

Consolidated Financial Statements of

**THE CORPORATION OF
TAY VALLEY TOWNSHIP**

And Independent Auditors' Report thereon

Year ended December 31, 2021

THE CORPORATION OF TAY VALLEY TOWNSHIP

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Corporation of Tay Valley Township (the "Township") are the responsibility of the Township'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 are 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 Township'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 Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Amanda Mabo
Chief Administrative Officer/Clerk

Ashley Liznick
Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of Tay Valley Township:

Opinion

We have audited the consolidated financial statements of the Corporation of Tay Valley Township (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of operations and accumulated 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 financial position of the Entity as at December 31, 2021, and its results of operations and its 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.



Other Matter - Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 22, 2021.

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.

Auditors' 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 auditors' report that includes our opinion.

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

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

December 13, 2022

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 7,648,867	\$ 3,184,323
Investments (note 3)	641,718	1,488,431
Taxes receivable	479,611	553,568
Accounts receivable	797,870	1,791,760
Long-term receivables	7,830	12,373
	<u>9,575,896</u>	<u>7,030,455</u>
Financial liabilities:		
Accounts payable and accrued liabilities	656,207	605,988
Prepaid property taxes	516,450	496,346
Accrued landfill closure and post closure (note 10)	612,500	587,500
Solar farm security deposit	194,757	190,445
Deferred revenue and deposits	504,994	317,481
Obligatory reserve funds (note 4)	870,089	794,030
Long term liabilities (note 5)	2,148,282	707,563
	<u>5,503,279</u>	<u>3,699,353</u>
Net financial assets	4,072,617	3,331,102
Non-financial assets:		
Tangible capital assets (note 13)	17,152,711	16,674,073
Inventories	80,818	90,165
	<u>17,233,529</u>	<u>16,764,238</u>
Commitments (note 11)		
Contingent liabilities (note 12)		
Subsequent events (note 17)		
Accumulated municipal equity (note 6)	\$ 21,306,146	\$ 20,095,340

See accompanying notes to consolidated financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Operations and Accumulated Municipal Equity

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 15)	Actual 2021	Actual 2020
Revenue:			
Taxation:			
Residential	\$ 5,386,524	\$ 5,402,229	\$ 5,279,181
Commercial and industrial	587,937	539,737	455,385
Other governments	64,200	67,222	67,726
User charges:			
Protection to persons and property	9,250	23,112	15,506
Waste disposal	85,000	115,278	81,300
Planning and zoning	60,000	81,737	51,480
Other	53,781	48,103	40,245
Government transfers	979,338	1,047,335	1,711,667
Transfer of obligatory reserve funds (note 4)	312,999	508,274	211,828
Licenses and permits	111,200	248,369	102,557
Investment income	103,812	80,894	96,340
Penalties and interest on taxes	115,000	88,122	49,881
Provincial offenses	52,000	23,659	12,021
Other	31,942	55,414	64,414
Loss on disposal of tangible capital assets	—	(3,630)	—
	7,952,983	8,325,855	8,239,531
Expenses (note 14):			
General government	1,440,569	1,420,289	1,288,204
Protection to persons and property	1,895,030	1,965,525	1,887,647
Transportation services	2,403,768	2,259,504	2,372,049
Environmental services	850,143	648,452	670,161
Social and health services	—	4,246	2,627
Recreation and cultural services	544,003	508,085	494,293
Planning and development	317,242	308,948	260,617
	7,450,755	7,115,049	6,975,598
Annual surplus	502,228	1,210,806	1,263,933
Accumulated municipal equity, beginning of year	20,095,340	20,095,340	18,831,407
Accumulated municipal equity, end of year	\$ 20,597,568	\$ 21,306,146	\$ 20,095,340

See accompanying notes to consolidated financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
	(note 15)		
Annual surplus	\$ 502,228	\$ 1,210,806	\$ 1,263,933
Amortization of tangible capital assets	745,003	911,725	1,067,206
Acquisition of tangible capital assets	(1,516,780)	(1,393,992)	(3,534,022)
Acquisition of supplies inventories	–	9,347	(10,507)
Loss on disposal of tangible capital assets	–	3,629	–
	(771,777)	(469,291)	(2,477,323)
Increase (decrease) in net financial assets	(269,549)	741,515	(1,213,390)
Net financial assets, beginning of year	3,331,102	3,331,102	4,544,492
Net financial assets, end of year	\$ 3,061,553	\$ 4,072,617	\$ 3,331,102

See accompanying notes to consolidated financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,210,806	\$ 1,263,933
Items not involving cash:		
Amortization of tangible capital assets	911,725	1,067,206
Loss on disposal of tangible capital assets	3,629	–
Accrued landfill closure and post closure	25,000	25,000
Change in non-cash operating working capital:		
Taxes receivable	73,957	(3,385)
Accounts receivable	993,890	(412,717)
Long-term receivables	4,543	4,286
Accounts payable and accrued liabilities	50,219	9,158
Prepaid property taxes	20,104	58,119
Obligatory reserve funds	74,204	30,579
Deferred revenue and deposits	189,368	39,149
Solar farm security deposit	4,312	4,581
Inventories	9,347	(10,507)
Net change in cash from operating activities	3,571,104	2,075,402
Capital activities:		
Acquisition of tangible capital assets	(1,393,992)	(3,534,022)
Investing activities:		
Redemption (purchase) of investments	846,713	(934)
Financing activities:		
Proceeds of long-term liabilities	1,500,000	–
Repayment of long-term liabilities	(59,281)	(35,704)
	1,440,719	(35,704)
Increase (decrease) in cash	4,464,544	(1,495,258)
Cash, beginning of year	3,184,323	4,679,581
Cash, end of year	\$ 7,648,867	\$ 3,184,323

See accompanying notes to consolidated financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements

Year ended December 31, 2021

The Corporation of Tay Valley Township (the "Township") was created in 1998 with the amalgamation of the former Township of Bathurst, Township of North Burgess and Township of South Sherbrooke and assumed its responsibilities under the authority of the Provincial Secretary. The Township operates as a lower tier government in the Corporation of the County of Lanark (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 Township 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 adopted by the Township are as follows:

(a) Reporting entity:

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

- Pinehurst Cemetery

The following joint local boards, which are not controlled by the Township, have been consolidated on a proportionate basis:

- Perth and District Public Library Board
- Drummond/North Elmsley Tay Valley Fire Rescue

- (ii) The taxation, other revenue, 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.

(b) Basis of accounting:

- (i) 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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(ii) 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.

(iii) Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

(c) Taxation and related revenues:

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by the Township Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark for regional services, and amounts the Township 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 Township 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 historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. Costs 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 is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings	20 to 60
Bridges	50 to 75
Equipment	5 to 30
Roads	5 to 30
Vehicles	5 to 30

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

Amortization is charged from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

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 in the year of disposal.

When conditions indicate that a tangible capital asset no longer contributes to the Township'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.

(e) Inventories:

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

(f) Employee future benefit obligations:

The Township accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Township's policy.

(g) 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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(h) Deferred revenue:

The Township defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the Development Charges Act, 1997, and Parkland funds collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenue in the fiscal year the services are performed.

The Township receives restricted contributions under the authority of Federal and Provincial legislation and Township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

(i) Investments:

Investments are recorded at cost plus accrued interest. If the market value of investments becomes lower than cost and the decline in value is considered to other than temporary, the investments are written down to market value.

(j) Landfill closure and post-closure liabilities:

The Township accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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 Township:
 - (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) 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. Actual results could differ from those estimates.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Operations of the school boards and County of Lanark:

The Township collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark and School Boards as follows:

	2021		2020	
	School boards	County of Lanark	School boards	County of Lanark
Property taxes	\$ 2,147,377	\$ 4,749,997	\$ 2,502,227	\$ 4,798,009
Taxation from other governments	6	49,630	–	48,988
Amounts requisitioned and paid	\$ 2,147,383	\$ 4,799,627	\$ 2,502,227	\$ 4,846,997

3. Investments:

Investments reported on the Consolidated Statement of Financial Position have cost and market values as follows:

	2021 Cost	2021 Market value
Guaranteed investment certificates	\$ 641,718	\$ 641,718

	2020 Cost	2020 Market value
Guaranteed investment certificates	\$ 1,488,431	\$ 1,488,431

The guaranteed investment certificates yield interest between 0.85% and 3.20% and have maturities ranging from May 2022 to May 2025.

Investments which matured in May 2022 were subsequently re-invested.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

4. Obligatory reserve funds:

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as a liability on the Consolidated Statement of Financial Position. 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 balances in the obligatory reserve funds of the Township are summarized below:

	Development charges	Parkland	Federal gas tax	Total
January 1, 2021	\$ 297,790	\$ 36,170	\$ 460,070	\$ 794,030
Contributions from developers	215,871	7,400	–	223,271
Interest	3,531	358	4,788	8,677
Government grants	–	–	352,385	352,385
Transfer to operating fund	(30,271)	(10,200)	–	(40,471)
Transfer to capital fund	(274,632)	(13,505)	(179,666)	(467,803)
December 31, 2021	\$ 212,289	\$ 20,223	\$ 637,577	\$ 870,089

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Long-term liabilities:

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

	2021	2020
Ontario Infrastructure and Lands Corporation (2.45%), debenture for the Bolingbroke Bridge with semi annual blended payments of \$80,595 maturing 2046.	\$ 1,478,078	\$ –
Ontario Infrastructure Projects Corporation (4.45%), debenture for the Township offices with semi annual blended payments of \$46,686 maturing 2035.	482,583	506,977
Ontario Infrastructure Projects Corporation (4.25%), debenture for the South Sherbrooke Fire Hall with semi annual blended payments of \$16,333 maturing 2036.	179,791	188,213
Instalment debentures with the Province of Ontario under the Ontario Tile Loan Program. The responsibility for payment of principal and interest charges for tile drainage and shoreline property assistance loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is City of Ottawa (3.50%), with annual blended payments of \$6,419, maturing 2025.	7,830	12,373
	<u>\$ 2,148,282</u>	<u>\$ 707,563</u>

- (b) Principal payments of long-term liabilities are as follows:

2022	\$ 83,744
2023	82,500
2024	85,277
2025	88,156
2026 and thereafter	1,808,605
	<u>\$ 2,148,282</u>

- (c) Interest expense on long term liabilities in 2021 amounted to \$49,320 (2020 - \$32,600).
- (d) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. Municipal equity:

	2021	2020
Tangible capital assets	\$ 17,152,711	\$ 16,674,073
Long-term liabilities	(2,140,452)	(695,190)
Unfinanced capital outlay	–	(1,500,000)
	15,012,259	14,478,883
Unallocated surplus	505,211	–
Reserves (Schedule 1)	5,788,676	5,616,457
Total municipal equity	\$ 21,306,146	\$ 20,095,340

7. Pension contributions:

The Township 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 Township does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The last available report was at December 31, 2021 and at that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit).

The amount contributed to OMERS was \$102,185 (2020 - \$127,105) for current services and is included as an expense on the Consolidated Statement of Operations classified under the appropriate functional expenditure.

8. Trust funds:

Trust funds administered by the Township amounting to \$38,572 (2020 - \$36,472) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or financial activities.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Provincial Offences Administration (POA):

The Corporation of the Town of Perth (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 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 Township's share of net revenues arising from operation of the POA office have been consolidated with these consolidated financial statements. 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 Township shares net POA revenues based on weighted assessment.

10. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Closure and post closure cost requirements are to be provided over the estimated remaining life of the landfill sites based on usage.

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

The reported liabilities are based on estimates and assumptions with respect to events extending over a period of up to twenty-five years using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Township currently has two active and three inactive landfill sites.

The Noonan and Christie Lake inactive sites have been closed but have ongoing monitoring and maintenance in accordance with Ministry standards.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Landfill closure and post-closure liability (continued):

The Maberly site has been capped as per Ministry closure guidelines. The site is being used as a transfer site and although there is remaining capacity there are no plans to reopen the site. There are ongoing monitoring and maintenance in accordance with Ministry standards.

The two active sites include Glen Tay and Stanleyville. In estimating the closure dates and closure costs it is generally assumed that landfills will close sequentially with Glen Tay closed first in two stages and then Stanleyville. The active sites have an estimated life range of 75 years.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities using an estimated inflation rate of 1.70% and discounted at the Township's average long term borrowing rate of 4.00%.

The estimated total landfill closure and post-closure care expense are calculated at approximately \$1,127,860 (2020 - \$1,765,000). Included in liabilities at December 31, 2021 is an amount of \$612,500 (2020 - \$587,500) with respect to landfill closure and post-closure liabilities recognized to date.

11. Commitments:

- (a) The Township has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. In January 2020, a new five year contract was signed and will end December 31, 2025. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The contract for 2021 was \$1,044,168 (2020 - \$1,057,488).
- (b) The Township has negotiated a long term contract with Stanley Sanitation Ltd. for the disposal and transfer of recycled materials and waste. The contract ended December 31, 2021 and was extended for an additional year. One optional one year extension allows for a possible extension until December 31, 2023. Annual charges are based on the number of times that the supplier lifts a bin of waste, blue box diversion and non-blue box diversion goods. The contracted expense for 2021 approximated \$217,841 (2020 - \$203,482).

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. 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, 2021, management believes that the Township has valid defences and appropriate 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.

In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Township's financial position.

13. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals/ Adjustments	Balance at December 31, 2021
Land	\$ 60,190	\$ 27,269	\$ (1,533)	\$ 85,926
Buildings	3,720,164	–	–	3,720,164
Bridges	6,855,463	351,452	(22,044)	7,184,871
Equipment	843,913	264,373	–	1,108,286
Roads	9,711,928	1,945,482	(570,970)	11,086,440
Vehicles	2,690,065	–	(46,000)	2,644,065
Work in progress	1,268,972	(1,252,506)	–	16,466
Proportionate portion of fire	1,545,388	40,275	–	1,585,663
Proportionate portion of library	596,044	17,647	(17,613)	596,078
Total	\$ 27,292,127	\$ 1,393,992	\$ (658,160)	\$ 28,027,959

Accumulated amortization	Balance at December 31, 2020	Disposals/ Adjustments	Amortization expense	Balance at December 31, 2021
Land	\$ –	\$ –	\$ –	\$ –
Buildings	1,017,612	–	71,313	1,088,925
Bridges	2,112,375	(19,988)	119,265	2,211,652
Equipment	485,537	–	59,235	544,772
Roads	4,884,165	(570,970)	364,979	4,678,174
Vehicles	1,133,344	(46,000)	192,411	1,279,755
Work in progress	–	–	–	–
Proportionate portion of fire	549,716	–	68,090	617,806
Proportionate portion of library	435,305	(17,573)	36,432	454,164
Total	\$ 10,618,054	\$ (654,531)	\$ 911,725	\$ 10,875,248

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Tangible capital assets (continued):

	Net book value December 31, 2020	Net book value December 31, 2021
Land	\$ 60,190	\$ 85,926
Buildings	2,702,552	2,631,239
Bridges	4,743,088	4,973,219
Equipment	358,376	563,514
Roads	4,827,763	6,408,266
Vehicles	1,556,721	1,364,310
Work in progress	1,268,972	16,466
Proportionate portion of fire	995,672	967,857
Proportionate portion of library	160,739	141,914
Total	\$ 16,674,073	\$ 17,152,711

14. Segmented information:

The Township 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 Financial Activities.

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

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Segmented Information (continued)

2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development Services	2021 Total
Expenses:								
Salaries, wages and employee benefits	649,578	324,389	592,884	246,097	-	152,042	178,945	2,143,935
Debenture debt interest	48,578	-	-	-	-	-	742	49,320
Materials and services	614,007	1,451,229	937,759	402,355	4,246	101,386	129,261	3,640,243
External transfers	84,088	68,377	-	-	-	217,361	-	369,826
Amortization	24,038	121,530	728,861	-	-	37,296	-	911,725
Total expenses	1,420,289	1,965,525	2,259,504	648,452	4,246	508,085	308,948	7,115,049

2020

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development Services	2020 Total
Expenses:								
Salaries, wages and employee benefits	764,786	334,676	533,276	256,062	-	159,778	175,414	2,223,992
Debenture debt interest	31,600	-	-	-	-	-	1,000	32,600
Materials and services	365,730	1,336,893	998,547	414,099	2,627	95,511	83,203	3,296,610
External transfers	86,320	67,135	-	-	-	200,735	1,000	355,190
Amortization	39,768	148,943	840,226	-	-	38,269	-	1,067,206
Total expenses	1,288,204	1,887,647	2,372,049	670,161	2,627	494,293	260,617	6,975,598

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Budget figures:

The 2021 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. The revenue attributable to these items continue to be included in the Consolidated Statement of Operations, 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 consolidated financial statements:

	Budget	Actual
Total revenue	\$ 7,952,983	\$ 8,325,855
Total expenses	(7,450,755)	(7,115,049)
Net revenue	502,228	1,210,806
Amortization	745,003	911,725
Adjusted net revenue	1,247,231	2,122,531
Funds available	1,247,231	2,122,531
Capital expenses	(1,516,780)	(1,393,992)
Loss on disposal of tangible capital assets	–	3,629
Proceeds from long-term liabilities	–	1,500,000
Principal repayments	(74,685)	(54,738)
Increase (decrease) in operating surplus	\$ (344,234)	\$ 2,177,430

Allocated as follows:

Net transfers to Reserves - Township	\$ (512,793)	\$ (8,560)
Net transfers to Reserves - Cemetery	–	4,260
Net transfers from Reserves - Library Board	21,174	4,599
Net transfers from (to) Reserves - Fire Board	147,385	171,920
Proceeds of long term liabilities	–	1,500,000
Surplus for current year	–	505,211
	\$ (344,234)	\$ 2,177,430

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. This resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus.

The pandemic has had significant operational and financial impacts including service reductions, declines in associated user fee revenues and additional costs. While impacts have been mitigated by associated funding and other cost saving measures, the pandemic has created uncertainty over current and future year operations and the financial position of the Township.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Township in future periods. The Township continues to closely monitor and assess the impact on its operations. It is management's assessment that the Township will have sufficient resources to mitigate the potential losses in 2022 as a result of COVID-19.

17. Subsequent events:

- (a) Effective March 2022, the Township entered into a capital contract for roads projects in the amount of \$730,926, plus applicable taxes.
- (b) Effective April 2022, the Township entered into a capital contract for bridge replacement in the amount of \$297,772, plus applicable taxes.

18. Comparative information:

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

THE CORPORATION OF TAY VALLEY TOWNSHIP

Schedule 1 – Continuity of Reserves and Reserve Funds

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 (note 15)	Actual 2021	Actual 2020
Net transfers from (to) other funds:			
Transfers from operations	\$ (279,910)	\$ (125,710)	\$ (111,887)
Transfers to capital acquisitions	(232,883)	297,929	616,196
	(512,793)	172,219	504,309
Reserves and reserve fund balances, change in year	(512,793)	172,219	504,309
Reserves and reserve fund balances, beginning of year	5,616,457	5,616,457	5,112,148
Reserves and reserve fund balances, end of year	\$ 5,103,664	\$ 5,788,676	\$ 5,616,457

Continuity of reserves and reserve funds:

	Actual 2021	Actual 2020
Reserves and reserve funds set aside for specific purposes by Council:		
Working capital	\$ 450,000	\$ 450,000
For capital purposes:		
Acquisition of capital assets	2,356,481	1,930,517
Contingencies	1,188,516	1,584,875
Operations	380,060	418,225
Pinehurst cemetery	58,174	53,914
Fire joint board	1,250,454	1,078,534
Library joint board	104,991	100,392
	5,338,676	5,166,457
Total reserves and reserve funds	\$ 5,788,676	\$ 5,616,457



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of Tay Valley Township:

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of Tay Valley Township (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of financial activities and changes in fund balance for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2021, and its results of operations 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

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.

Auditors' 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 auditors' report that includes our opinion.

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

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

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

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 auditors' 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 auditors' 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

December 13, 2022

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Cash	\$ 38,572	\$ 36,472
Fund Balance		
Fund balance	\$ 38,572	\$ 36,472

See accompanying notes to financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds

Statement of Financial Activities and Changes in Fund Balance

December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Sale of plots, donations and other	\$ 2,100	\$ 200
Expenses:		
Pinehurst Cemetery	–	–
Net earnings	2,100	200
Fund balance, beginning of year	36,472	36,272
Fund balance, end of year	\$ 38,572	\$ 36,472

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds
Notes to Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

The financial statements of the Corporation of Tay Valley Township Trust Funds (the "Trust Funds") are prepared by management in accordance with Canadian public sector accounting standards.

(a) Basis of presentation:

These statements reflect the assets, liabilities, revenue and expenses of the Trust Funds.

(b) Basis of accounting:

Revenue and expenses are recorded on an accrual basis.

The accrual basis recognizes revenue as they become available and measurable; expenses are recognized 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.

(c) 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 period. Actual results could differ from those estimates.

2. Statement of cash flows:

A statement of cash flows has not been included in these financial statements as it would not provide additional meaningful information.