

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY WATER SUPPLY SYSTEM** is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within the Financial Report. Management believes that the financial statements present fairly the Township's Water Supply System financial position as at December 31, 2023 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.


These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The Township's Council carries out its responsibilities for review of the financial statements principally through its regular meetings. The Township's Council meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

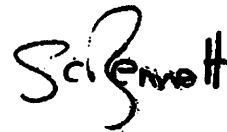
The external auditors have full access to the Township's Council with and without the presence of management. The Township's Council has approved the financial statements.

The financial statements have been audited by Welch LLP, Chartered Professional Accountants, independent external auditors appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's Water Supply System financial statements.

Chief Administrative Officer



Mayor



June 4, 2024

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of the
CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY

Opinion

We have audited the financial statements of the Corporation of the Township of Laurentian Valley Water Supply System (the Township), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2023 and the results of its operations, change in net financial assets and 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 report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

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

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

Auditor's Responsibilities for the Audit of the 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 these 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
June 4, 2024

Welch LLP

An Independent Member of BKR International

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
FINANCIAL ASSETS		
Accounts receivable	\$ 128,266	\$ 70,568
Due from Township of Laurentian Valley	<u>634,523</u>	<u>621,145</u>
	<u>762,789</u>	<u>691,713</u>
LIABILITIES		
Accounts payable and accrued liabilities	108,122	104,717
Long-term debt (Note 2)	<u>428,137</u>	<u>449,412</u>
	<u>536,259</u>	<u>554,129</u>
NET FINANCIAL ASSETS	226,530	137,584
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>1,493,275</u>	<u>1,579,751</u>
ACCUMULATED SURPLUS (Note 4)	<u>\$ 1,719,805</u>	<u>\$ 1,717,335</u>

(See accompanying notes and schedule)

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CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget 2023</u>	<u>Actual 2023</u>	<u>Actual 2022</u>
REVENUE			
User charges	\$ <u>688,562</u>	\$ <u>734,703</u>	\$ <u>563,102</u>
EXPENSES			
Salaries and benefits	56,318	72,611	48,642
Purchase of water	452,826	468,847	337,606
Materials, supplies and services	92,550	80,942	109,394
Interest expense	14,601	23,357	23,905
Amortization expense	<u>-</u>	<u>86,476</u>	<u>86,517</u>
	<u>616,295</u>	<u>732,233</u>	<u>606,064</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	72,267	2,470	(42,962)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	<u>1,717,335</u>	<u>1,717,335</u>	<u>1,760,297</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u>\$ 1,789,602</u>	<u>\$ 1,719,805</u>	<u>\$ 1,717,335</u>

(See accompanying notes and schedule)

Welch LLP

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CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget 2023</u>	<u>Actual 2023</u>	<u>Actual 2022</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	\$ 72,267	\$ 2,470	\$ (42,962)
Acquisition of tangible capital assets	(1,330,000)	-	-
Amortization of tangible capital assets	<u>-</u>	<u>86,476</u>	<u>86,517</u>
CHANGE IN NET FINANCIAL ASSETS	(1,257,733)	88,946	43,555
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>137,584</u>	<u>137,584</u>	<u>94,029</u>
NET FINANCIAL ASSETS AT END OF YEAR	<u><u>\$(1,120,149)</u></u>	<u><u>\$ 226,530</u></u>	<u><u>\$ 137,584</u></u>

(See accompanying notes and schedule)

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CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of expenses over revenue	\$ 2,470	\$ (42,962)
Non-cash items included in excess of expenses over revenue:		
Amortization of tangible capital assets	<u>86,476</u>	<u>86,517</u>
	88,946	43,555
Change in the level of:		
Accounts receivable	(57,698)	(6,249)
Due from Township of Laurentian Valley	(13,378)	(97,182)
Accounts payable and accrued liabilities	<u>3,405</u>	<u>80,602</u>
	<u>21,275</u>	<u>20,726</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(21,275)</u>	<u>(20,726)</u>
NET CHANGE IN CASH	-	-
CASH AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes and schedule)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE 1

	<u>Land</u>	<u>Machinery and Equipment</u>	<u>Vehicle</u>	<u>Linear Assets</u>	<u>2023</u>	<u>2022</u>
COST						
Balance, beginning of year	\$ <u>1</u>	\$ <u>42,203</u>	\$ <u>9,962</u>	\$ <u>3,615,678</u>	\$ <u>3,667,844</u>	\$ <u>3,667,844</u>
ACCUMULATED AMORTIZATION						
Balance, beginning of year	-	42,202	2,532	2,043,359	2,088,093	2,001,576
Annual amortization	<u>-</u>	<u>1</u>	<u>498</u>	<u>85,977</u>	<u>86,476</u>	<u>86,517</u>
	<u>-</u>	<u>42,203</u>	<u>3,030</u>	<u>2,129,336</u>	<u>2,174,569</u>	<u>2,088,093</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 6,932</u>	<u>\$ 1,486,342</u>	<u>\$ 1,493,275</u>	<u>\$ 1,579,751</u>
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 7,430</u>	<u>\$ 1,572,319</u>	<u>\$ 1,579,751</u>	

(See accompanying notes)

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

The Corporation of the Township of Laurentian Valley Water Supply System is a Board of the Township of Laurentian Valley organized to provide water distribution to some residents of the Township of Laurentian Valley.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Board are as follows:

Basis of Accounting

The 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 upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired and collection is reasonably assured.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the 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 determined.

Deferred Revenue - Obligatory Reserve Fund

Deferred revenue - Obligatory Reserve Fund consists of development charges and related investment income which is recognized as income as services are provided.

Revenue Recognition

User charges are recognized as the service is provided and collection is reasonably assured. Frontage charges and grant revenue are recognized when the related expenditure is incurred.

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates

The preparation of 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 revenue and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant estimates and assumptions which include the estimated useful life of tangible capital assets and based on management's information and judgements. Actual results could differ from those estimates.

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 normal course of operations. The change in non-financial assets during the year, together with the excess of expenses over revenue, provides the Change in Net Financial Assets for the year.

i) **Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes 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 is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Machinery and equipment	20
Vehicle	20
Linear assets	40

Annual amortization is charged in both the year of acquisition and the year of disposal.

ii) **Contribution of Tangible Capital Assets**

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

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Some other services are also contributed to the Township. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Contaminated Sites Liability

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 a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

NOTE 2 LONG-TERM DEBT

Long-term debt consists of a debenture, due 2039 payable in semi-annual installments of \$16,478 including interest at 2.63% per annum.

Payments on existing debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 21,838	\$ 11,118	\$ 32,956
2025	22,416	10,540	32,956
2026	23,009	9,947	32,956
2027	23,619	9,337	32,956
2028	<u>24,244</u>	<u>8,712</u>	<u>32,956</u>
	115,126	49,654	164,780
Thereafter	<u>313,011</u>	<u>49,497</u>	<u>362,508</u>
	<u>\$ 428,137</u>	<u>\$ 99,151</u>	<u>\$ 527,288</u>

NOTE 3 EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets - cost (Schedule 1)	\$ 3,667,844	\$ 3,667,844
- accumulated amortization (Schedule 1)	(2,174,569)	(2,088,093)
Long-term debt (Note 2)	<u>(428,137)</u>	<u>(449,412)</u>
	<u>\$ 1,065,138</u>	<u>\$ 1,130,339</u>

CORPORATION OF THE TOWNSHIP OF LAURENTIAN VALLEY
WATER SUPPLY SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 4 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2023</u>	<u>2022</u>
Internally restricted reserves	\$ 654,667	\$ 586,996
Equity in tangible capital assets (Note 3)	<u>1,065,138</u>	<u>1,130,339</u>
	<u>\$ 1,719,805</u>	<u>\$ 1,717,335</u>

NOTE 5 CONTRACTUAL OBLIGATION - CITY OF PEMBROKE

The Township purchases its water supply from the City of Pembroke. During the year ended December 31, 2023, these charges totalled \$468,847 (2022 - \$337,606).

NOTE 6 FINANCIAL INSTRUMENTS

The Township's financial instruments consist of accounts receivable, due from/to Township of Laurentian Valley, accounts payable and accrued liabilities and long-term debt.

Risk

It is management's opinion that the Township is not exposed to significant interest, market, liquidity, currency or credit risks arising from its financial instruments. The Township is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the Township provides water may experience financial difficulty and be unable to fulfill their obligation. It is management's opinion that the large number and diversity of users of the water system minimizes credit risk.

Fair Market Value

Except for the following, the fair value of the Township's financial instruments approximates their carrying value due to their short term nature. The terms and conditions of the long-term debt are disclosed in Note 2 to the financial statements.

NOTE 7 CONTAMINATED SITES LIABILITY

The Township has adopted PS3260 Liability for Contaminated Sites. The Township did not identify any financial liabilities in 2023 (2022 - \$NIL) as a result of this standard.

NOTE 8 BUDGET FIGURES

Budget figures reported on the Statement of Operations and the Statement of Change in Net Financial Assets are based on 2023 operating and capital budgets as approved by Council on February 21, 2023 (By-law 2023-02-010).