

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF FAUQUIER AND
STRICKLAND**

Year ended December 31, 2021

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Index to Consolidated Financial Statements

Year ended December 31, 2021

	Page
Management's Responsibility for the Consolidated Financial Statements	
Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Change in Net Financial Debt	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5-20

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Township of Fauquier and Strickland (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the 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 judgment, 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 the consolidated financial statements. These systems are monitored and evaluated by Management.

The Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's consolidated financial statements.



Nathalie Vachon
Director of Municipal Services
Deputy Clerk



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone 705-675-8500
Fax 705-675-7586

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Fauquier and Strickland

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Fauquier and Strickland (the "Township"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the 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 consolidated financial position of the Township as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 17, 2022

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	\$ 149,400	\$ 149,847
Investments (note 4)	265,435	472,010
Taxes and user charges receivable (note 5)	87,881	134,759
Accounts receivable (note 6)	501,657	129,982
	1,004,373	886,598
Financial liabilities		
Accounts payable and accrued liabilities	381,714	184,865
Deferred revenue (note 8)	401,026	473,953
Landfill closure and post-closure liability (note 9)	121,000	103,000
Capital lease obligation (note 10)	63,570	106,820
Long-term debt (note 11)	1,216,414	459,608
	2,183,724	1,328,246
Net financial debt	(1,179,351)	(441,648)
Non-financial assets		
Tangible capital assets (note 12)	9,012,000	7,049,479
Prepaid expenses	98,942	78,302
	9,110,942	7,127,781
Commitments (note 16)		
Accumulated surplus (note 13)	\$ 7,931,591	\$ 6,686,133

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

On behalf of Council:

_____ Mayor

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Operations and Accumulated Surplus

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

	2021 Budget (note 14)	Actual 2021	Actual 2020
Revenue:			
Taxation	\$ 1,209,059	\$ 1,214,469	\$ 1,187,871
User charges	160,985	159,437	154,746
Province of Ontario grants	2,382,896	1,673,668	647,949
Government of Canada grants	171,243	31,760	88,380
Investment income	6,500	(917)	3,573
Rental income	36,801	36,310	30,746
Interest and penalties	11,500	16,050	8,399
Other	247,762	245,812	84,680
Total revenue	4,226,746	3,376,589	2,206,344
Expenses:			
General government	269,321	304,844	268,179
Protection to persons and property	241,877	259,703	226,445
Transportation services	455,986	517,277	462,596
Environmental services	463,935	563,259	485,977
Health services	112,807	120,424	107,658
Social and family services	124,992	112,847	125,859
Recreational and culture	208,948	229,920	213,853
Planning and development	43,431	22,857	20,473
Total expenses	1,921,297	2,131,131	1,911,040
Annual surplus	2,305,449	1,245,458	295,304
Accumulated surplus, beginning of year	6,686,133	6,686,133	6,390,829
Accumulated surplus, end of year	\$ 8,991,582	\$ 7,931,591	\$ 6,686,133

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

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Change in Net Financial Debt

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

	2021 Budget (note 14)	Actual 2021	Actual 2020
Annual surplus	\$ 2,305,449	\$ 1,245,458	\$ 295,304
Acquisition of tangible capital assets	(3,400,948)	(2,295,751)	(766,271)
Amortization of tangible capital assets	330,673	333,230	330,673
Use of prepaid expenses	-	(20,640)	(12,581)
	(3,070,275)	(1,983,161)	(448,179)
Change in net financial debt	(764,826)	(737,703)	(152,875)
Net financial debt, beginning of year	(441,648)	(441,648)	(288,773)
Net financial debt, end of year	\$ (1,206,474)	\$ (1,179,351)	\$ (441,648)

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

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Consolidated Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,245,458	\$ 295,304
Items not involving cash:		
Amortization of tangible capital assets	333,230	330,673
Change in landfill closure and post-closure liability	18,000	17,000
	1,596,688	642,977
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes and user charges receivable	46,878	(27,728)
Increase in accounts receivable	(371,675)	(57,490)
Increase in prepaid expenses	(20,640)	(12,581)
Increase in accounts payable and accrued liabilities	196,849	74,506
Increase (decrease) in deferred revenue	(72,927)	51,877
Net change in cash from operating activities	1,375,173	671,561
Capital activities:		
Cash used to acquire tangible capital assets	(2,295,751)	(766,271)
Investing activities:		
Disposal of investments	206,575	295,126
Financing activities:		
Capital lease repayment	(43,250)	(33,120)
Issuance of long-term debt	815,000	-
Principal repayment of long-term debt	(58,194)	(56,326)
Net change in cash from financing activities	713,556	(89,446)
Net change in cash	(447)	110,970
Cash, beginning of year	149,847	38,877
Cash, end of year	\$ 149,400	\$ 149,847

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

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

The Corporation of the Township of Fauquier and Strickland (the "Township") is a Municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Township are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. 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, which includes the Public Library Board.

All inter-departmental and inter-organizational transactions and balances between these organizations are eliminated.

(b) Non-consolidated entities:

The following joint local boards are not consolidated within these financial statements:

The District of Cochrane Social Services Administration Board

Porcupine Health Unit

(c) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting.

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

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	7 - 50
Buildings	20 - 50
Roads	7 - 75
Furniture and fixtures	5 - 10
Vehicles, machinery and equipment	10 - 25
Computer equipment	5
Water and sewer systems	50
Assets under capital lease	Over the lease term

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Contributions of tangible capital assets

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

(e) Revenue recognition:

The Township prepares tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(f) Reserves and reserve funds:

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

(g) School Boards:

The Township collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

(h) Landfill closure and post-closure liabilities:

The liability for closure of operational site and post-closure care has been recognized based on estimated future expenses estimated inflation and the usage of the site's capacity during the year.

(i) Pensions and employee benefits:

The Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Authority has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Authority records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for the past employee service.

Payroll liabilities include vacation entitlements which are accrued as the entitlements are earned.

(j) Deferred revenue:

Grants, contributions, and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, or the services are performed.

A requirement for local governments is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. Given the restriction in use until spent on qualifying projects or expenses these amounts are deferred.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(k) Financial instruments:

The Township initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Township subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of operations.

Financial assets measured at amortized cost include cash, taxes and user charges receivables and account receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

(l) Use of estimates and measurement uncertainty:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards require 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 revenues and expenditures during the period. Significant estimates and assumptions, which include property tax assessment appeals; property, liability and accident claims provisions; landfill closure and post-closure liabilities; and environment provisions, are based on management's best information and judgement. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

2. Operations of School Boards:

Further to note 1(g), the taxation, other revenues and expenses relating to the school boards are comprised of the following:

	Public	Separate	2021	2020
Revenues raised and transferred to boards	\$ 123,979	\$ 126,727	\$ 250,706	\$ 247,769

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Contributions to Non-Consolidated Entities:

Further to note 1(b), the following contributions were made by the Township to these boards:

	2021	2020
The District of Cochrane Social Service Administration Board	\$ 162,547	\$ 161,557
Porcupine Health Unit	20,265	20,265
	\$ 182,812	\$ 181,822

4. Investments:

The investments are made up of term deposits and are accounted for at amortized cost:

	Cost Plus Accrued Interest	Interest Rate	Maturity Date
Term deposit #1 - Town	\$ 104,197	0.40%	February 16, 2022
Term deposit #1 – Library	13,758	2.10%	June 24, 2022
Term deposit #2 - Town	137,269	0.20%	December 15, 2022
Term deposit #2 - Library	10,211	0.25%	March 21, 2023
	\$ 265,435		

5. Taxes and user charges receivable:

	2021	2020
Current year	\$ 51,528	\$ 85,178
Prior years	44,403	56,195
Penalties and interest	11,950	13,386
Allowance for uncollectable taxes	(20,000)	(20,000)
	\$ 87,881	\$ 134,759

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

6. Accounts receivable:

	2021	2020
Province of Ontario	\$ 274,046	\$ 41,532
Government of Canada	210,353	83,304
Other	17,258	5,146
	\$ 501,657	\$ 129,982

7. Credit facilities:

The Township has an authorized line of credit of \$350,000 (2020 - \$350,000) bearing interest at prime plus 0.5%. The line of credit is secured by a general assignment of the Township assets. At December 31, 2021, \$ Nil (2020 - \$Nil) has been drawn against this facility.

8. Deferred revenue:

Revenues received that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position. These revenues may only be used in the conduct of certain programs or in the completion of specific work.

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may be refunded.

	Balance at December 31, 2020	Contributions received	Amounts taken to revenue	Balance at December 31, 2021
Deferred revenue:				
Boat Launch Relocation	\$ 65,385	\$ –	\$ –	\$ 65,385
Medical Centre	106,681	–	106,681	–
Accessibility funding	92,525	–	34,239	58,286
OCIF	2,401	–	2,401	–
Other	312	–	312	–
	267,304	–	143,633	123,671
Obligatory reserve funds:				
Federal gas tax fund	206,649	70,706	–	277,355
	\$ 473,953	\$ 70,706	\$ 143,633	\$ 401,026

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

9. 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. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site 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, 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.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at Township's average long-term borrowing rate -0.38% (2020 – of 0.01%). The estimated total landfill closure and post-closure care expenses including monitoring costs are calculated to be \$125,000. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2021 an amount of \$121,000 (2020 - \$103,000) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 93% of its total estimated capacity and its estimated remaining life is approximately 3.7 years. The period for post-closure care is estimated to be 25 years.

10. Capital lease obligations:

The capital lease obligation has a maturity date of December 20, 2023 and is secured by a specific equipment security agreement.

2022	\$	38,274
2023		28,316
Total minimum lease payments		66,590
Less amount representing interest at a rate of 4.75%		(3,020)
Present value of net minimum capital lease payments		63,570
Less current portion of obligations under capital lease		(35,572)
		<hr/>
		\$ 27,998

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

11. Long-term debt:

	2021	2020
(i) Unsecured loan payable to Infrastructure Ontario bearing interest at a fixed rate of 3.09%, payable in blended monthly payments of \$5,965, due February 2028	\$ 401,414	\$ 459,608
(ii) Unsecured loan payable to Infrastructure Ontario bearing interest at a variable rate of 0.69%, due May 2026	815,000	–
	<u>\$ 1,216,414</u>	<u>\$ 459,608</u>

(i) The long-term debt issued in the name of the Township have been approved by by-law.

Principal payments in the next five years and thereafter are as follows:

2021	\$ 60,105
2022	61,977
2023	63,907
2024	65,897
2025	67,949
2026 and subsequent years	81,579
	<u>\$ 401,414</u>

(ii) The Ontario Infrastructure and Lands Corporation (“OILC”) has agreed to make financing available to the Township up to a maximum principal amount of \$950,000 for the water treatment plant system upgrade project. The Township is required to make interest only payments at a floating rate determined by OILC until the project is deemed to be substantially complete. At December 31, 2021, a total of \$815,000 has been drawn on this facility. Upon substantial completion of the project, which is expected to occur during fiscal 2022, the advances will be converted to debentures issued by the OILC and repaid over a term agreed to by the Township and OILC. The terms of repayment and the interest rate will be determined by OILC upon issuance of the debentures.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

12. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Land	\$ 105,669	\$ -	\$ -	\$ 105,669
Land improvements	36,098	-	-	36,098
Buildings	2,957,004	-	-	2,957,004
Roads	2,784,088	-	-	2,784,088
Water and sewer systems	4,400,654	24,445	-	4,425,099
Computer equipment	68,783	5,495	-	74,278
Vehicles, machinery and equipment	2,087,466	17,566	-	2,105,032
Assets under capital lease	239,122	-	-	239,122
Furniture and fixtures	72,170	54,201	-	126,371
Construction in progress	382,497	2,194,044	-	2,576,541
Total	\$ 13,133,551	\$ 2,295,751	\$ -	\$ 15,429,302

Accumulated Amortization	Balance at December 31, 2020	Disposals /Transfers	Amortization	Balance at December 31, 2021
Land improvements	\$ 29,140	\$ -	\$ 523	\$ 29,663
Buildings	1,142,342	-	65,960	1,208,302
Roads	1,943,954	-	58,193	2,002,147
Water and sewer systems	1,274,822	-	87,943	1,362,765
Computer equipment	68,287	-	1,596	69,883
Vehicles, machinery and equipment	1,531,648	-	66,168	1,597,816
Assets under capital lease	28,695	-	38,260	66,955
Furniture and fixtures	65,184	-	14,587	79,771
Total	\$ 6,084,072	\$ -	\$ 333,230	\$ 6,417,302

	Net book value, December 31, 2020	Net book value, December 31, 2021
Land	\$ 105,669	\$ 105,669
Land improvements	6,958	6,435
Buildings	1,814,662	1,748,702
Roads	840,134	781,941
Water and sewer systems	3,125,832	3,062,334
Computer equipment	496	4,395
Vehicles, machinery and equipment	555,818	507,216
Assets under capital lease	210,427	172,167
Furniture and fixtures	6,986	46,600
Construction in progress	382,497	2,576,541
Total	\$ 7,049,479	\$ 9,012,000

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

12. Tangible capital assets (continued):

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Land	\$ 5,669	\$ 100,000	\$ -	\$ 105,669
Land improvements	36,098	-	-	36,098
Buildings	2,679,499	277,505	-	2,957,004
Roads	2,784,088	-	-	2,784,088
Water and sewer systems	4,400,654	-	-	4,400,654
Computer equipment	68,783	-	-	68,783
Vehicles, machinery and equipment	1,997,998	89,468	-	2,087,466
Assets under capital lease	239,122	-	-	239,122
Furniture and fixtures	72,170	-	-	72,170
Construction in progress	83,199	299,298	-	382,497
Total	\$ 12,367,280	\$ 766,271	\$ -	\$ 13,133,551

Accumulated Amortization	Balance at December 31, 2019	Disposals /Transfers	Amortization	Balance at December 31, 2020
Land improvements	\$ 28,617	\$ -	\$ 523	\$ 29,140
Buildings	1,076,382	-	65,960	1,142,342
Roads	1,885,761	-	58,193	1,943,954
Water and sewer systems	1,187,368	-	87,454	1,274,822
Computer equipment	67,581	-	706	68,287
Vehicles, machinery and equipment	1,415,509	-	116,139	1,531,648
Assets under capital lease	28,695	-	-	28,695
Furniture and fixtures	63,486	-	1,698	65,184
Total	\$ 5,753,399	\$ -	\$ 330,673	\$ 6,084,072

	Net book value, December 31, 2019	Net book value, December 31, 2020
Land	\$ 5,669	\$ 105,669
Land improvements	7,481	6,958
Buildings	1,603,117	1,814,662
Roads	898,327	840,134
Water and sewer systems	3,213,286	3,125,832
Computer equipment	1,202	496
Vehicles, machinery and equipment	582,489	555,818
Assets under capital lease	210,427	210,427
Furniture and fixtures	8,684	6,986
Construction in progress	83,199	382,497
Total	\$ 6,613,881	\$ 7,049,479

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

13. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 7,732,018	\$ 6,483,051
General deficit	(1,000,855)	(987,467)
Unfunded:		
Employee benefit obligations	(19,531)	(21,683)
Landfill closure and post-closure costs	(121,000)	(103,000)
Total surplus	6,590,632	5,370,901
Reserves set aside for specific purpose by Council:		
General reserve	801,103	801,103
OCIF reserve	201,982	201,982
Fire capital	54,106	49,106
Community hall	38,954	38,954
Economic Development	2,000	2,000
Landfill site – Haggart dump	75,000	65,000
Beautification committee	11,368	11,368
Cemetery reserve	–	13,412
Library reserve	65,000	65,000
Water and sewer reserve	48,919	45,449
Recreation	19,358	19,358
Roads	12,500	2,500
Trestle bridge	10,669	–
Total reserves	1,340,959	1,315,232
	\$ 7,931,591	\$ 6,686,133

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

14. Budget:

The budget data presented in these consolidated financial statements is based upon the 2021 operating and capital budgets approved by Council on July 8, 2021. The reconciliation of the approved budget to the budget figures reported in these consolidated financial statements is listed below.

Budgeted surplus approved by Council	\$	–
Less:		
Proceeds from issuance of long-term debt		(888,809)
Net reserve transfers and other items		(283,506)
Add:		
Capital acquisitions		3,400,948
Principal payments on long-term debt		76,816
<hr/> Budgeted surplus per financial statements	<hr/> \$	<hr/> 2,305,449 <hr/>

15. Pension agreements:

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total going concern actuarial liabilities of \$120,796 million (2020 - \$113,055 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$117,665 million (2020 - \$109,844 million) indicating a going concern actuarial deficit of \$3,131 million (2020 - \$3,211 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees and the Authority's share is not determinable. As a result, the Authority does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2021 was \$28,980 (2020 - \$24,590) and is included as an expense in the consolidated statement of operations and accumulated surplus.

16. Commitments:

The Township has entered into the following long-term agreements:

- (i) The Township has entered into an agreement with the Ontario Clean Water Agency ("OCWA") from January 1, 2018 to December 31, 2022 to provide to provide supervision, operation and maintenance services for the water treatment plant and lagoon. The total amounts paid to OCWA in 2021 were \$166,302 (2020 - \$165,310).

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

16. Commitments (continued):

(ii) The Township has entered into a police services contract with the Province of Ontario for the provision of police services within municipal boundaries. An annual fee estimate is provided for the upcoming year. The fee estimate for 2022 is \$118,060. During 2021, \$117,367 (2020 - \$113,699) was expended on police services

17. Public sector salary disclosure:

During 2021, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Township.

18. Trust funds:

Trust funds administered by the Township amounting to \$57,598 (2020 - \$55,471) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

19. Financial instruments:

The Township is exposed to various risks through its financial instruments. The following analysis provides information about the Township's risk exposure and concentration as of December 31, 2021.

(a) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Township is exposed to credit risk from customers and ratepayers. The Township has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Township has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

(b) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Township manages exposure through its normal operating and financing activities. The Township is exposed to various risks through its financial instruments.

(c) Other risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus.

The impact of COVID-19 is expected to have some negative effects on operations. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Township is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. Segmented information:

The Township is a municipal government institution that provides a range of services to its citizens. Township services are reported by function and their activities are separately disclosed in the Schedule of Segmented Information. The nature of the segments and the activities they encompass are as follows:

(a) General Government:

General government consist of the activities of Council and general financial and administrative management of the Township and its programs and services.

(b) Protection Services:

Protection Services include police and fire services.

(c) Transportation Services:

The activities of the transportation function include construction and maintenance of the Township roads and bridges, winter control and street lighting.

(d) Environmental Services:

This function is responsible for providing water and sewer services to certain areas within the Township. It is also responsible for providing waste collection, waste disposal and recycling services.

(e) Health Services:

The health services function consists of the activities of the cemetery activities and other medical services.

(f) Social and Family Services:

This function provides general assistance for social and family services.

(g) Recreation and Cultural Services:

The recreation and cultural services function provides indoor and outdoor recreational facilities and programs and library services.

(h) Planning and Development:

The planning and development services function manages commercial, industrial and residential development within the Township.

The accounting policies used in these segments are the same as those described in note 1. For each reported segment, revenues and expenses represent amounts that are directly attributable to each segment. Tax revenues are reported as part of General Government.

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2021 Total
Revenues:									
Taxation	\$ 1,214,469	-	-	-	-	-	-	-	\$ 1,214,469
User charges	-	-	-	159,437	-	-	-	-	159,437
Province of Ontario grants	1,609,715	-	-	54,652	-	-	9,301	-	1,673,668
Government of Canada grants	25,987	-	-	5,773	-	-	-	-	31,760
Investment income (loss)	(917)	-	-	-	-	-	-	-	(917)
Rental income	-	-	-	-	36,310	-	-	-	36,310
Interest and penalties	16,050	-	-	-	-	-	-	-	16,050
Other	207,782	17,209	2,000	6,956	10,100	-	1,765	-	245,812
	3,073,086	17,209	2,000	226,818	46,410	-	11,066	-	3,376,589
Expenses:									
Salaries, wages and benefits	102,548	42,390	222,324	47,491	20,656	-	80,047	9,971	525,427
Materials	117,571	185,303	195,849	79,458	90,824	112,847	90,604	12,886	885,342
Contracted services	-	2,962	7,610	294,081	-	-	4,686	-	309,339
Rents, financial expenses and other	48,545	-	-	10,496	-	-	4,282	-	63,323
External transfers	14,470	-	-	-	-	-	-	-	14,470
Amortization of tangible capital assets	21,710	29,048	91,494	131,733	8,944	-	50,301	-	333,230
	304,844	259,703	517,277	563,259	120,424	112,847	229,920	22,857	2,131,131
Excess (deficiency) of revenues over expenses	\$ 2,768,242	(242,494)	(515,277)	(336,441)	(74,014)	(112,847)	(218,854)	(22,857)	\$ 1,245,458

THE CORPORATION OF THE TOWNSHIP OF FAUQUIER AND STRICKLAND

Notes to Consolidated Financial Statements

Year ended December 31, 2021

20. Segmented information (continued):

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2020 Total
Revenues:									
Taxation	\$ 1,187,871	-	-	-	-	-	-	-	\$ 1,187,871
User charges	-	-	-	154,746	-	-	-	-	154,746
Province of Ontario grants	592,795	-	-	50,000	-	-	5,154	-	647,949
Government of Canada grants	88,380	-	-	-	-	-	-	-	88,380
Investment income	3,573	-	-	-	-	-	-	-	3,573
Rental income	-	-	-	-	30,746	-	-	-	30,746
Interest and penalties	8,399	-	-	-	-	-	-	-	8,399
Other	58,086	13,793	2,053	7,614	2,450	-	684	-	84,680
	1,939,104	13,793	2,053	212,360	33,196	-	5,838	-	2,206,344
Expenses:									
Salaries, wages and benefits	125,381	34,460	186,352	42,226	10,837	-	73,331	9,361	481,948
Materials	81,658	160,241	181,588	66,596	87,877	125,859	81,909	11,112	796,840
Contracted services	-	2,894	3,823	229,979	-	-	9,105	-	245,801
Rents, financial expenses and other	40,104	-	-	10,401	-	-	4,848	-	55,353
External transfers	425	-	-	-	-	-	-	-	425
Amortization of tangible capital assets	20,611	28,850	90,833	136,775	8,944	-	44,660	-	330,673
	268,179	226,445	462,596	485,977	107,658	125,859	213,853	20,473	1,911,040
Excess (deficiency) of revenues over expenses	\$ 1,670,925	(212,652)	(460,543)	(273,617)	(74,462)	(125,859)	(208,015)	(20,473)	\$ 295,304