The Corporation of the Municipality of French River

Financial Report

December 31, 2022

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Municipality of French River (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian Public Sector Accounting Standards.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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

Chief Administrative Officer	Treasurer
May 17, 2023	May 17, 2023

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of French River, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, cash flows and change in net financial assets for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Municipality of French River as at December 31, 2022, and its results of consolidated operations 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 Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Independent Auditor's Report (Continued)

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Baker Tilly SNT LLP

Sudbury, Ontario
May 17, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

The Corporation of the Municipality of French River
Consolidated Statement of Financial Position
December 31, 2022

	2022	2021
Financial Assets		
Cash	**$ 4,039,826**	$ 5,084,098
Cash - Heritage Centre	**1,412**	1,472
Taxes receivable (note 4)	**579,736**	495,133
Accounts receivable - Federal	**292,318**	260,572
- Provincial	**43,860**	48,855
- Other	**310,064**	334,334
Term deposit, fixed interest of 3.00% maturing June 27, 2024	**3,278,181**	3,182,700
Notes receivable (note 5)	**24,170**	33,968
Inventory held for resale	**39,789**	75,519
	8,609,356	9,516,651
Liabilities		
Accounts payable and accrued liabilities	**823,151**	1,072,466
Other accounts payable - Heritage Centre	**1,412**	1,472
Other current liabilities	**5,612**	4,102
Deferred revenues (note 6)	**569,013**	590,871
Deferred revenues - Obligatory reserve funds (note 7)	**1,197,095**	632,881
Accrued interest	**13,477**	14,086
Municipal debt (note 8)	**3,009,672**	3,138,343
Landfill closure and post-closure (note 9)	**1,210,377**	1,178,116
	6,829,809	6,632,337
Net Financial Assets	**1,779,547**	2,884,314
Non-Financial Assets		
Tangible capital assets (note 10)	**18,811,455**	17,543,932
Prepaid expenses	**252,731**	201,152
Inventory	**22,371**	34,611
	19,086,557	17,779,695
Accumulated Surplus (note 11)	**$ 20,866,104**	$ 20,664,009

Commitment (note 12)

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

The Corporation of the Municipality of French River
Consolidated Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2022

	2022 Budget (Unaudited)	2022 Actual	2021 Actual
Revenues			
Net taxation	**$ 5,199,692**	**$ 5,268,995**	$ 5,125,878
Government transfers	**2,243,014**	**2,226,999**	2,207,857
User charges	**1,136,413**	**1,329,775**	1,290,306
Other	**634,557**	**621,078**	550,719
	9,213,676	**9,446,847**	9,174,760
Expenses			
General government	**1,856,373**	**1,792,922**	1,757,726
Protection services	**1,418,971**	**1,491,540**	1,366,629
Transportation services	**2,439,923**	**2,571,762**	2,514,978
Environmental services	**1,149,196**	**1,168,265**	1,036,214
Health services	**911,605**	**941,600**	901,261
Social and family services	**440,625**	**436,308**	432,367
Recreation and cultural services	**831,288**	**807,184**	644,491
Planning and development	**103,779**	**109,288**	99,175
	9,151,760	**9,318,869**	8,752,841
Excess of Revenues Over Expenses	**61,916**	**127,978**	421,919
Other			
Government transfers related to capital	**402,142**	**74,117**	400,595
Excess of Revenues Over Expenses	**464,058**	**202,095**	822,514
Accumulated Surplus, Beginning of Year	**20,664,009**	**20,664,009**	19,841,495
Accumulated Surplus, End of Year	**$ 21,128,067**	**$ 20,866,104**	$ 20,664,009

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

The Corporation of the Municipality of French River

Consolidated Statement of Cash Flows
For The Year Ended December 31, 2022

	2022	2021
Net Inflow (Outflow) of Cash Related to the following Activities:		
Operating		
Excess of Revenues Over Expenses	**$ 202,095**	$ 822,514
Non-cash charges to operations:		
Amortization of tangible capital assets	**1,162,484**	1,102,406
Change in non-cash working capital balances related to operations	**149,767**	516,097
Cash provided by operating transactions	**1,514,346**	2,441,017
Capital		
Acquisition of tangible capital assets	**(2,430,007)**	(1,146,422)
Cash applied to capital transactions	**(2,430,007)**	(1,146,422)
Financing		
Municipal debt repaid	**(128,671)**	(122,772)
Cash applied to financing transactions	**(128,671)**	(122,772)
Increase (Decrease) in Cash	**(1,044,332)**	1,171,823
Cash, Beginning of Year	**5,085,570**	3,913,747
Cash, End of Year	**$ 4,041,238**	$ 5,085,570
Cash Consists of:		
Cash	**$ 4,039,826**	$ 5,084,098
Cash - Heritage Centre	**1,412**	1,472
	$ 4,041,238	$ 5,085,570

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

The Corporation of the Municipality of French River
Consolidated Statement of Change in Net Financial Assets
For The Year Ended December 31, 2022

	2022 Budget (Unaudited)	2022 Actual	2021 Actual
Excess of Revenues Over Expenses	**$ 464,058**	**$ 202,095**	$ 822,514
Amortization of tangible capital assets	**1,164,968**	**1,162,484**	1,102,406
Transfer of tangible capital assets to inventory held for resale	**-**	**-**	14,580
Change in inventory and prepaid expenses	**-**	**(39,339)**	(162,157)
Acquisition of tangible capital assets	**(2,918,524)**	**(2,430,007)**	(1,146,422)
Increase (Decrease) in Net Financial Assets	**(1,289,498)**	**(1,104,767)**	630,921
Net Financial Assets, Beginning of Year	**2,884,314**	**2,884,314**	2,253,393
Net Financial Assets, End of Year	**$ 1,594,816**	**$ 1,779,547**	$ 2,884,314

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

1. Significant Accounting Policies

The consolidated financial statements of the Municipality are the representations of management prepared in accordance with accounting policies recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement.

(a) Basis of Consolidation

(i) Consolidated Entities

These consolidated financial statements reflect the financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses of the Municipality and include the activities of all committees of Council and of The Corporation of the Municipality of French River Public Library Board.

All inter-fund assets and liabilities and revenues and expenses have been eliminated.

(ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

Sudbury and District Health Unit
Manitoulin - Sudbury District Services Board
Sudbury East Planning Board

(iii) Accounting for School Board Transactions

The Municipality is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Municipality has no jurisdiction or control over the school boards operations. Therefore, taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

(iv) Cemetery Care and Maintenance Fund

The Cemetery Care and Maintenance Fund and its related operations administered by the Municipality are not consolidated, but are reported separately on the Cemetery Care and Maintenance Fund Statement of Continuity and Statement of Financial Position.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting

(i) Accrual Basis

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Cash and Cash Equivalents

The Municipality's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with maturities of three months from the date of acquisition or less or those that can be readily convertible to cash.

(iii) Inventory Held for Resale

Inventory held for resale consisting of surplus land, cemetery plots and columbarium niches, is recorded at the lower of cost and net realizable value.

(iv) Reserves

Certain amounts, as approved by municipal council, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

(v) Landfill Closure and Post-Closure

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to operations as the landfill site’s capacity is used.

(vi) Deferred Revenues

Deferred revenues represent government transfers, contributions and other amounts that are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of 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.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vii) Deferred Revenue - Obligatory Reserve Funds

The Municipality receives certain government grants, transfers, sub-divider contributions and other revenues under the authority of legislation. These funds, by their nature, are restricted in their use and, until applied to specific expenses, are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(viii) Employee Future Benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred.

(ix) Segmented Information

The Municipality reports its segmented information on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return. These functional areas represent segments for the Municipality:

General Government

General government is comprised of Council, administration, and Ontario Property Assessment.

Protection Services

Protection is comprised of police, fire and other protective services.

Transportation Services

Transportation services are responsible for road maintenance, culverts, bridges, winter control, traffic, signs signals and streetlights.

Environmental Services

Environmental services include water supply and distribution, wastewater treatment, waste and recycling services.

Health Services

Health services include public health services and cemetery services.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(ix) Segmented Information (Continued)

Social and Family Services

Social and family services include social assistance, long-term care, paramedic services, social housing and child care services.

Recreation and Cultural Services

Recreation and cultural services include parks and recreation, recreation facilities, culture and libraries.

Planning and Development

Planning and development manages development for residential and business interests as well as services related to the Municipality's economic development programs.

(x) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Consolidated Change in Net Financial Assets for the year.

(a) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the 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:

Buildings	40 years
Roads	10, 20 and 40 years
Bridges	20 years
Streetlights	20 years
Vehicles	7 and 20 years
Equipment	3, 5, 10 and 20 years
Parks and wharfs	20 years
Storm sewers	40 years
Sanitary sewers	40 years
Landfill	40 years
Parking lot	20 years

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(x) Non-Financial Assets (Continued)

(a) Tangible Capital Assets (Continued)

Assets under construction are not amortized until the asset is available for productive use.

Buildings include water filtration systems amortized over a period of 10 years.

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

(b) Inventory

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost, which represents the best available measure of net realizable value.

(xi) Taxation and Other Revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known or based on management's best estimates.

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

User charges are recognized in the period in which the revenue relates.

Other income is recognized as revenue when earned. Fines and fees are recognized as revenue when collected.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(xii) Government Transfers

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occurs, 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 associated with the transfer give rise to a liability. If a liability is created, the satisfaction of the transfer stipulations by the recipient government determines the timing of the recognition of the transfer as revenue.

(xiii) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Municipality may undertake in the future.

2. Future Accounting Pronouncements

These standards and amendments were not effective in the year ended December 31, 2022, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

Section PS 3450 - Financial Instruments, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments for public sector entities. The standard requires fair value measurement of derivatives and portfolio investments that are equity instruments quoted in an active market. All other non-derivative financial instruments will be measured at cost or amortized cost. A government can elect to record other financial assets or liabilities on a fair value basis, if they manage and evaluate the asset and liability groups on that basis. Unrealized gains and losses are represented in the new statement of re-measurement gains and losses. New requirements clarify when financial liabilities can be de-recognized. Disclosure of the nature and extent of risks arising from holding financial instruments is also required. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

2. Future Accounting Pronouncements (Continued)

Section PS 1201 - Financial Statement Presentation, was issued in June 2011. This standard requires entities to present a new statement of re-measurement gains and losses separate from the statement of operations. This new statement includes unrealized gains and losses arising from re-measurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 2601 and PS 3450 are adopted.

Section PS 2601 - Foreign Currency Translation, was issued in June 2011 and replaces the existing Section PS 2600. This standard has been revised to ensure consistency with the financial instruments standard. The standard requires that non-monetary items denominated in foreign currency that are included in the fair value category are adjusted to reflect the exchange rate at the financial statement date. Unrealized exchange gains and losses are presented in the new statement of re-measurement gains and losses. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Section PS 3041 – Portfolio Investments, was issued in March 2012 and replaces the existing section PS 3040. This standard has been revised to ensure consistency with the financial instruments standards. This standard provides revised guidance on accounting for, presentation and disclosure of portfolio investments. The distinction between temporary and portfolio investments has been removed in this new standard, and upon adoption, PS 3030 Temporary Investments will no longer apply. This section is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 2601 and PS 3450 are adopted.

Section PS 3280 - Asset Retirement Obligations, was issued in August 2018. This standard establishes standards on how to account for and report a liability for asset retirement obligations. It defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for an asset retirement obligation and provides the related financial statement presentation and disclosure requirements. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Section PS 3400 - Revenue, establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. This section applies to fiscal years beginning on or after April 1, 2023. Early adoption is permitted.

2. Future Accounting Pronouncements (Continued)

Guideline PSG-8 - Purchased Intangibles, provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act. This guideline applies to fiscal years beginning on or after April 1, 2023. Early adoption is permitted.

Section PS 3160 - Public Private Partnerships (P3s), provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. This section applies to fiscal years beginning on or after April 1, 2023. Early adoption is permitted.

3. Measurement Uncertainty

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Municipality's best information and judgment.

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

- The amount recorded for the allowance for doubtful taxes receivable are based on estimates of recoverability for taxes in arrears.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

4. Taxes Receivable

	2022	2021
Current taxes	**$ 351,095**	$ 267,301
Tax arrears	**147,510**	151,416
Payments in lieu	**30,080**	30,418
Interest and penalties	**51,051**	45,998
	$ 579,736	$ 495,133

5. Notes Receivable

Notes receivable consist of term loans for garbage bins, Prevost Road local improvement charges and French River Rapids loan per agreements passed by Council. These notes bear interest at rates of 0% to 6.75% and are amortized over a period of 5 to 10 years.

The principal instalments required over the next five years are as follows:

2023	$ 6,018
2024	6,052
2025	6,088
2026	1,124
2027	1,162
Thereafter	3,726
	$ 24,170

6. Deferred Revenues

	Balance as at December 30, 2021	**Amounts received during the year**	**Recognized as revenues during the year**	**Balance as at December 31, 2022**
Ministry of Municipal Affairs and Housing - Modernization	$ 494,871	**$ -**	**$ 61,093**	**$ 433,778**
Other	96,000	**39,235**	**-**	**135,235**
Total Deferred Revenues - Other	$ 590,871	**$ 39,235**	**$ 61,093**	**$ 569,013**

7. Deferred Revenues - Obligatory Reserve Funds

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the Municipality are summarized below:

	Balance as at December 31, 2021	**Amounts received during the year**	**Recognized as revenues during the year**	**Balance as at December 31, 2022**
Parkland	$ 95,901	**$ 7,188**	**$ 2,585**	**$ 100,504**
Safe Restart	296,123	**-**	**31,009**	**265,114**
Covid Recovery for Municipalities	78,535	**-**	**-**	**78,535**
Canada Gas Tax Funding	162,322	**174,251**	**-**	**336,573**
Ontario Community Infrastructure Fund	-	**129,351**	**-**	**129,351**
Northern Ontario Resource Development Support Fund	-	**287,018**	**-**	**287,018**
Total Deferred Revenues - Obligatory Reserve Funds	$ 632,881	**$ 597,808**	**$ 33,594**	**$ 1,197,095**

8. Municipal Debt

	2022	2021
Debenture, payable in bi-annual instalments of $24,876 including interest at a rate of 3.68%, final instalment due May 3, 2032	**$ 395,842**	$ 430,080
Debenture, payable in bi-annual instalments of $116,220 including interest at a rate of 5.14%, final instalment due December 1, 2039	**2,613,830**	2,708,263
	$ 3,009,672	$ 3,138,343

Principal instalments required to be paid over the next five years are as follows:

2023	$ 134,858
2024	141,349
2025	148,158
2026	155,302
2027	162,796
Thereafter	2,267,209
	$ 3,009,672

9. Landfill Closure and Post-Closure

Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. The estimated costs for closure and post-closure are to be provided for over the estimated remaining life of the landfill site based on usage. The reported liability is based on estimates and assumptions with respect to events extending over an extended period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Closure will involve covering the site with topsoil and vegetation, drainage control, and installing groundwater monitoring wells. Post-closure costs include regular inspection of the cover layer and annual groundwater and surface water monitoring. Post-closure care is estimated to be 25 years.

The Municipality's environmental engineers, in their document to council dated October 2022, have planned a capacity expansion at the Noëlville landfill site. This expansion, through approval of phase two and three, has the potential to allow for an additional 34 years of landfilling capacity, with an estimated closure date of 2070.

The Municipality has a landfill site closure reserve in the amount of $401,484 (2021 - $299,707). In the current year, the Municipality made contributions in the amount of $101,777 to the reserve (2021 - $100,113).

The Municipality operates the following landfill sites:

2022	**Estimated Remaining Capacity**	**Estimated Remaining Life / Post-closure**	**Recorded Liability**	**Total Estimated Undiscounted Outflow in the Future**	**Amounts to be Recognized in the Future**
Noëlville landfill site	24% (51,424 m3)	14 years	**$ 1,210,377**	**$ 1,598,250**	**$ 387,873**
2021			$ 1,178,116	$ 1,590,000	$ 411,884

The Corporation of the Municipality of French River
Notes to the Consolidated Financial Statements
December 31, 2022

10. Tangible Capital Assets

	Cost				Accumulated amortization				Net Book Value of Tangible Capital Assets	
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Disposals	Balance, end of year	December 31, 2022	December 31, 2021
Land	$ 617,032	$ -	$ -	$ 617,032	$ -	$ -	$ -	$ -	**$ 617,032**	$ 617,032
Buildings	8,411,858	147,177	-	8,559,035	3,188,758	205,945	-	3,394,703	**5,164,332**	5,223,100
Roads	17,291,119	1,067,677	-	18,358,796	10,724,293	412,462	-	11,136,755	**7,222,041**	6,566,826
Bridges	744,180	-	-	744,180	631,635	19,023	-	650,658	**93,522**	112,545
Streetlights	324,970	7,895	-	332,865	203,482	11,987	-	215,469	**117,396**	121,488
Vehicles	1,972,270	419,411	-	2,391,681	1,412,752	154,462	-	1,567,214	**824,467**	559,518
Equipment	3,501,948	666,967	-	4,168,915	2,040,375	226,686	-	2,267,061	**1,901,854**	1,461,573
Parks and wharfs	496,717	91,731	-	588,448	273,842	25,286	-	299,128	**289,320**	222,875
Storm sewers	584,591	-	-	584,591	204,526	14,618	-	219,144	**365,447**	380,065
Sanitary sewers	2,029,290	29,149	-	2,058,439	1,873,585	13,868	-	1,887,453	**170,986**	155,705
Landfill	2,420,063	-	-	2,420,063	499,831	61,798	-	561,629	**1,858,434**	1,920,232
Parking Lot	326,966	-	-	326,966	123,993	16,349	-	140,342	**186,624**	202,973
	$ 38,721,004	$ 2,430,007	$ -	$ 41,151,011	$ 21,177,072	$ 1,162,484	$ -	$ 22,339,556	**$ 18,811,455**	$ 17,543,932

11. Accumulated Surplus

	2022	2021
Surplus		
Invested in tangible capital assets	**$ 18,811,455**	$ 17,543,932
French River Public Library Board	**118,366**	100,899
General surplus	**522,498**	977,142
Unfunded		
Municipal debt	**(3,009,672)**	(3,138,343)
Landfill closure and post-closure	**(1,210,377)**	(1,178,116)
	15,232,270	14,305,514
Reserves set aside for specific purposes		
Operating	**827,181**	702,973
Library	**122,663**	122,652
Buildings	**660,735**	530,256
Equipment	**388,579**	660,537
Landfill- site closure	**401,484**	299,707
Roads	**1,340,273**	1,959,171
Bridges	**205,824**	182,526
Sanitary sewers	**599,955**	602,005
Storm sewers	**208,489**	189,490
Parks and wharfs	**75,704**	83,105
Vehicles	**653,648**	900,243
Streetlights	**32,782**	28,020
Parking lot	**116,517**	97,810
Total Reserves	**5,633,834**	6,358,495
	$ 20,866,104	$ 20,664,009

12. Commitment

Under the terms of an operating lease for contractual services related to water and waste water facilities expiring in December 2025, the Municipality is committed to make minimum payments as follows:

2023	$ 57,100
2024	58,000
2025	58,800
	$ 173,900

13. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan, on behalf of all permanent, full-time and qualifying part-time 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. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 559,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2022, the estimated accrued pension obligation for all members of the Plan was $128,789 million (2021 - $119,342 million). The Plan had an actuarial value of net assets at that date of $122,111 million (2021 - $116,211 million) indicating an actuarial deficit of $6,678 million (2021 - $3,131 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS in 2022 was $176,012 (2021 - $165,934) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2022, the yearly maximum pension earnings increased to $64,900 from $61,600 in 2021. The contributions are calculated at a rate of 9.0% (2021 - 9.0%) for the amount up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2021 - 14.6%) for the amount above the yearly maximum pension earnings.

14. Cemetery Care and Maintenance Fund

The Cemetery Care and Maintenance Fund administered by the Municipality amounting to $156,916 (2021 - $150,284) has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

15. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is developed in accordance with the provincially mandated funding model for municipalities and is used to manage program spending within the guidelines of the funding model. The budget figures are unaudited.

16. Comparative Figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

The Corporation of the Municipality of French River
Notes to the Consolidated Financial Statements
December 31, 2022

17. Segmented Information

	General Government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	Other	2022 Total
Revenues										
Net taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,268,995	$ 5,268,995
Government transfers										
Federal	11,700	-	2,100	2,100	-	-	57,725	-	-	73,625
Provincial	12,198	70,253	-	138,501	-	-	45,002	-	1,927,000	2,192,954
Other	28,549	4,922	-	-	-	-	1,066	-	-	34,537
	52,447	75,175	2,100	140,601	-	-	103,793	-	1,927,000	2,301,116
User charges	28,613	929,355	51,992	204,804	34,184	-	57,436	23,391	-	1,329,775
Other	505,491	10,320	-	-	-	-	31,428	-	73,839	621,078
	586,551	1,014,850	54,092	345,405	34,184	-	192,657	23,391	7,269,834	9,520,964
Expenses										
Salaries, wages and benefits	841,672	356,715	820,968	388,876	13,031	-	378,332	25,833	-	2,825,427
Long-term debt charges (interest)	137,398	-	-	15,515	-	-	-	-	-	152,913
Materials, contracted services, rents and financial expenses	641,178	1,014,384	1,196,929	521,344	928,124	436,308	356,323	83,455	-	5,178,045
Amortization	172,674	120,441	553,865	242,530	445	-	72,529	-	-	1,162,484
	1,792,922	1,491,540	2,571,762	1,168,265	941,600	436,308	807,184	109,288	-	9,318,869
Excess of Revenues Over Expenses (Expenses Over Revenues)	$ (1,206,371)	$ (476,690)	$ (2,517,670)	$ (822,860)	$ (907,416)	$ (436,308)	$ (614,527)	$ (85,897)	$ 7,269,834	$ 202,095

17. Segmented Information (Continued)

	General Government	Protection services	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	Other	2021 Total
Revenues										
Net taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,125,878	$ 5,125,878
Government transfers										
Federal	30,833	-	254,838	2,993	-	-	15,535	-	-	304,199
Provincial	35,602	56,331	98,545	77,229	-	-	54,726	-	1,942,700	2,265,133
Other	27,357	7,824	-	-	-	-	3,939	-	-	39,120
	93,792	64,155	353,383	80,222	-	-	74,200	-	1,942,700	2,608,452
User charges	25,815	912,882	39,287	244,340	19,530	-	30,804	17,648	-	1,290,306
Other	432,185	-	-	-	-	-	29,882	-	88,652	550,719
	551,792	977,037	392,670	324,562	19,530	-	134,886	17,648	7,157,230	9,575,355
Expenses										
Salaries, wages and benefits	815,338	301,113	805,884	350,615	7,493	-	329,114	19,530	-	2,629,087
Long-term debt charges (interest)	142,097	-	-	16,741	-	-	-	-	-	158,838
Materials, contracted services, rents and financial expenses	632,732	978,139	1,174,133	424,302	893,323	432,367	247,869	79,645	-	4,862,510
Amortization	167,559	87,377	534,961	244,556	445	-	67,508	-	-	1,102,406
	1,757,726	1,366,629	2,514,978	1,036,214	901,261	432,367	644,491	99,175	-	8,752,841
Excess of Revenues Over Expenses (Expenses Over Revenues)	$ (1,205,934)	$ (389,592)	$ (2,122,308)	$ (711,652)	$ (881,731)	$ (432,367)	$ (509,605)	$ (81,527)	$ 7,157,230	$ 822,514

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Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Municipality of French River**

Opinion

We have audited the financial statements of the Cemetery Care and Maintenance Fund of The Corporation of the Municipality of French River, which comprise the statement of financial position as at December 31, 2022, and the statement of continuity for the year then ended, and note 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 Cemetery Care and Maintenance Fund of The Corporation of the Municipality of French River as at December 31, 2022, and the continuity of the Cemetery Care and Maintenance Fund 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 Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these 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.

Independent Auditor's Report (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continued)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Baker Tilly SNT LLP

Sudbury, Ontario
May 17, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

The Corporation of the Municipality of French River
Cemetery Care and Maintenance Fund - Statement of Continuity
For The Year Ended December 31, 2022

	2022	2021
Balance, beginning of year	**$ 150,284**	$ 147,133
Investment income	**2,130**	1,517
Sale of plots and marker installations	**6,632**	3,151
	159,046	151,801
Expenses	**2,130**	1,517
Balance, end of year	**$ 156,916**	$ 150,284

The accompanying note is an integral part of these financial statements.

The Corporation of the Municipality of French River

Cemetery Care and Maintenance Fund - Statement of Financial Position

December 31, 2022

	2022	2021
Financial Assets		
Cash and term deposits	**$ 156,916**	$ 151,801
Liabilities		
Due to Municipality of French River	**-**	1,517
Net Financial Assets	**156,916**	150,284
Non-Financial Assets	**-**	-
Accumulated Surplus	**$ 156,916**	$ 150,284

The accompanying note is an integral part of these financial statements.

1. Significant Accounting Policies

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenses are reported on the cash basis of accounting with the exception of administrative expenses and capital expenses which are reported on the accrual basis of accounting, which recognizes expenses as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.