125</u>

- (b) In 2021, the Town executed cost recovery agreements with developers for core infrastructure services for water and sewer on Highway 7 and McNeely Avenue. Under the agreement, the Town agreed to fund the up-front infrastructure costs and then recover the funds from the developers through a long-term mortgage.

The mortgages are to be repaid over 15 years with quarterly payments and with interest compounded annually at 4%. The Town has mortgage security on each property within the development area.

The loan agreements provide for lump sum repayments of principal under the following conditions:

- (i) The Town recovers development costs from other owners of land who benefit from the core services within the development area.
- (ii) Developer registers a plan of the subdivision, registers a site plan approval, receives a severance or upon the issuance of a building permit for any building requiring a connection to services.

The amounts receivable under these agreements is \$1,695,688 (2022 - \$2,330,076).

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefit obligations:

The Town extends non-pension retirement benefits for medical and dental benefits to a maximum of \$5,000 per year, for full time employees for ten years after retirement or to age 65, whichever comes first. To be eligible an employee must be at least age 55 (age 50 for firefighters) and has at least 20 years of service with the Town. Employees with 15 years of service are eligible but will receive 50% of the normal benefit reimbursement.

An independent actuarial study of the employee non-pension benefits has been undertaken. The most recent valuation of the employee future benefits was undertaken for the year ended December 31, 2020, with an extrapolation effective at December 31, 2023.

The accrued benefit liability relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services.

The significant actuarial assumptions adopted in estimating the Town's accrued employee future benefits obligations liability are as follows:

Discount rate	4.25%
Trend rates	7.50% decreasing by 0.50% annually to 4.00%
Employee turnover	4.50% decreasing to 1.00% after 25 years of service, none after age 55
Retirement age	Early age of 55 or age plus service totals 90, with a minimum age of 55
Participation	95.00% will elect family coverage and 5.00% will elect single coverage
Cost of coverage	\$4,370 in 2023 for family coverage and half for single coverage

Information with respect to the Town's non-pension post-retirement benefits is as follows:

	2023	2022
Accrued benefit liability at beginning of year	\$ 581,759	\$ 552,384
Benefits accrued during the year	30,015	44,288
Benefits paid during the year	(34,300)	(34,200)
Interest on accrued benefit liability during the year	22,818	11,914
Amortization of actuarial gain (loss)	(6,435)	7,373
Accrued benefit liability at end of year	\$ 593,857	\$ 581,759

	2023	2022
Accrued future benefit obligation at end of year	\$ 605,248	\$ 492,841
Unamortized actuarial gain (loss)	(11,391)	88,918
Accrued benefit liability at end of year	\$ 593,857	\$ 581,759

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Deferred revenues:

Deferred revenues is comprised of the following:

	2023	2022 (Restated - note 20)
Deferred revenue - grants and other	\$ 216,894	\$ 405,472
Deferred revenue - development contributions	2,615,152	789,101
Deferred revenue - obligatory reserve funds:		
Ontario Community Infrastructure Fund ("OCIF")	164,982	669,975
Development charges	8,915,827	6,105,320
Building department	2,317,041	2,581,227
Recreational land ("Parkland")	347,762	460,042
Parking	15,137	14,030
Canada Community Building Fund ("CCBF")	173,253	396,377
	11,934,002	10,226,971
	\$ 14,766,048	\$ 11,421,544

A requirement of public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as Provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

The transactions for the year are summarized below:

	OCIF	Development charges	Building department	Parkland	Parking	CCBF	Total (Restated - note 20)
January 1, 2023	\$ 669,975	\$ 6,105,320	\$ 2,581,227	\$ 460,042	\$ 14,030	\$ 396,377	\$10,226,971
Government grants	1,139,704	-	-	-	-	352,253	1,491,957
Contributions from developers	-	3,045,163	-	16,662	328	-	3,062,153
Building Code Act Interest	69,840	572,833	(264,186)	29,150	779	27,837	700,439
Transfer to revenue	(1,714,537)	(807,489)	-	(158,092)	-	(603,214)	(3,283,332)
December 31, 2023	\$ 164,982	\$ 8,915,827	\$ 2,317,041	\$ 347,762	\$ 15,137	\$ 173,253	\$11,934,002

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Deferred revenues (continued):

During the year and in accordance with the Development Charges Act, the Town entered into arrangements with developers to defer the payment of the underlying development charge to a future date. The amounts are repayable between November 2025 and December 2030 with interest rates ranging between 2.45% and 8.20%. The total amount of these arrangements of \$1,203,461 (2022 - \$Nil) is included development charges above with a corresponding balance in accounts receivable on the Consolidated Statement of Financial Position.

7. Asset retirement obligations:

The Town 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 it. Following the adoption of PS 3280 *Asset Retirement Obligations*, the Town recognized an asset retirement obligation relating to the legally required removal or remediation of asbestos-containing materials in certain buildings.

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 materials in accordance with the current legislation.

The change in the estimated obligation during the year consists of the following:

	2023
Balance, beginning of year	\$ -
Prospective adjustment on adoption of PS 3280 <i>Asset Retirement Obligations</i>	299,180
Less: obligations settled during the year	(14,395)
Balance, end of year	\$ 284,785

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Long-term liabilities:

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

	2023	2022
Total long-term liabilities incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to:	\$ 3,476,125	\$ 3,630,982
Ontario Infrastructure and Land Corporation loan with maturity date 2040, with interest rate 3.40%	122,811	240,288
Ontario Infrastructure and Land Corporation loan with maturity date 2024 with interest rate of 4.49%	637,954	936,378
	<u>\$ 4,236,890</u>	<u>\$ 4,807,648</u>

- (b) Of the municipal debt shown above, the payment of principal and interest charges for the Mississippi Valley Conservation Authority ("MVCA") of \$3,476,125 (2022 - \$3,630,982) are recovered from the MCVA. Accordingly, a receivable has been recorded as disclosed in note 4(a).

- (c) Principal payments fall due as follows:

	Amount
2024	\$ 590,040
2025	496,550
2026	171,339
2027	177,214
2028	183,290
Thereafter	2,618,457
	<u>\$ 4,236,890</u>

- (d) Interest paid on long term liabilities is \$163,075 (2022 - \$193,807).

- (e) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Obligations under capital leases:

The Town finances certain vehicles by entering into capital leasing arrangements. Capital lease repayments are due as follows:

	2023	2022
2023	\$ –	\$ 70,848
2024	245,692	70,848
2025	236,039	56,114
2026	77,642	–
Total minimum lease payments	559,373	197,810
Less amount representing interest	(43,201)	(19,532)
Present value of minimum lease payments	\$ 516,172	\$ 178,278

Interest paid on the obligations under capital leases is \$25,603 (2022 - \$2,776).

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

10. Tangible capital assets:

The net book value of tangible capital assets is as follows:

	2023	2022
General capital:		
Land	\$ 6,017,359	\$ 6,963,218
Land improvements	5,404,059	3,807,288
Buildings	18,226,728	14,587,989
Machinery and equipment	1,859,902	1,640,665
Vehicles	806,975	1,762,236
Leased vehicles	403,295	—
	<u>32,718,318</u>	<u>28,761,396</u>
Infrastructure:		
Land improvements	44,507	47,310
Building	14,007,914	14,368,485
Machinery and equipment	3,500,574	7,177,516
Linear assets	65,563,008	55,153,110
Bridges and culverts	10,557,960	2,043,746
Vehicles under capital lease	218,335	178,278
	<u>93,892,298</u>	<u>78,968,445</u>
Construction in progress	9,469,050	22,549,531
	<u>\$ 136,079,666</u>	<u>\$130,279,372</u>

For additional information, see Schedule 2 - Tangible Capital Assets.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Municipal equity:

Municipal equity consists of:

	2023	2022 (Restated - note 20)
Investment in intangible capital assets:		
Tangible capital assets	\$ 136,079,666	\$ 130,279,372
Long-term liabilities	(760,765)	(1,176,666)
Obligations under capital leases	(516,172)	(178,278)
Asset retirement obligations	(284,785)	-
	<u>134,517,944</u>	<u>128,924,428</u>
Deficit	(1,264,819)	(601,775)
Unfinanced capital projects	(7,513,109)	(7,969,274)
Unfunded post retirement benefits	(593,857)	(581,759)
Reserves (Schedule 1)	33,312,622	31,958,160
Reserve Funds (Schedule 1)	1,394,163	1,394,163
	<u>\$ 159,852,944</u>	<u>\$ 153,123,943</u>

12. Pension contributions:

The Town makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Town does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The latest available report for the OMERS plan was at December 31, 2023. At that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit).

For the year ended December 31, 2023, the amount contributed to OMERS was \$801,909 (2022 - \$629,465) for current services and is included as an expense on the Consolidated Statement of Operations and Municipal Equity classified under the appropriate functional expenditure.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

13. Provincial offences administration:

The Corporation of the Town of Perth has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of the Attorney General to the Corporation of the Town of Perth was a result of the Provincial Offences Act (“POA”) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The 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 POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Town’s share of net revenues arising from operation of the POA office of \$12,927 (2022 - \$32,811) are recorded as government transfers revenue on the Consolidated Statement of Operations and Municipal Equity. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Perth court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System (“ICON”) operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Town shares net POA revenues based on weighted assessment.

14. Commitments:

- (a) In 1997, the Town entered into a fixed price contract with the Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The operational costs are subject to inflationary increases and the Town is responsible for capital costs and emergency use costs. The contract expires December 2024.

Included in the Consolidated Statement of Operations and Municipal Equity are the costs paid to the Ontario Clean Water Agency of \$1,306,832 (2022 - \$1,219,128) for the sewage plant and \$898,468 (2022 - \$808,739) for the water treatment plant.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Commitments (continued):

- (b) The Town entered into an agreement with GFL Environmental to provide solid waste collection and disposal services. The contract with GFL Environmental is for a period of five (5) years to September 28, 2025, with two additional one-year extensions possible. Annual charges are based on the number of households, volumes of material processed / disposed, and annual inflation adjustments.

Included within the Consolidated Statement of Operations and Municipal Equity is payment for collection of \$394,390 (2022 - 359,686) and payment for disposal of \$332,774 (2022 - \$313,438).

- (c) The Town has negotiated a long-term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 2024. Annual charges are determined based on level of service and are reconciled to actual costs in the following year. The contractual expense for 2023 was \$2,388,667 (2022 - \$2,450,488).
- (d) The Town has entered into a long-term lease agreement (99 years) with the Upper Canada District School Board for the childcare centre property. The financial considerations was \$1. Annual financial considerations include upkeep and maintenance of the shared driveway.
- (e) The Town entered into boundary restructuring agreements with Beckwith Township. In consideration of jurisdictional rights, the Town has agreed to compensate Beckwith Township for the municipal share of taxes levied for a maximum 40 years. For the agreement expiring December 31, 2036, the compensation is 30% of the municipal share of taxes. For the agreement expiring December 31, 2051, the compensation is 30% of the municipal share of commercial taxes levied and a one-time payment equivalent to the Beckwith development charge for residential units on new residential units. Payments under these agreements for the year ended December 31, 2023 were \$559,330 (2022 - \$488,194).
- (f) The Town has entered into a boundary restructuring agreement with the Town of Mississippi Mills. In consideration of jurisdictional rights, the Town has agreed to compensate the Town of Mississippi Mills for 30% of commercial taxes levied and a one time payment equivalent to the Mississippi Mills development charge for residential units on new residential units for a maximum of 40 years. The agreement expires December 31, 2051. Payments under these agreements for the year ended December 31, 2023 were \$nil (2022 - \$nil).
- (g) In November 2023, the Town entered into a contractual agreement with the Township of Beckwith and the CPB Health Hub Solution Corporation to attract family physicians and enhance health care services offered to the Town's residents by creating a public health hub facility (the "Health Hub"). The Town has committed to provide \$90,000 per year towards lease payments of the Health Hub for a period of ten years.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Commitments (continued):

- (h) The Town has entered into contractual arrangements for ongoing capital projects. The remaining commitment on key capital projects at December 31, 2023 is \$2,709,489.

15. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2023, management believes that the Town has valid defences and appropriate and adequate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

16. Segmented information:

The Town is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the Consolidated Statement of Operations and Municipal Equity.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedule below.

For each reported segment, expenses 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.

The accounting policies used in the 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 CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. Segmented information (continued):

For the year ended December 31, 2023	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
Revenue:								
Property taxation	\$ 15,240,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,832	\$ 15,393,974
User charges	148,595	330,281	72,926	6,284,767	1,886,643	1,479,549	114,897	10,317,658
Government transfers	519,551	20,894	2,717,426	187,864	3,164,567	722,204	41,791	7,374,297
Transfers from deferred revenue - obligatory reserve funds:								
Development charges	27,168	15,737	212,939	123,997	-	420,696	6,952	807,489
Parkland	-	-	-	-	-	158,092	-	158,092
Licenses and permits	33,190	954,971	1,800	-	-	-	7,000	996,961
Investment income	1,503,120	-	86,309	41,713	-	6,832	-	1,637,974
Penalties and interest on tax	284,790	-	-	-	-	-	-	284,790
Contributed tangible capital assets	-	-	-	209,832	-	44,100	-	253,932
Other revenue	155,615	33,363	3,050	17,906	11,027	580,065	7,899	808,925
	17,912,171	1,355,246	3,094,450	6,866,079	5,062,237	3,411,538	332,371	38,034,092
Expenses:								
Salaries, wages and benefits	1,761,606	1,792,541	1,349,962	660,593	4,064,433	2,523,285	468,006	12,620,426
Interest on long-term liabilities	-	122,148	-	31,442	9,485	-	-	163,075
Materials and services	2,248,717	3,399,032	2,252,567	3,643,174	534,888	984,050	541,408	13,603,836
Amortization	69,755	144,810	2,702,835	526,838	107,310	494,283	-	4,045,831
Loss on disposal of tangible capital assets	520,560	(304,532)	225,462	335,892	-	94,541	-	871,923
Inter-functional adjustments	(507,000)	230,500	-	356,000	-	-	(79,500)	-
	4,093,638	5,384,499	6,530,826	5,553,939	4,716,116	4,096,159	929,914	31,305,091
Annual surplus (deficit)	\$ 13,818,533	\$ (4,029,253)	\$ (3,436,376)	\$ 1,312,140	\$ 346,121	\$ (684,621)	\$ (597,543)	\$ 6,729,001

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

16. Segmented information (continued):

For the year ended December 31, 2022	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
								(Restated - Note 20)
Revenue:								
Property taxation	\$ 13,565,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,972	\$ 13,749,784
User charges	423,305	327,616	232,452	5,936,493	2,060,024	1,161,270	319,727	10,460,887
Government transfers	521,423	8,698	5,498,017	245,078	2,072,186	459,953	8,875	8,814,230
Transfers from deferred revenue - obligatory reserve funds:								
Development charges	-	-	-	100,167	-	240,105	49,952	390,224
Licenses and permits	14,712	844,630	4,100	-	-	-	19,420	882,862
Investment income	868,513	-	-	-	-	2,580	-	871,093
Penalties and interest on tax	204,940	-	-	-	-	-	-	204,940
Other revenue	201,249	23,756	9,212	19,470	2,561	662,127	3,103	921,478
	15,799,954	1,204,700	5,743,781	6,301,208	4,134,771	2,526,035	585,049	36,295,498
Expenses:								
Salaries, wages and benefits	1,771,787	1,711,203	1,378,803	658,884	2,980,675	1,874,738	505,834	10,881,924
Interest on long-term liabilities	-	122,016	-	57,204	14,587	-	-	193,807
Materials and services	1,594,436	3,192,503	1,464,119	4,016,638	499,525	1,515,278	541,347	12,823,846
Amortization	62,984	142,107	1,480,666	1,610,904	105,280	420,154	-	3,822,095
Loss on disposal of tangible capital assets	-	111,894	123,240	217,182	-	-	-	452,316
Inter-functional adjustments	(501,000)	192,250	-	356,000	-	-	(47,250)	-
	2,928,207	5,471,973	4,446,828	6,916,812	3,600,067	3,810,170	999,931	28,173,988
Annual surplus (deficit)	\$ 12,871,747	\$ (4,267,273)	\$ 1,296,953	\$ (615,604)	\$ 534,704	\$ (1,284,135)	\$ (414,882)	\$ 8,121,510

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

17. Budget figures:

The 2023 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations and Municipal Equity. The revenues attributable to these items continue to be included in the Consolidated Statement of Operations and Municipal Equity, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget
Total revenues	\$ 36,743,994
Total expenses	(32,248,819)
Net revenues	4,495,175
Amortization	3,935,328
Adjusted net revenues	8,430,503
Capital expenses	(44,832,093)
Principal repayments on long-term debt	(569,081)
Increase post employment benefits	(30,000)
Decrease in operating surplus	(37,000,671)
Allocated as follows:	
Net change in unfinanced capital	(12,091,012)
Net transfers (to) from reserves	(22,910,618)
Year end operating surplus	(1,999,041)
	\$(37,000,671)

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Financial risks and concentration of risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Town is exposed to credit risk with respect to accounts receivable, taxes receivable and user charges receivables (collectively its “receivables”) on the Consolidated Statement of Financial Position.

The Town assesses, on a continuous basis, its receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Town at December 31, 2023 is the carrying value of these assets. The carrying amount of receivables is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations and Municipal Equity. Subsequent recoveries of impairment losses related to receivables are credited to the Consolidated Statement of Operations and Municipal Equity. The balance of the allowance for doubtful accounts at December 31, 2023 is \$Nil (2022 - \$55,000).

(b) Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet all of its cash outflow obligations as they come due. The Town mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting. Accounts payable and accrued liabilities are all current and the terms of long-term liabilities and obligations under capital leases are disclosed in notes 8 and 9, respectively.

(c) Market risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the Town’s net results of operations or the fair value of its holdings of financial instruments. Market risk includes three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk:

Currency risk arises from the Town’s operations in different currencies and converting non-Canadian earnings at different points in time at different foreign currency levels when adverse changes in foreign currency rates occur. The Town does not have any material transactions or financial instruments denominated in foreign currencies.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. Financial risks and concentration of risks (continued):

(c) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Town to cash flow interest rate risk. As the Town does not have any financial assets or financial liabilities with variable interest rates, it is not exposed to these risks.

(iii) Other price risk:

Other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The Town is not exposed to this risk as it does not hold any equity investments.

There have been no significant changes to these risk exposures from 2022.

19. Comparative information:

Certain comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Restatement of comparative information:

During the year, management reviewed the building department reserve which was previously included as a component of discretionary reserves in municipal equity. Through this process, it was identified that the surpluses earned by the building department were not recorded as an obligatory reserve fund on the Consolidated Statement of Financial Position, as required by the Building Code Act.

The impact of this correction has been recorded retroactively in the December 31, 2022 comparative information, as follows:

	January 1, 2022
Municipal equity, beginning of year, as previously stated	\$ 147,015,693
To correct error in relation to the:	
Building department reserve, opening balance	(2,013,260)
Municipal equity, beginning of year, as restated	\$ 145,002,433
	December 31, 2022
Municipal equity, end of year, as previously stated	\$ 155,705,168
To correct error in relation to the:	
Building department reserve, opening balance	(2,013,260)
Building department reserve, 2022 surplus	(567,965)
Municipal equity, end of year, as restated	\$ 153,123,943
	December 31, 2022
Annual surplus, end of year, as previously stated	\$ 8,689,475
To correct error in relation to the:	
Building department reserve, 2022 surplus	(567,965)
Annual surplus, end of year, as restated	\$ 8,121,510

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Restatement of comparative information (continued):

	January 1, 2022
Net financial assets, beginning of year, as previously stated	\$ 27,758,559
To correct error in relation to the:	
Building department reserve, opening balance	(2,013,260)
Net financial assets, beginning of year, as restated	\$ 25,745,299
	December 31, 2022
Net financial assets, end of year, as previously stated	\$ 25,176,608
To correct error in relation to the:	
Building department reserve, opening balance	(2,013,260)
Building department reserve, 2022 surplus	(567,965)
Net financial assets end of year, as restated	\$ 22,595,383
	December 31, 2022
Deferred revenue, end of year, as previously stated	\$ 8,840,319
To correct error in relation to the:	
Building department reserve, opening balance	2,013,260
Building department reserve, 2022 surplus	567,965
Deferred revenue, end of year, as restated	\$ 11,421,544

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 1 – Continuity of reserves and reserve funds

Year ended December 31, 2023

	Actual 2023	Actual 2022 (Restated - note 20)
Transfers to reserves	\$ 4,713,043	\$ 5,472,897
Transfers from reserves	(3,358,581)	(3,892,847)
Reserves and reserve fund balance, change in year	1,354,462	1,580,050
Reserves and reserve fund balance, beginning of year	33,352,323	31,772,273
Reserves and reserve fund balances, end of year	\$ 34,706,785	\$ 33,352,323

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 1 – Continuity of reserves and reserve funds (continued)

Year ended December 31, 2023

	2023	2022 (Restated - note 20)
Reserves set aside for general purposes:		
Working funds	\$ 1,508,593	\$ 1,487,918
Asset replacement funds:		
Sewer	6,159,386	5,538,089
Water	6,159,386	5,538,088
Replacement of equipment	132,928	200,917
Insurance	31,122	31,122
Debenture repayment	341,226	341,226
	<u>14,332,641</u>	<u>13,137,360</u>
Reserves set aside for service purposes:		
General government	4,524,433	4,223,746
Protection services	319,625	330,912
Transportation services:		
Roadways	2,176,375	1,508,851
Winter control	74,231	74,231
Parking	24,529	24,529
Street lighting	192,177	311,152
Environmental services:		
Wastewater system	4,011,566	4,325,120
Waterworks system	4,011,566	4,324,120
Health services	–	339,470
Social and family services	1,787,536	1,606,660
Recreation and cultural services:		
Recreation facilities	1,185,758	1,160,758
Library	222,032	206,126
Museums	97,844	79,844
Cultural services	134,195	134,195
Planning and development	136,269	138,731
Business Improvement Area	81,845	32,355
	<u>18,979,981</u>	<u>18,820,800</u>
Total reserves	<u>33,312,622</u>	<u>31,958,160</u>
Reserve funds:		
Hydro reserve fund	1,394,163	1,394,163
Total reserves and reserve funds	<u>\$ 34,706,785</u>	<u>\$ 33,352,323</u>

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 2 – 2023 Tangible capital assets

Year ended December 31, 2023

Asset class	Cost 12/31/22	Additions	Disposals and transfers	Cost 12/31/23
General capital:				
Land	\$ 6,963,218	\$ 44,100	\$ (989,959)	\$ 6,017,359
Land improvements	6,208,028	1,204,489	583,967	7,996,484
Buildings	19,600,962	530,671	4,328,287	24,459,920
Machinery and equipment	3,500,371	1,597,854	(2,305,072)	2,793,153
Vehicles	4,446,705	–	(2,605,453)	1,841,252
Vehicles under capital lease	–	427,949	–	427,949
General capital total	40,719,284	3,805,063	(988,230)	43,536,117
Infrastructure:				
Land improvements	327,601	–	–	327,601
Building	24,205,927	43,325	–	24,249,252
Machinery and equipment	10,128,163	465,480	(5,947,145)	4,646,498
Linear assets	106,356,637	6,660,755	8,550,806	121,568,198
Bridges and culverts	2,444,485	31,230	8,203,258	10,678,973
Vehicles under capital lease	178,278	237,669	(178,278)	237,669
Infrastructure total	143,641,091	7,438,459	10,628,641	161,708,191
Construction in progress	22,549,531	5,043,287	(18,123,768)	9,469,050
Grand total	\$ 206,909,906	\$ 16,286,809	\$ (8,483,357)	\$ 214,713,358

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 2 – 2023 Tangible capital assets (continued)

Year ended December 31, 2023

Asset class	Accumulated amortization 12/31/22	Amortization	Disposals and transfers	Accumulated amortization 12/31/23
General capital:				
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	2,400,740	211,925	(20,240)	2,592,425
Buildings	5,012,973	425,507	794,712	6,233,192
Machinery and equipment	1,859,706	199,857	(1,126,312)	933,251
Vehicles	2,684,469	–	(1,650,192)	1,034,277
Vehicles under capital lease	–	24,654	–	24,654
General capital total	11,957,888	861,943	(2,002,032)	10,817,799
Infrastructure:				
Land improvements	280,291	2,803	–	283,094
Building	9,837,442	403,896	–	10,241,338
Machinery and equipment	2,950,647	212,043	(2,016,766)	1,145,924
Linear assets	51,203,527	2,505,724	2,295,939	56,005,190
Bridges and culverts	400,739	40,088	(319,814)	121,013
Vehicles under capital lease	–	19,334	–	19,334
Infrastructure total	64,672,646	3,183,888	(40,641)	67,815,893
Construction in progress	–	–	–	–
Grand total	\$ 76,630,534	\$ 4,045,831	\$ (2,042,673)	\$ 78,633,692

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 2 – 2023 Tangible capital assets (continued)

Year ended December 31, 2023

Asset class	Net book value 12/31/22	Net book value 31/12/23
General capital:		
Land	\$ 6,963,218	\$ 6,017,359
Land improvements	3,807,288	5,404,059
Buildings	14,587,989	18,226,728
Machinery and equipment	1,640,665	1,859,902
Vehicles	1,762,236	806,975
Vehicles under capital lease	–	403,295
General capital total	28,761,396	32,718,318
Infrastructure:		
Land improvements	47,310	44,507
Building	14,368,485	14,007,914
Machinery and equipment	7,177,516	3,500,574
Linear assets	55,153,110	65,563,008
Bridges and culverts	2,043,746	10,557,960
Vehicles under capital lease	178,278	218,335
Infrastructure total	78,968,445	93,892,298
Construction in progress	22,549,531	9,469,050
Grand total	\$ 130,279,372	\$ 136,079,666

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 3 – Childcare Operations (Unaudited)

Year ended December 31, 2023

	Francis Street	Carambeck Community Centre	Total
Administration:			
Administration:			
Government transfers	\$ 1,236,895	\$ –	\$ 1,236,895
Parent fees	8,175	–	8,175
Donations	11,027	–	11,027
Transfer from reserve	22,486	–	22,486
Salaries and wages	(102,756)	(98,024)	(200,780)
Employee benefits	(31,476)	(27,144)	(58,620)
Materials	(32,127)	(10,857)	(42,984)
Contracted services	93,826	(155)	93,671
Amortization expense	(107,310)	–	(107,310)
Transfer to reserve	(230,869)	–	(230,869)
	867,871	(136,180)	731,691
IT Support Services:			
Materials	(20,423)	(9,229)	(29,652)
Contracted services	(11,042)	(3,593)	(14,635)
	(31,465)	(12,822)	(44,287)
Property Maintenance:			
Government transfers	2,100	–	2,100
Salaries and wages	(109,927)	(7,763)	(117,690)
Employee benefits	(28,474)	(2,298)	(30,772)
Materials	(127,746)	(6,255)	(134,001)
Contracted services	(53,091)	(80,489)	(133,580)
Interest on long-term debt	(9,485)	–	(9,485)
Principal repayment on long-term debt	(117,477)	–	(117,477)
Transfer to reserve	(24,000)	(15,000)	(39,000)
	(468,100)	(111,805)	(579,905)
Administration total	\$ 368,306	\$ (260,807)	\$ 107,499

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 3 – Childcare Operations (Unaudited) (continued)

Year ended December 31, 2023

	Francis Street	Carambeck Community Centre	Total
Programs:			
Dietary:			
Salaries and wages	\$ (100,105)	\$ (46,688)	\$ (146,793)
Employee benefits	(22,858)	(10,923)	(33,781)
Materials	(140,229)	(45,977)	(186,206)
Contracted services	(5,843)	–	(5,843)
	(269,035)	(103,588)	(372,623)
Infant:			
Wage Enhancement Grant	5,808	–	5,808
Government transfers	86,413	–	86,413
Parent fees	65,326	–	65,326
Salaries and wages	(184,449)	–	(184,449)
Employee benefits	(59,433)	–	(59,433)
Materials	(816)	–	(816)
	(87,151)	–	(87,151)
Toddler:			
Government transfers	489,476	–	489,476
Parent fees	341,759	–	341,759
Salaries and wages	(735,568)	–	(735,568)
Employee benefits	(215,027)	–	(215,027)
Materials	(3,983)	–	(3,983)
Contracted services	(127)	–	(127)
	(123,470)	–	(123,470)
Nursery:			
Government transfers	–	16,339	16,339
Parent fees	–	20,412	20,412
Salaries and wages	–	(19,146)	(19,146)
Employee benefits	–	(6,047)	(6,047)
Materials	–	(708)	(708)
	–	10,850	10,850
Pre-School:			
Government transfers	951,624	–	951,624
Parent fees	717,449	–	717,449
Salaries and wages	(1,196,819)	–	(1,196,819)
Employee benefits	(361,727)	–	(361,727)
Materials	(7,057)	–	(7,057)
Contracted services	(87)	–	(87)
	103,383	–	103,383
Kinder:			
Government transfers	77,176	182,931	260,107
Parent fees	50,076	174,216	224,292
Salaries and wages	(47,137)	(204,907)	(252,044)
Employee benefits	(13,679)	(59,772)	(73,451)
Materials	–	(2,279)	(2,279)
Contracted services	–	(10,874)	(10,874)
	66,436	79,315	145,751

THE CORPORATION OF THE TOWN OF CARLETON PLACE

Schedule 3 – Childcare Operations (Unaudited) (continued)

Year ended December 31, 2023

	Francis Street	Carambeck Community Centre	Total
Programs (continued):			
Junior School Age:			
Government transfers	\$ –	\$ 15,148	\$ 15,148
Parent fees	–	129,551	129,551
Salaries and wages	–	(41,244)	(41,244)
Employee benefits	–	(8,344)	(8,344)
Materials	–	(2,128)	(2,128)
Contracted services	–	(10,073)	(10,073)
	–	82,910	82,910
School Aged:			
Government transfers	–	88,497	88,497
Parent fees	–	379,680	379,680
Salaries and wages	–	(255,855)	(255,855)
Employee benefits	–	(65,976)	(65,976)
Materials	–	(2,676)	(2,676)
Contracted services	–	(9,845)	(9,845)
	–	133,825	133,825
Special Needs:			
Salaries and wages	(722)	–	(722)
Employee benefits	(143)	–	(143)
	(865)	–	(865)
Play-Based Purchases:			
Government transfers	12,160	–	12,160
Transfer from reserve	18,844	–	18,844
Materials	(31,004)	–	(31,004)
	–	–	–
Programs total	(310,702)	203,312	(107,390)
Grand total	\$ 57,604	\$ (57,495)	\$ 109