Consolidated Financial Statements of

THE CORPORATION OF TAY VALLEY TOWNSHIP

And Independent Auditor's Report thereon

Year ended December 31, 2023

THE CORPORATION OF TAY VALLEY TOWNSHIP

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Year ended December 31, 2023

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	Ashley Liznick, CPA, CA
Chief Administrative Officer/Clerk	Treasurer

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, 2023;
- 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, 2023, 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 17 to the financial statements ("Note 17") which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 17 explains the reasons for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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.

- 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.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(date)

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

		2023		2022
				(Restated - note 17)
Financial assets:				
Cash	$	7,386,243	$	7,311,263
Investments (note 3)		1,245,236		1,196,252
Taxes receivable		682,882		630,376
Accounts receivable		796,332		785,059
Long-term receivables		2,067		3,014
		10,112,760		9,925,964
Financial liabilities:				
Accounts payable and accrued liabilities		724,951		800,278
Prepaid property taxes		583,563		552,215
Asset retirement obligations (note 10)		1,751,476		1,711,572
Solar farm security deposit		206,928		200,198
Deferred revenue and deposits		589,732		545,754
Obligatory reserve funds (note 4)		190,394		830,618
Long-term liabilities (note 5)		1,982,037		2,064,538
		6,029,081		6,705,173
Net financial assets		4,083,679		3,220,791
Non-financial assets:				
Tangible capital assets (note 13)		19,597,569		18,461,039
Inventories		117,718		126,632
		19,715,287		18,587,671
Commitments (note 11)				
Contingent liabilities (note 12)				
Accumulated municipal equity (note 6)	$	23,798,966	$	21,808,462

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, 2023, with comparative information for 2022

	2023 Budget (note 16)	2023 Actual	2022 Actual (Restated - note 17)
Revenue:			
Taxation	$ 6,631,369	$ 6,699,767	$ 6,316,129
User charges	284,741	308,139	345,269
Government transfers	1,571,319	1,161,820	1,308,257
Transfer of obligatory reserve funds (note 4)	1,274,382	959,053	434,737
Licenses and permits	131,100	284,992	186,228
Investment income	74,821	502,862	244,517
Penalties and interest on taxes	90,000	113,821	95,851
Provincial offenses	20,000	9,185	23,753
Other	53,945	65,697	140,598
Loss on disposal of tangible capital assets	–	–	(106)
	10,131,677	10,105,336	9,095,233
Expenses (note 14):			
General government	1,597,182	1,550,987	1,655,307
Protection to persons and property	1,996,487	2,113,710	2,004,351
Transportation services	2,700,280	2,615,152	2,556,072
Environmental services	813,340	873,752	812,583
Social and health services	10,750	11,747	8,144
Recreation and cultural services	612,979	636,919	599,097
Planning and development	374,377	312,565	307,082
	8,105,395	8,114,832	7,942,636
Annual surplus	2,026,282	1,990,504	1,152,597
Accumulated municipal equity, beginning of year as previously restated	21,808,462	21,808,462	21,306,146
Adjustment on adoption of asset retirement obligation standard (note 17)	–	–	(650,281)
Accumulated municipality equity, beginning of year, as restated	21,808,462	21,808,462	20,655,865
Accumulated municipal equity, end of year	$ 23,834,744	$ 23,798,966	$ 21,808,462

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, 2023, with comparative information for 2022

	2023 Budget (note 16)	2023 Actual	2022 Actual (Restated - note 17)
Annual surplus	$ 2,026,281	$ 1,990,504	$ 1,152,597
Amortization of tangible capital assets	866,599	1,037,225	1,043,959
Acquisition of tangible capital assets	(3,323,204)	(2,173,755)	(1,941,971)
Acquisition of supplies inventories	–	8,914	(45,814)
Loss on disposal of tangible capital assets	–	–	106
	(2,456,605)	(1,127,616)	(943,720)
Increase (decrease) in net financial assets	(430,324)	862,888	208,877
Net financial assets, beginning of year	3,220,791	3,220,791	4,072,617
Adjustment on adoption of asset retirement obligation standards (note 17)	–	–	(1,060,703)
Net financial assets, beginning of year, as restated	3,220,791	3,220,791	3,011,914
Net financial assets, end of year	$ 2,790,467	$ 4,083,679	$ 3,220,791

See accompanying notes to consolidated financial statements.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Consolidated Statement of Cash Flows

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

	2023	2022
		(Restated - note 17)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 1,990,504	$ 1,152,597
Items not involving cash:		
Amortization of tangible capital assets	1,037,225	1,043,959
Loss on disposal of tangible capital assets	–	106
Asset retirement obligations	39,904	38,369
Change in non-cash operating working capital:		
Taxes receivable	(52,506)	(150,765)
Accounts receivable	(11,273)	21,206
Long-term receivables	947	4,816
Accounts payable and accrued liabilities	(75,327)	144,071
Prepaid property taxes	31,348	35,765
Solar farm security deposit	6,730	5,441
Deferred revenue and deposits	43,978	40,760
Obligatory reserve funds	(640,224)	(39,471)
Inventories	8,914	(45,814)
Net change in cash from operating activities	2,380,220	2,251,040
Capital activities:		
Acquisition of tangible capital assets	(2,173,755)	(1,941,971)
Investing activities:		
Redemption (purchase) of investments	(48,984)	(562,929)
Financing activities:		
Repayment of long-term liabilities	(82,501)	(83,744)
Increase (decrease) in cash	74,980	(337,604)
Cash, beginning of year	7,311,263	7,648,867
Cash, end of year	$ 7,386,243	$ 7,311,263

See accompanying notes to consolidated financial statements.

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 (29.53%)
- Drummond/North Elmsley Tay Valley Fire Rescue (46%)

(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.

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
Landfill asset retirement obligations	75
Buildings	20 to 60
Bridges	50 to 75
Equipment	5 to 30
Roads	5 to 30
Vehicles	5 to 30

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.

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) Financial Instruments:

On January 1, 2023, the Township adopted PS 3450 Financial Instruments which establishes accounting and reporting for all types of financial instruments, including derivatives as disclosed in Note 17. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost.

Management has not elected to record any investments at fair value as they are not managed and evaluated on a fair value basis.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Statement of Operations and Accumulated Municipal Equity. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Operations and Accumulated Municipal Equity.

1. Significant accounting policies (continued):

(i) Financial Instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

Long-term debt is recorded at amortized cost.

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

1. Significant accounting policies (continued):

(j) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and Accumulated Municipal Equity and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(k) Statement of Remeasurement Gains and Losses:

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

(l) Leases:

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

(m) Asset retirement obligations:

An asset retirement obligation ("ARO") is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. The liability is discounted using a present value calculation and adjusted annually for accretion expense. Under the modified retroactive method, the discount rate and assumptions used on the initial recognition are those as of the date of adoption in the standard. Assumptions used in subsequent calculations are revised annually.

The liability for the removal of asbestos in several of the buildings owned by the Township has been recognized based on estimated undiscounted future expenses. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption in the standard. Assumptions used in the subsequent calculations are revised yearly.

1. Significant accounting policies (continued):

(m) Asset retirement obligations (continued):

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liabilities are recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity at the time of remediation.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. Building tangible capital assets affected by the asbestos liability are being amortized with the building following the amortization accounting policies outlined in Note 1(d).

(n) 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.

(o) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management's estimates include asset retirement obligations and the carrying value of tangible capital assets. Actual results could differ from those estimates.

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:

		2023		2022
	School boards	County of Lanark	School boards	County of Lanark
Property taxes	$ 2,328,122	$ 5,160,192	$ 2,335,931	$ 5,059,873
Taxation from other governments	6	48,511	6	50,441
Amounts requisitioned and paid	$ 2,328,128	$ 5,208,703	$ 2,335,937	$ 5,110,314

3. Investments:

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

	Level	2023 Cost	2023 Market value
Guaranteed investment certificates	1	$ 1,245,236	$ 1,245,236

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

The guaranteed investment certificates yield interest between 2.21% and 5.19% and have maturities ranging from 2024 to 2028.

All of the above investments are valued as Level 1 investments. The investments are valued based on the degree to which the fair value is observable, as follows:

(i) Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;

(ii) Level 2 Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

(iii) Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

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 2023	Total 2022
January 1, 2023	$ 276,199	$ 21,046	$ 533,373	$ 830,618	$ 870,089
Contributions from developers	106,104	6,900	–	113,004	191,433
Interest	17,092	1,255	–	18,347	20,574
Government grants	–	–	187,478	187,478	183,259
Transfer to operating fund	–	(2,833)	–	(2,833)	(10,624)
Transfer to capital fund	(273,050)	(3,738)	(679,432)	(956,220)	(424,113)
December 31, 2023	$ 126,345	$ 22,630	$ 41,419	$ 190,394	$ 830,618

5. Long-term liabilities:

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

	2023	2022
Ontario Infrastructure and Lands Corporation (2.45%), debenture for the Bolingbroke Bridge with semi annual blended payments of $80,595 maturing 2046.	$ 1,387,670	$ 1,433,424
Ontario Infrastructure Projects Corporation (4.45%), debenture for the Township offices with semi annual blended payments of $46,686 maturing 2035.	430,454	457,092
Ontario Infrastructure Projects Corporation (4.25%), debenture for the South Sherbrooke Fire Hall with semi annual blended payments of $16,333 maturing 2036.	161,846	171,008
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.	2,067	3,014
	$ 1,982,037	$ 2,064,538

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

2024	$ 85,277
2025	88,156
2026	90,013
2027	93,040
2028 and thereafter	1,625,551
	$ 1,982,037

(c) Interest expense on long term liabilities in 2023 amounted to $61,041 (2022 - $84,671).

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

6. Municipal equity:

	2023	2022
		(Restated - note 17)
Tangible capital assets	$ 19,597,569	$ 18,461,039
Long-term liabilities	(1,979,970)	(2,061,524)
	17,617,599	16,399,515
Unfunded asset retirement obligations on buildings	(713,981)	(713,981)
Unfunded asset retirement obligation on landfill	(374,995)	(360,091)
Reserves (Schedule 1)	7,270,343	6,483,019
Total municipal equity	$ 23,798,966	$ 21,808,462

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 eligible 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, 2023 and at that time, the plan reported a $4.2 billion actuarial deficit (2022 - $6.7 billion actuarial deficit).

The amount contributed to OMERS was $144,807 (2022 - $125,511) 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 $45,392 (2022 - $39,172) 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.

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. Asset retirement obligations:

(a) Landfill obligation:

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 one hundred 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.

10. Asset retirement obligations (continued):

(a) Landfill obligation (continued):

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

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 2.0% (2022 - 2.0%) and discounted at the Township's average long term borrowing rate of 4.0% (2022 - 4.0%).

The estimated total landfill closure and post-closure care expense are included in liabilities under asset retirement obligations on the Consolidated Statement of Financial Position.

(b) Asbestos obligation:

Asbestos and other designated hazardous materials represent a health hazard upon disturbance and as a result carry a legal obligation to remove them when a facility undergoes a significant renovation or demolition. The Township owns and operates four buildings that are known to have asbestos and as a result recognized an obligation relating to the removal of the hazardous materials upon adoption of the PS 3280 *Asset Retirement Obligations*.

Asset retirement obligation	Landfill closure	Asbestos and other removal	2023 Total
Balance, January 1, 2022, as previously stated	$ 612,500	–	$ 612,500
Adjustment on adoption of PS 3280 asset retirement obligations (note 17)	346,722	713,981	1,060,703
Balance, January 1, 2022, as previously stated	959,222	713,981	1,673,203
Accretion expense	38,369	–	38,369
Balance, December 31, 2022, as restated	997,591	713,981	1,711,572
Accretion expense	39,904	–	39,904
Balance, December 31, 2023	$ 1,037,495	$ 713,981	$ 1,751,476

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 2023 was $1,032,903 (2022 - $1,035,156).

(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 2023 was $267,832 (2022 - $243,417).

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, 2023, 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, 2022	Adoption of PS 3280	Balance at December 31, 2022, restated	Additions	Disposals/ adjustments	Balance at December 31, 2022
Land and land improvements	$ 391,664	$ –	$ 391,664	$ 119,445	$ –	$ 511,109
Landfill asset retirement obligation	–	264,996	264,996	–	–	264,996
Buildings	3,720,164	–	3,720,164	211,653	–	3,931,817
Buildings asset retirement obligation	–	713,981	713,981	–	–	713,981
Bridges	7,546,724	–	7,546,724	–	–	7,546,724
Equipment	1,156,399	–	1,156,399	103,306	–	1,259,705
Roads	12,176,540	–	12,176,540	1,423,039	(338,584)	13,260,995
Vehicles	2,644,065	–	2,644,065	63,835	(26,115)	2,681,785
Work in progress	9,842	–	9,842	15,142		24,984
Proportionate portion of fire	1,667,584	–	1,667,584	210,653	–	1,878,237
Proportionate portion of library	610,025	–	610,025	26,682	(14,527)	622,180
Total	$ 29,923,007	$ 978,977	$ 30,901,984	$ 2,173,755	$ (379,226)	$ 32,696,513

Accumulated amortization	Balance at December 31, 2022	Adoption of PS 3280	Balance at December 31, 2022, restated	Additions	Disposals/ adjustments	Balance at December 31, 2022
Land and land improvements	–	–	$ –	$ –	$ –	$ –
Landfill asset retirement obligation	–	105,868	105,868	3,781	–	109,649
Buildings	1,160,238	–	1,160,238	76,296	–	1,236,534
Buildings asset retirement obligation	–	475,988	475,988	9,520	–	485,508
Bridges	2,348,912	–	2,348,912	137,260	–	2,486,172
Equipment	613,411	–	613,411	55,444	–	668,855
Roads	5,098,562	–	5,098,562	503,793	(338,584)	5,263,771
Vehicles	1,469,100	–	1,469,100	174,253	(26,115)	1,617,238
Work in progress	–	–	–	–	–	–
Proportionate portion of fire	692,915	–	692,915	38,909	–	731,824
Proportionate portion of library	475,951	–	475,951	37,969	(14,527)	499,393
Total	$ 11,859,089	$ 581,856	$ 12,440,945	$ 1,037,225	$ (379,226)	$ 13,098,944

13. Tangible capital assets (continued):

	Net book value December 31, 2023	Net book value December 31, 2022
		(Restated - note 17)
Land and land improvements	$ 511,109	$ 391,664
Landfill asset retirement obligation	155,347	159,128
Buildings	2,695,283	2,559,926
Buildings asset retirement obligation	228,473	237,993
Bridges	5,060,552	5,197,812
Roads	590,850	542,988
Equipment	7,997,224	7,077,978
Vehicles	1,064,547	1,174,965
Work in progress	24,984	9,842
Proportionate portion of fire	1,146,413	974,669
Proportionate portion of library	122,787	134,074
Total	$ 19,597,569	$ 18,461,039

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.

14. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development Services	2023 Total
Revenues:								
Taxation	$ 6,699,767	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,699,767
User charges	16,850	30,540	10,400	112,797	17,280	31,156	89,116	308,139
Government transfers	825,777	11,096	100,000	132,885	-	87,833	4,229	1,161,820
Transfer from obligatory reserve funds	-	-	941,445	-	-	17,608	-	959,053
Licenses and permits	300	284,692	-	-	-	-	-	284,992
Investment income	442,082	54,680	-	-	-	6,100	-	502,862
Penalties and interest on taxes	113,821	-	-	-	-	-	-	113,821
Provincial offenses	-	9,185	-	-	-	-	-	9,185
Other	7,092	230	18,281	900	6,235	32,959	-	65,697
Total revenue	8,105,689	390,423	1,070,126	246,582	23,515	175,656	93,345	10,105,336
Expenses:								
Salaries, wages and employee benefits	839,799	519,816	589,395	296,311	-	180,407	222,402	2,648,130
Debenture debt interest	60,860	-	-	-	-	-	181	61,041
Materials and services	528,905	1,429,054	1,158,965	573,660	11,747	177,439	88,482	3,968,252
External transfers	88,450	72,490	-	-	-	237,744	1,500	400,184
Amortization	32,973	92,350	866,792	3,781	-	41,329	-	1,037,225
Total expenses	1,550,987	2,113,710	2,615,152	873,752	11,747	636,919	312,565	8,114,832
Annual surplus (deficit)	$ 6,554,702	$ (1,723,287)	$ (1,545,026)	$ (627,170)	$ 11,768	$ (461,263)	$ (219,220)	$ 1,990,504

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

14. Segmented Information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development Services	2022 Total (Restated - note 17)
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 assets	(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	531,135	8,144	152,330	143,001	3,789,061
External transfers	84,464	70,283	-	-	-	228,503	1,500	384,750
Amortization	24,758	110,549	848,653	3,781	-	38,218	-	1,025,959
Total expenses	1,655,307	2,004,351	2,556,072	812,583	8,144	599,097	307,082	7,942,636
Annual surplus (deficit)	$ 5,787,520	$ (1,707,003)	$ (2,034,103)	$ (546,864)	$ 92,800	$ (266,375)	$ (173,378)	$ 1,152,597

15. Financial instruments and risk management:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Township is exposed to credit risk with respect to accounts receivable and investments on the Consolidated Statement of Financial Position.

The Township assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Township at December 31, 2023 is the carrying value of these assets. The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Operations and Accumulated Municipal Equity. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Consolidated Statement of Operations and Accumulated Municipal Equity.

	Current	Past due	Gross receivables	Allowances	Net receivables
Accounts receivable	$ 682,230	$ 114,102	$ 796,332	$ –	$ 796,332
Taxes receivable	464,071	268,811	732,882	(50,000)	682,882
Total	$ 1,146,301	$ 382,913	$ 1,529,214	$ (50,000)	$ 1,479,214

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Township's income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

(i) Currency risk:

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

15. Financial instruments and risk management (continued):

(b) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Township to cash flow interest rate risk.

The Township's management monitors the interest rate fluctuations on a continuous basis and acts accordingly with regards to long-term debt as described in note 5. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

There has been no change to the interest rate risk exposure from 2022.

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Township is not exposed to this risk based on the current investment portfolio.

(c) Liquidity risk:

Liquidity risk is the risk that the Township will not be able to meet all of its cash outflow obligations as they come due. The Township mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 5.

There have been no significant changes from the previous year in the Township's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

16. Budget figures:

The 2023 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the Consolidated Statement of Operations. 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	$ 10,131,677	$ 10,105,336
Total expenses	(8,105,396)	(8,114,832)
Net revenue	2,026,281	1,990,504
Amortization	866,599	1,037,225
Funds available	2,892,880	3,027,729
Capital expenses	(3,323,204)	(2,173,755)
Unfunded asset retirement accrual	–	14,904
Principal repayments	(81,554)	(81,554)
Increase (decrease) in operating surplus	$ (511,878)	$ 787,324
Allocated as follows:		
Net transfers to (from) Reserves - Township	$ (511,878)	$ 762,596
Net transfers to Reserves – Cemetery	–	10,528
Net transfers from Reserves – Library Board	–	15,361
Net transfers to (from) Reserves – Fire Board	–	(1,161)
	$ (511,878)	$ 787,324

17. Change in accounting policy – adoption of new accounting standards:

(a) The Township adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Consolidated Statement of Remeasurement Gains and Losses separate from the Consolidated Statement of Operations and Accumulated Municipal Equity. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Consolidated Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Consolidated Statement of Remeasurement Gains and Losses.

(i) Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

17. Change in accounting policy – adoption of new accounting standards (continued):

(a) (continued)

(ii) Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

In accordance with PS 3450 *Financial Instruments*, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

On application of this standard, a new statement, the Statement of Remeasurement Gains and Losses has not been included in these financial statements as there are no unrealized gains or losses to report.

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses, were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses. Hence, no comparative amounts are reported in the Statement of Remeasurement Gains and Losses due to prospective application of this standard.

(b) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with prior period restatement.

17. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued)

In the past, the Township has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Township buildings and landfill closure and post-closure activities. The Township reports liabilities related to the legal obligations where the Township is obligated to incur costs to retire a tangible capital asset.

The Township removed the accrued landfill obligation that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 *Asset Retirement Obligations* on January 1, 2022. The liability represents the required closure and post-closure care costs for the landfill sites owned by the Township.

The Township's ongoing efforts to assess the extent to which designated substances exist in Township assets, and new information obtained through regular maintenance and renewal of Township assets may result in additional asset retirement obligations from better information on the nature and extent the substances exist or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

17. Change in accounting policy – adoption of new accounting standards (continued):

(b) (continued)

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Township uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

In accordance with the provisions of PS3280 *Asset Retirement Obligations*, the Township reflected the following adjustments at December 31, 2022:

	As previous reported	Adjustments	As restated
Statement of Financial Position:			
Accrued landfill closure and post closure	$ (637,500)	$ 637,500	$ –
Asset retirement obligations	–	(1,711,572)	(1,711,572)
Tangible capital assets	18,063,918	397,121	18,461,039
Accumulated municipal equity	22,485,413	(676,951)	21,808,462
Statement of Change in Net Financial Debt:			
Annual surplus (deficit)	1,179,267	(26,670)	1,152,597
Amortization of tangible capital assets	1,030,658	13,301	1,043,959
Change in net financial assets	222,246	(13,369)	208,877
Statement of Operations:			
Accretion expense	25,000	13,369	38,369
Amortization on landfill asset	–	3,781	3,781
Amortization on buildings	71,313	9,520	80,833
Annual surplus	1,179,267	(26,670)	1,152,597

THE CORPORATION OF TAY VALLEY TOWNSHIP

Schedule 1 – Continuity of Reserves and Reserve Funds

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

	2023 Budget (note 16)	2023 Actual	2022 Actual
Net transfers from (to) other funds:			
Transfers from (to) operations	$ (330,243)	$ (42,447)	$ 2,280,238
Transfers from (to) capital acquisitions	(181,635)	829,771	(1,585,895)
	(511,878)	787,324	694,343
Reserves and reserve fund balances, change in year	(511,878)	787,324	694,343
Reserves and reserve fund balances, beginning of year	6,483,019	6,483,019	5,788,676
Reserves and reserve fund balances, end of year	$ 5,971,141	$ 7,270,343	$ 6,483,019

Continuity of reserves and reserve funds:

	2023 Actual	2022 Actual
Reserves and reserve funds set aside for specific purposes by Council:		
Working capital	$ 450,000	$ 450,000
For capital purposes:		
Acquisition of capital assets	2,608,224	2,150,860
Contingencies	2,312,458	1,963,260
Operations	198,318	242,284
Pinehurst Cemetery	68,713	62,165
Bolingbroke Cemetery	96,224	92,244
Fire joint board	1,416,420	1,417,581
Library joint board	119,986	104,625
	6,820,343	6,033,019
Total reserves and reserve funds	$ 7,270,343	$ 6,483,019

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, 2023
- 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, 2023, 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.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(date)

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds
Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Pinehurst Cemetery	Bollingbroke Cemetery	Total 2023	Total 2022
Assets				
Cash	$ 43,522	$ 1,870	$ 45,392	$ 39,172
Fund Balance				
Fund balance	$ 43,522	$ 1,870	$ 45,392	$ 39,172

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, 2023, with comparative information for 2022

	Pinehurst Cemetery	Bollingbroke Cemetery	Total 2023	Total 2022
Revenue:				
Sale of plots, donations and other	$ 4,350	$ 1,870	$ 6,220	$ 600
Annual surplus	4,350	1,870	6,220	600
Fund balance, beginning of year	39,172	–	39,172	38,572
Fund balance, end of year	$ 43,522	$ 1,870	$ 45,392	$ 39,172

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) Financial instruments:

On January 1, 2023, the Trust Funds adopted PS 3450 *Financial Instruments* which establishes accounting and reporting for all types of financial instruments,. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market.

On application of this standard, unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses which records the remeasurement gains and losses for financial instruments measured at fair value. Unrealized gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity through the Statement of Financial Activities and Changes in Fund Balances. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the Statement of Financial Activities and Changes in Fund Balances.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method. All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Financial Activities and Changes in Fund Balances and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered

(d) Use of estimates:

The preparation of 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 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.

3. Financial instruments and risk management:

(a) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, impact the Trust Funds' income or the value of its holdings of financial instruments. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2022.

(i) Currency risk:

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

(ii) Interest rate risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Trust Funds to cash flow interest rate risk.

There has been no change to the interest rate risk exposure from 2022.

(iii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Trust Funds are not exposed to this risk based on the current investment portfolio.

(iv) Liquidity risk:

Liquidity risk is the risk that the Trust Funds will not be able to meet all of its cash outflow obligations as they come due. The Trust Funds mitigate this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. There have been no significant changes from the previous year in the Trust Fund's exposure to liquidity risk or policies, procedures and methods used to measure the risk.

4. Change in accounting policy - adoption of new accounting standards:

(a) The Trust Funds adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Financial Activities. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and nonmonetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

(i) Establishing fair value:

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

4. Change in accounting policy - adoption of new accounting standards:

(a) (continued):

(ii) Fair value hierarchy:

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. In accordance with PS 3450 Financial Instruments, the financial statements of prior periods were not restated on transition. Consequently, the accounting policies for recognition, derecognition and measurement of financial instruments applied to the comparative information reflect those disclosed in the 2022 financial statements.

Any difference between the financial instruments' fair values as at January 1, 2023 and previous carrying amounts as at December 31, 2022, excluding previously recognized exchange gains and losses were recognized as an adjustment to the opening balance of accumulated remeasurement gains and losses.

(b) PS 3280 *Asset Retirement Obligations* ("ARO") establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2023 on a modified retroactive basis with no prior period restatements.

4. Change in accounting policy - adoption of new accounting standards (continued):

(b) (continued):

In the past, the Trust Funds have reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability*. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from Municipal buildings and landfill closure and post-closure activities. The Trust Fund reports liabilities related to the legal obligations where the Trust Fund is obligated to incur costs to retire a tangible capital asset.

The Trust Fund's ongoing efforts to assess the extent to which designated substances exist in Trust Fund assets, and new information obtained through regular maintenance and renewal of Trust Fund assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes in the estimated cost to fulfil the obligation. The measurement of assets retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

4. Change in accounting policy - adoption of new accounting standards (continued):

(b) (continued):

To estimate the liability for similar buildings that do not have information on asbestos and other designated substances, the Trust Fund uses buildings with assessments on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).