

Consolidated Financial Statements of

**THE CORPORATION OF
TAY VALLEY TOWNSHIP**

And Independent Auditor's Report thereon

Year ended December 31, 2022

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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.

Amanda Mabo, Dipl M.M., CMO
Chief Administrative Officer/Clerk

Ashley Liznick, CPA, CA
Treasurer



KPMG LLP

22 Wilson Street, West

Perth, ON K7H 2M9

Canada

Telephone 613 267 6580

Fax 613 267 7563

INDEPENDENT AUDITOR'S 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, 2022;
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

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

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



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 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, 2023

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 7,311,263	\$ 7,648,867
Investments (note 3)	1,196,252	633,323
Taxes receivable	630,376	479,611
Accounts receivable	785,059	806,265
Long-term receivables	3,014	7,830
	<u>9,925,964</u>	<u>9,575,896</u>
Financial liabilities:		
Accounts payable and accrued liabilities	800,278	656,207
Prepaid property taxes	552,215	516,450
Accrued landfill closure and post closure (note 10)	637,500	612,500
Solar farm security deposit	200,198	194,757
Deferred revenue and deposits	545,754	504,994
Obligatory reserve funds (note 4)	830,618	870,089
Long-term liabilities (note 5)	2,064,538	2,148,282
	<u>5,631,101</u>	<u>5,503,279</u>
Net financial assets	4,294,863	4,072,617
Non-financial assets:		
Tangible capital assets (note 13)	18,063,918	17,152,711
Inventories	126,632	80,818
	<u>18,190,550</u>	<u>17,233,529</u>
Commitments (note 11)		
Contingent liabilities (note 12)		
Accumulated municipal equity (note 6)	<u>\$ 22,485,413</u>	<u>\$ 21,306,146</u>

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, 2022, with comparative information for 2021

	Budget 2022 (note 15)	Actual 2022	Actual 2021
Revenue:			
Taxation	\$ 6,229,326	\$ 6,316,129	\$ 6,009,188
User charges	239,174	345,269	268,230
Government transfers	900,624	1,308,257	1,047,335
Transfer of obligatory reserve funds (note 4)	1,026,327	434,737	508,274
Licenses and permits	126,100	186,228	248,369
Investment income	72,601	244,517	80,894
Penalties and interest on taxes	90,000	95,851	88,122
Provincial offenses	20,000	23,753	23,659
Other	36,182	140,598	55,414
Loss on disposal of tangible capital assets	—	(106)	(3,630)
	8,740,334	9,095,233	8,325,855
Expenses (note 14):			
General government	1,547,503	1,654,587	1,420,289
Protection to persons and property	2,075,514	2,004,351	1,965,525
Transportation services	2,518,430	2,547,272	2,259,504
Environmental services	810,500	795,433	648,452
Social and health services	10,000	8,144	4,246
Recreation and cultural services	537,961	599,097	508,085
Planning and development	332,870	307,082	308,948
	7,832,778	7,915,966	7,115,049
Annual surplus	907,556	1,179,267	1,210,806
Accumulated municipal equity, beginning of year	21,306,146	21,306,146	20,095,340
Accumulated municipal equity, end of year	\$ 22,213,702	\$ 22,485,413	\$ 21,306,146

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, 2022, with comparative information for 2021

	Budget 2022	Actual 2022	Actual 2021
	(note 15)		
Annual surplus	\$ 907,556	\$ 1,179,267	\$ 1,210,806
Amortization of tangible capital assets	866,599	1,030,658	911,725
Acquisition of tangible capital assets	(2,717,718)	(1,941,971)	(1,393,992)
Acquisition of supplies inventories	–	(45,814)	9,347
Loss on disposal of tangible capital assets	–	106	3,629
	(1,851,119)	(957,021)	(469,291)
Increase (decrease) in net financial assets	(943,563)	222,246	741,515
Net financial assets, beginning of year	4,072,617	4,072,617	3,331,102
Net financial assets, end of year	\$ 3,129,054	\$ 4,294,863	\$ 4,072,617

See accompanying notes to consolidated financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,179,267	\$ 1,210,806
Items not involving cash:		
Amortization of tangible capital assets	1,030,658	911,725
Loss on disposal of tangible capital assets	106	3,629
Accrued landfill closure and post closure	25,000	25,000
Change in non-cash operating working capital:		
Taxes receivable	(150,765)	73,957
Accounts receivable	21,206	985,495
Long-term receivables	4,816	4,543
Accounts payable and accrued liabilities	144,071	50,219
Prepaid property taxes	35,765	20,104
Solar farm security deposit	5,441	4,312
Deferred revenue and deposits	40,760	187,513
Obligatory reserve funds	(39,471)	76,059
Inventories	(45,814)	9,347
Net change in cash from operating activities	2,251,040	3,562,709
Capital activities:		
Acquisition of tangible capital assets	(1,941,971)	(1,393,992)
Investing activities:		
Redemption (purchase) of investments	(562,929)	855,108
Financing activities:		
Proceeds of long-term liabilities	—	1,500,000
Repayment of long-term liabilities	(83,744)	(59,281)
	(83,744)	1,440,719
Increase (decrease) in cash	(337,604)	4,464,544
Cash, beginning of year	7,648,867	3,184,323
Cash, end of year	\$ 7,311,263	\$ 7,648,867

See accompanying notes to consolidated financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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
- Bolingbroke 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, 2022

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
Land improvements	10 to 25
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, 2022

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, 2022

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, 2022

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, 2022

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:

	2022		2021	
	School boards	County of Lanark	School boards	County of Lanark
Property taxes	\$ 2,335,931	\$ 5,059,873	\$ 2,147,377	\$ 4,749,997
Taxation from other governments	6	50,441	6	49,630
Amounts requisitioned and paid	\$ 2,335,937	\$ 5,110,314	\$ 2,147,383	\$ 4,799,627

3. Investments:

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

	2022 Cost	2021 Market value
Guaranteed investment certificates	\$ 1,196,252	\$ 1,196,252

	2021 Cost	2021 Market value
Guaranteed investment certificates	\$ 633,323	\$ 633,323

The guaranteed investment certificates yield interest between 2.21% and 4.11% and have maturities ranging from 2023 to 2027.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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	Canada Community Building Fund	Total
January 1, 2022	\$ 212,289	\$ 20,223	\$ 637,577	\$ 870,089
Contributions from developers	183,733	7,700	–	191,433
Interest	7,414	623	12,537	20,574
Government grants	–	–	183,259	183,259
Transfer to operating fund	(10,624)	–	–	(10,624)
Transfer to capital fund	(116,613)	(7,500)	(300,000)	(424,113)
December 31, 2022	\$ 276,199	\$ 21,046	\$ 533,373	\$ 830,618

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Long-term liabilities:

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

	2022	2021
Ontario Infrastructure and Lands Corporation (2.45%), debenture for the Bolingbroke Bridge with semi annual blended payments of \$80,595 maturing 2046.	\$ 1,433,424	\$ 1,478,078
Ontario Infrastructure Projects Corporation (4.45%), debenture for the Township offices with semi annual blended payments of \$46,686 maturing 2035.	457,092	482,583
Ontario Infrastructure Projects Corporation (4.25%), debenture for the South Sherbrooke Fire Hall with semi annual blended payments of \$16,333 maturing 2036.	171,008	179,791
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.	3,014	7,830
	\$ 2,064,538	\$ 2,148,282

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

2023	\$ 82,500
2024	85,277
2025	88,156
2026	90,013
2027 and thereafter	1,718,592
	\$ 2,064,538

- (c) Interest expense on long term liabilities in 2022 amounted to \$84,671 (2021 - \$49,320).
- (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, 2022

6. Municipal equity:

	2022	2021
Tangible capital assets	\$ 18,063,918	\$ 17,152,711
Long-term liabilities	(2,061,524)	(2,140,452)
	16,002,394	15,012,259
Unallocated surplus	–	505,211
Reserves (Schedule 1)	6,483,019	5,788,676
Total municipal equity	\$ 22,485,413	\$ 21,306,146

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, 2022 and at that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit).

The amount contributed to OMERS was \$125,511 (2021 - \$102,185) 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 \$39,172 (2021 - \$38,572) 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, 2022

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, 2022

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 2.00% (2021 – 1.70%) and discounted at the Township's average long term borrowing rate of 4.00% (2021 – 4.00%).

The estimated total landfill closure and post-closure care expense are calculated at approximately \$1,291,947 (2021 - \$1,127,860). Included in liabilities at December 31, 2022 is an amount of \$637,500 (2021 - \$612,500) 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 2022 was \$1,035,156 (2021 - \$1,044,168).
- (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 expires 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 2022 approximated \$243,417 (2021 - \$217,841).

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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, 2022, 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, 2021	Additions	Disposals/ adjustments	Balance at December 31, 2022
Land and land improvements	\$ 85,926	\$ 305,844	\$ (106)	\$ 391,664
Buildings	3,720,164	–	–	3,720,164
Bridges	7,184,871	361,853	–	7,546,724
Equipment	1,108,286	48,113	–	1,156,399
Roads	11,086,440	1,121,350	(31,250)	12,176,540
Vehicles	2,644,065	–	–	2,644,065
Work in progress	16,466	(6,624)	–	9,842
Proportionate portion of fire	1,585,663	81,921	–	1,667,584
Proportionate portion of library	596,078	29,514	(15,567)	610,025
Total	\$ 28,027,959	\$ 1,941,971	\$ (46,923)	\$ 29,923,007

Accumulated amortization	Balance at December 31, 2021	Amortization expense	Disposals/ adjustments	Balance at December 31, 2022
Land and land improvements	\$ –	\$ –	\$ –	\$ –
Buildings	1,088,925	71,313	–	1,160,238
Bridges	2,211,652	137,260	–	2,348,912
Equipment	544,772	68,639	–	613,411
Roads	4,678,174	451,638	(31,250)	5,098,562
Vehicles	1,279,755	189,345	–	1,469,100
Work in progress	–	–	–	–
Proportionate portion of fire	617,806	75,109	–	692,915
Proportionate portion of library	454,164	37,354	(15,567)	475,951
Total	\$ 10,875,248	\$ 1,030,658	\$ (46,817)	\$ 11,859,089

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Tangible capital assets (continued):

	Net book value December 31, 2021	Net book value December 31, 2022
Land and land improvements	\$ 85,926	\$ 391,664
Buildings	2,631,239	2,559,926
Bridges	4,973,219	5,197,812
Equipment	563,514	542,988
Roads	6,408,266	7,077,978
Vehicles	1,364,310	1,174,965
Work in progress	16,466	9,842
Proportionate portion of fire	967,857	974,669
Proportionate portion of library	141,914	134,074
Total	\$ 17,152,711	\$ 18,063,918

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, 2022

14. Segmented information (continued):

2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development Services	2022 Total
Revenues:								
Taxation	\$ 6,316,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,316,129
User charges	45,032	23,094	29,622	133,536	11,253	11,603	91,129	345,269
Government transfers	763,592	13,638	110,518	132,183	-	256,375	31,951	1,308,257
Transfer from obligatory reserve funds	-	27,000	373,317	-	-	23,796	10,624	434,737
Licenses and permits	900	185,328	-	-	-	-	-	186,228
Investment income	215,966	24,443	-	-	-	4,108	-	244,517
Penalties and interest on taxes	95,851	-	-	-	-	-	-	95,851
Provincial offenses	-	23,753	-	-	-	-	-	23,753
Other	5,463	92	8,512	-	89,691	36,840	-	140,598
Loss on disposal of tangible capital asset:	(106)	-	-	-	-	-	-	(106)
Total revenue	7,442,827	297,348	521,969	265,719	100,944	332,722	133,704	9,095,233
Expenses:								
Salaries, wages and employee benefits	974,213	474,113	590,045	277,667	-	180,046	162,111	2,658,195
Debenture debt interest	84,201	-	-	-	-	-	470	84,671
Materials and services	487,671	1,349,406	1,117,374	517,766	8,144	152,330	143,001	3,775,692
External transfers	84,464	70,283	-	-	-	228,503	1,500	384,750
Amortization	24,038	110,549	839,853	-	-	38,218	-	1,012,658
Total expenses	1,654,587	2,004,351	2,547,272	795,433	8,144	599,097	307,082	7,915,966
Annual surplus (deficit)	\$ 5,788,240	\$ (1,707,003)	\$ (2,025,303)	\$ (529,714)	\$ 92,800	\$ (266,375)	\$ (173,378)	\$ 1,179,267

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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
Revenues:								
Taxation	\$ 6,009,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,009,188
User charges	27,276	23,112	9,738	115,278	7,967	2,380	82,479	268,230
Government transfers	852,273	24,476	25,514	91,916	28,540	24,616	-	1,047,335
Transfer from obligatory reserve funds	13,695	-	440,793	-	-	46,850	6,936	508,274
Licenses and permits	600	247,769	-	-	-	-	-	248,369
Investment income	72,033	6,796	-	-	-	2,065	-	80,894
Penalties and interest on taxes	88,122	-	-	-	-	-	-	88,122
Provincial offenses	-	23,659	-	-	-	-	-	23,659
Other	18,508	6,178	5,616	-	-	25,112	-	55,414
Loss on disposal of tangible capital assets	(3,630)	-	-	-	-	-	-	(3,630)
Total revenue	7,078,065	331,990	481,661	207,194	36,507	101,023	89,415	8,325,855
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
Annual surplus (deficit)	\$ 5,657,776	\$ (1,633,535)	\$ (1,777,843)	\$ (441,258)	\$ 32,261	\$ (407,062)	\$ (219,533)	\$ 1,210,806

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Budget figures:

The 2022 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	\$ 8,740,334	\$ 9,095,233
Total expenses	7,832,778	7,915,966
Net revenue	907,556	1,179,267
Amortization	866,599	1,030,658
Funds available	1,774,155	2,209,925
Capital expenses	(2,717,718)	(1,941,971)
Loss on disposal of tangible capital assets	–	106
Prior year surplus	–	505,212
Principal repayments	(78,929)	(78,929)
Increase (decrease) in operating surplus	\$ (1,022,492)	\$ 694,343

Allocated as follows:

Net transfers to (from) Reserves - Township	\$ (1,022,492)	\$ 431,347
Net transfers to Reserves - Cemetery	–	96,235
Net transfers from Reserves - Library Board	–	(366)
Net transfers to (from) Reserves - Fire Board	–	167,127
	\$ (1,022,492)	\$ 694,343

THE CORPORATION OF TAY VALLEY TOWNSHIP

Schedule 1 – Continuity of Reserves and Reserve Funds

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 15)	Actual 2022	Actual 2021
Net transfers from (to) other funds:			
Transfers from operations	\$ 1,165,284	\$ 2,280,238	\$ (125,710)
Transfers to capital acquisitions	(2,187,776)	(1,585,895)	297,929
	(1,022,492)	694,343	172,219
Reserves and reserve fund balances, change in year	(1,022,492)	694,343	172,219
Reserves and reserve fund balances, beginning of year	5,788,676	5,788,676	5,616,457
Reserves and reserve fund balances, end of year	\$ 4,766,184	\$ 6,483,019	\$ 5,788,676

Continuity of reserves and reserve funds:

	Actual 2022	Actual 2021
Reserves and reserve funds set aside for specific purposes by Council:		
Working capital	\$ 450,000	\$ 450,000
For capital purposes:		
Acquisition of capital assets	2,150,860	2,356,481
Contingencies	1,963,260	1,188,516
Operations	242,284	380,060
Pinehurst cemetery	62,165	58,174
Bolingbroke Cemetery	92,244	–
Fire joint board	1,417,581	1,250,454
Library joint board	104,625	104,991
	6,033,019	5,338,676
Total reserves and reserve funds	\$ 6,483,019	\$ 5,788,676



KPMG LLP

22 Wilson Street, West
Perth, ON K7H 2M9
Canada
Telephone 613 267 6580
Fax 613 267 7563

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

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

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



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

December 13, 2023

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash	\$ 39,172	\$ 38,572
Fund Balance		
Fund balance	\$ 39,172	\$ 38,572

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, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Sale of plots, donations and other	\$ 600	\$ 2,100
Expenses:		
Pinehurst Cemetery	–	–
Annual surplus	600	2,100
Fund balance, beginning of year	38,572	36,472
Fund balance, end of year	\$ 39,172	\$ 38,572

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds
Notes to Financial Statements

Year ended December 31, 2022

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.