



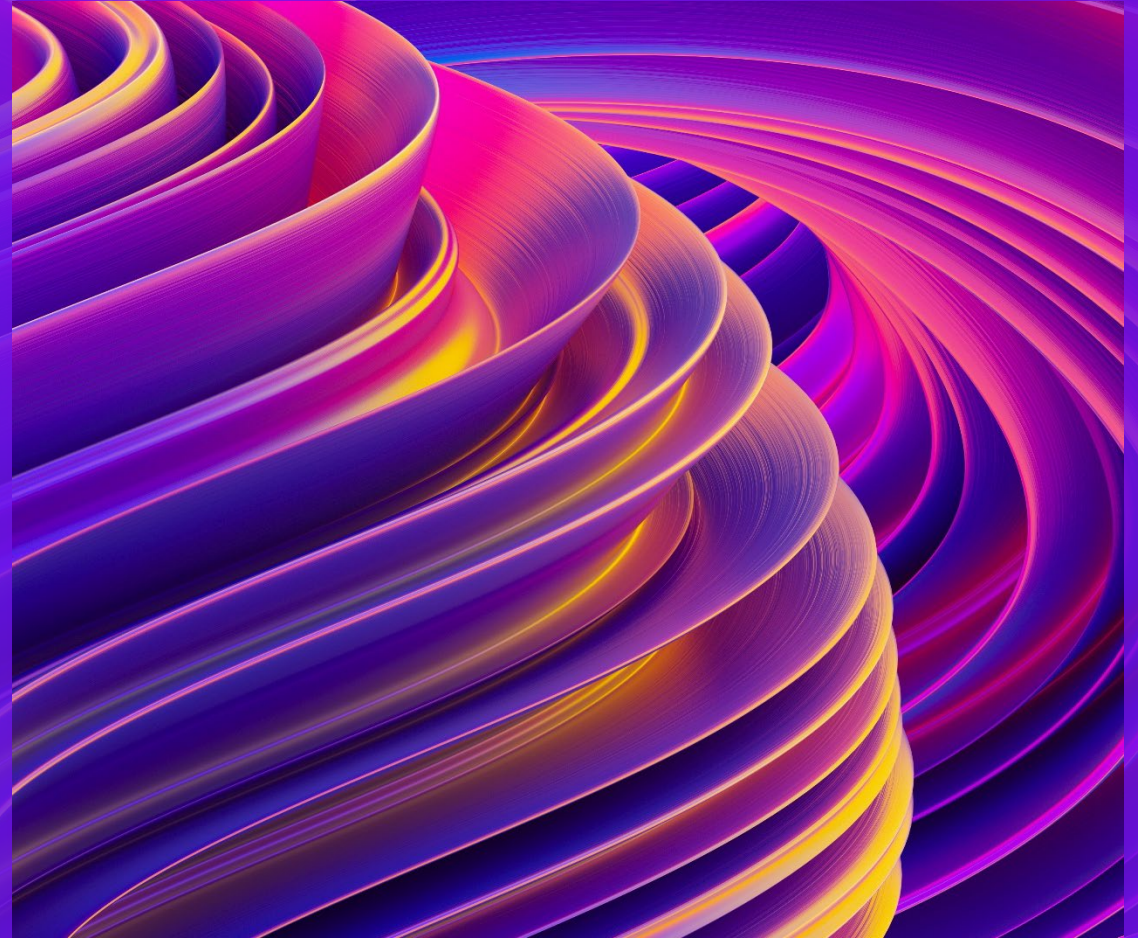
The Corporation of Tay Valley Township

Audit Findings Report for the
year ended December 31, 2023

KPMG LLP

Prepared for presentation to Council on February 11, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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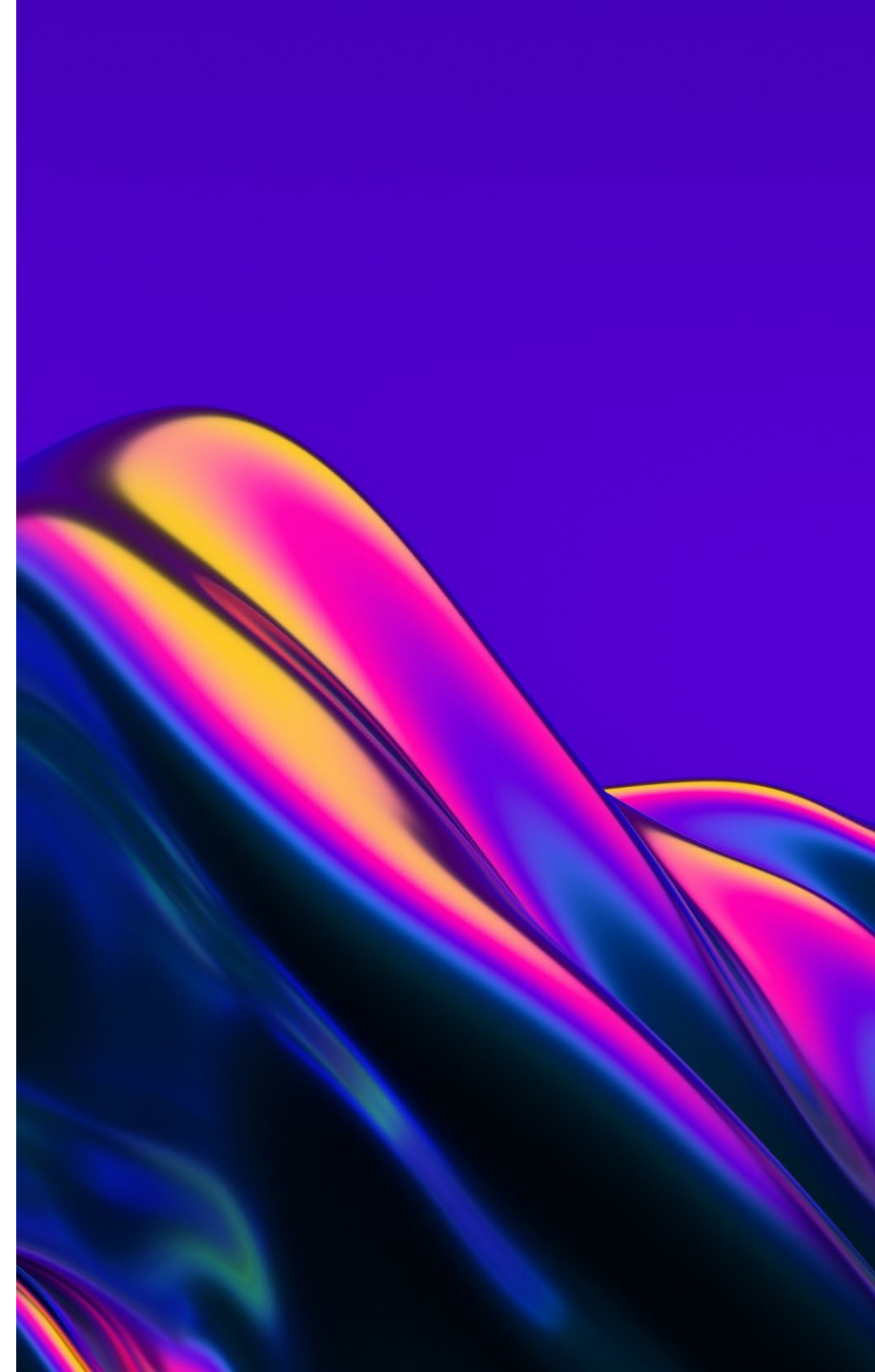


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Digital use information

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If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

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The purpose of this report is to assist you, as a member of the Council, in your review of the results of our audit of the consolidated financial statements. This report is intended solely for the information and use of Management and the Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights

Status

We have completed the audit of the financial statements (“financial statements”) of the Corporation of Tay Valley Township (the “Township”) for the year ended December 31, 2023, with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Significant changes

Significant changes to our audit plan

- No changes to risk assessment
- No changes to audit strategy assessment

Risks and results

Significant risks

- We did not identify any significant financial reporting risks other than the presumed risk of management override of controls.

Other risks of material misstatement

- Other financial reporting risks that required additional audit procedures related to the adoption of new accounting standards.

No matters to report Matters to report – see link for details

Policies and practices & Specific topics

Significant unusual transactions

Accounting policies and practices

Other financial reporting matters

Going concern matters

Group Materiality

Current year	\$225,000
Benchmark	Expenses
% Benchmark	2.8%
Audit Misstatement Posting Threshold	\$11,250

Misstatements

Corrected misstatements

Uncorrected misstatements

Control deficiencies

Significant deficiencies

Other observations

Status

In preparation of our Audit Findings Report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Council;
- Final assembly of our audit documentation, including completion of any remaining procedures and review of audit working papers;
- Completion of our subsequent events review procedures up to the date of our auditor’s report;
- Obtaining evidence of the Council’s approval of the financial statements; and
- Receipt of signed management representation letter.

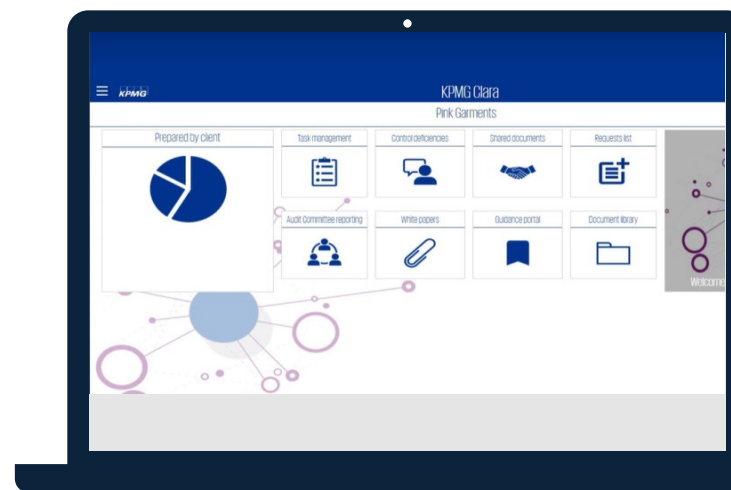
We will update the Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor’s report is provided in [Appendix 1a: Draft Auditor’s Report](#).

Our auditor’s report has been modified from the standard report because of the change in accounting policy related to the implementation of PS 3280 Asset Retirement Obligations (ARO) in 2023.




KPMG Clara for Clients (KCfc)



Real-time collaboration and transparency
We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests from management.

 [Learn more](#)

Financial statement highlights

	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
	<u>10,112,760</u>	<u>9,925,964</u>
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
	<u>6,029,081</u>	<u>6,705,173</u>
Net financial assets	<u>4,083,679</u>	<u>3,220,791</u>
Non-financial assets:		
Tangible capital assets (note 13)	19,597,569	18,461,039
Inventories	117,718	126,632
	<u>19,715,287</u>	<u>18,587,671</u>
Commitments (note 11)		
Contingent liabilities (note 12)		
Accumulated municipal equity (note 6)	<u>\$ 23,798,966</u>	<u>\$ 21,808,462</u>

Financial Assets:

- Strong cash position.
- Continued investment in GICs.

Financial Liabilities:

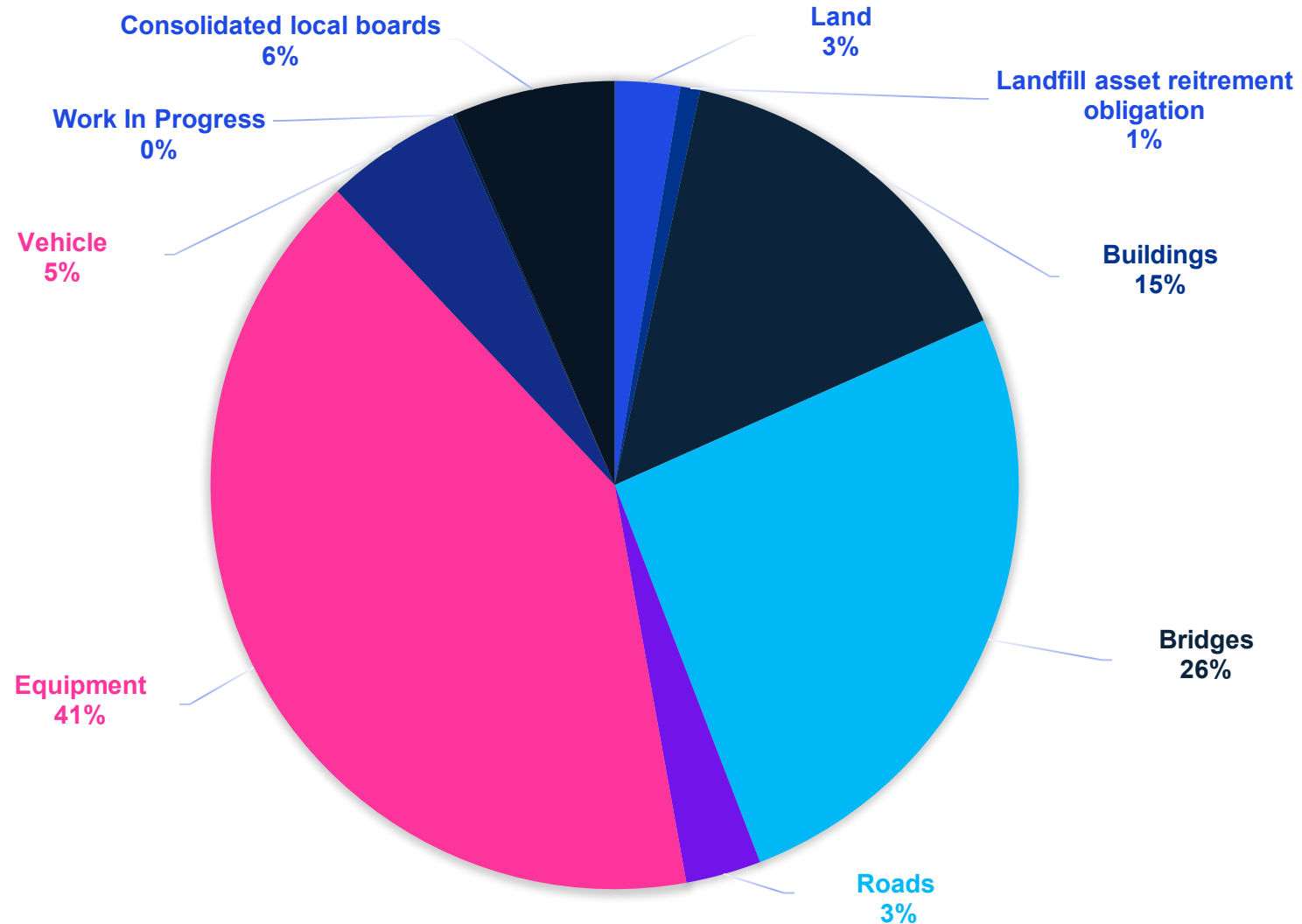
- Accounts payables and accrued liabilities have decreased as the prior year included capital invoices that were non-recurring. This line will also fluctuate based on the timing of payments at year-end.
- Asset retirement obligations (ARO) is a new caption under PS 3280 and includes the former accrued landfill closure and post closure costs with retroactive restatement of prior years. ARO also includes an estimate for the remediation of asbestos within the Township's portfolio of assets.
- Obligatory reserve funds decreased due to the uses of:
 - Development charges including Harper Road \$175k and Keays Road \$87k
 - CCBF including Harper Road \$679k
- Long-term liabilities decreased due to the principal repayments on loans.

Non-Financial Assets:

- Increase in tangible capital assets driven by additions of \$2.2M offset by amortization of \$1.1M. Significant additions include:
 - \$966k – Harper Road
 - \$338k – Keays Road
 - \$157k – Township Office / Garage
 - \$120k – ¾ Ton Truck

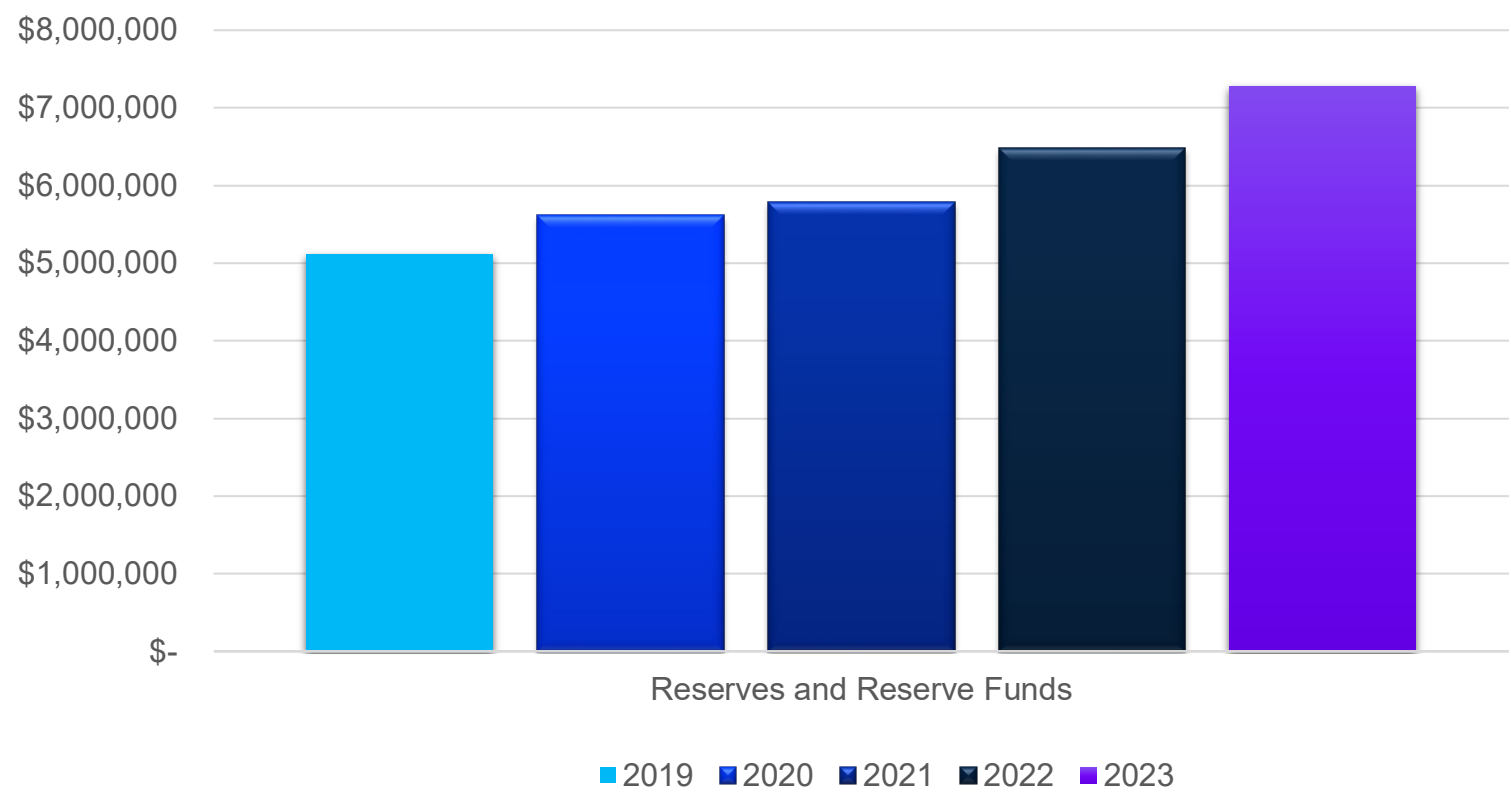
Financial statement highlights (continued)

Tangible capital assets



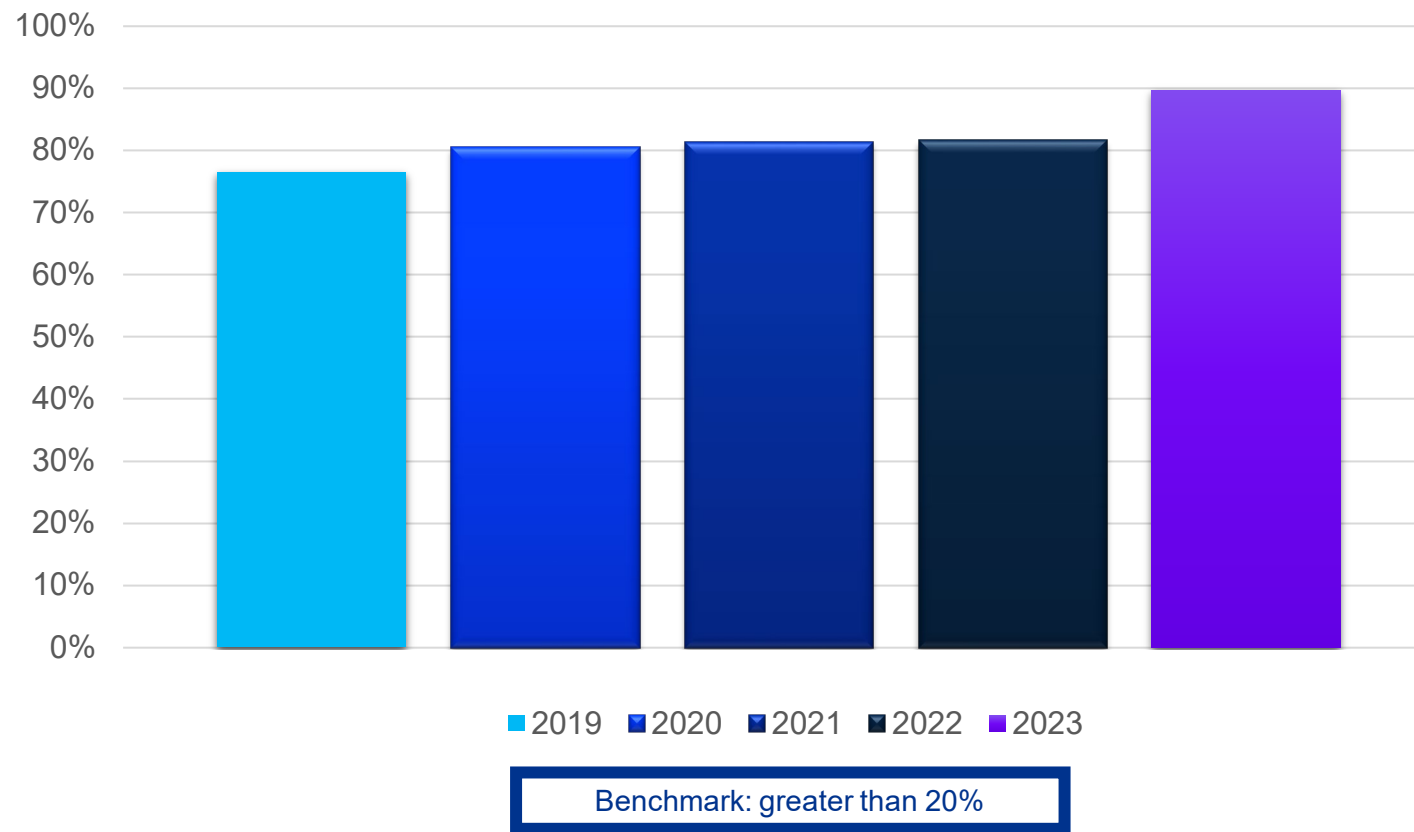
Financial statement highlights (continued)

Reserves and reserve funds



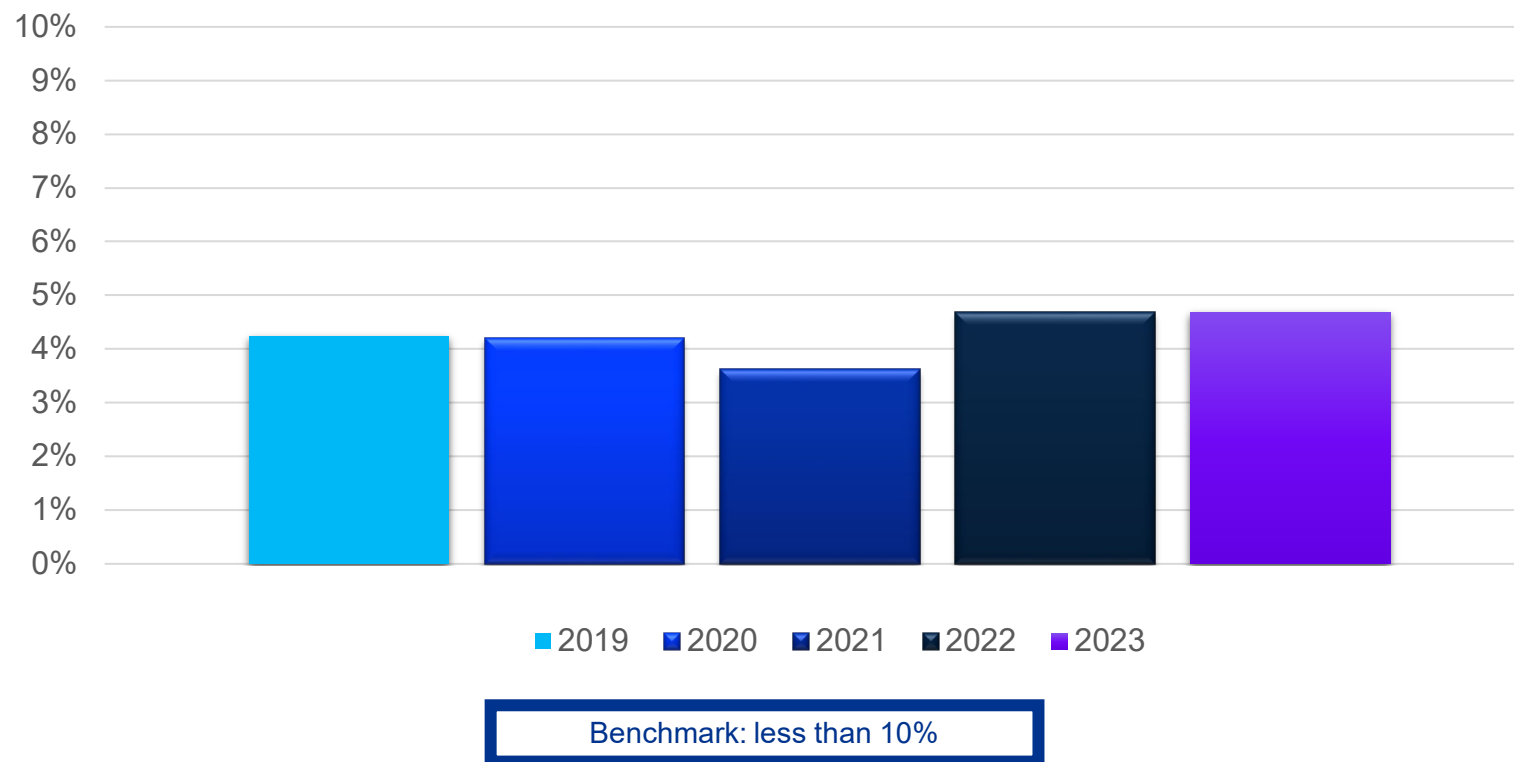
Financial statement highlights (continued)

Reserves and reserve fund as a percentage of operating expenses



Financial Statement Highlights (continued)

Tax arrears as a percentage of current levy



Financial statement highlights (continued)

	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	1,996,488	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
	8,105,396	8,114,832	7,942,636
Annual surplus	2,026,281	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	\$ 23,834,743	\$ 23,798,966	\$ 21,808,462

Revenue:

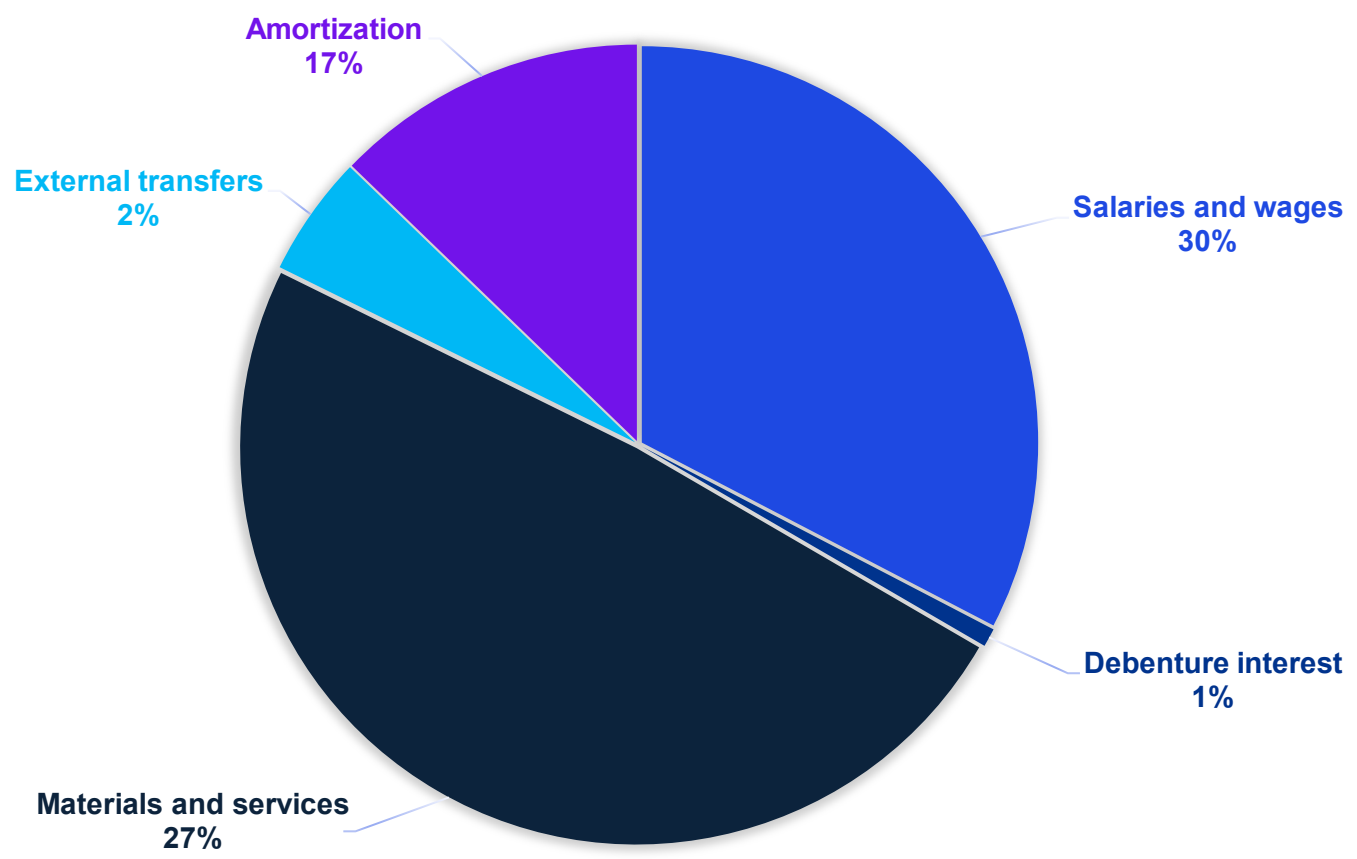
- Taxation revenue increase driven by tax rate and tax base. Revenue is aligned with budget.
- Government grants will fluctuate based on capital activity. Prior year had additional ICIP grant.
- Contributions from developers has increased as a result of projects funded from the obligatory reserves.
- License and permits main increase is a result of additional building permits being issued during the year.
- Investment income has increased as a result of more favorable rates of interest based on market conditions.
- Other revenue has decreased related to assumption of Bolingbroke Cemetery in the prior year.

Expenses:

- Increase in expenses is less than the increase in revenue. Expenses were tightly managed to budget. Inflationary impacts were seen across the board.
- The increase in expenses includes the non-cash charge for the change in the ARO balance for the year plus projects undertaken in the current year that were not capitalized as per the policy.

Financial statement highlights (continued)

Operating expenses



Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Township and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Township’s components of its system of internal control, including our business process understanding.

	Risk of Fraud	Risk of Error	Risk Rating
<ul style="list-style-type: none"> Management override of controls 	✓		Significant
<ul style="list-style-type: none"> Cash 		✓	Base
<ul style="list-style-type: none"> Operating and payroll expenses (including related accruals) 		✓	Base
<ul style="list-style-type: none"> Tangible capital assets 		✓	Base
<ul style="list-style-type: none"> Asset retirement obligations 		✓	Base
<ul style="list-style-type: none"> Government grants 		✓	Base
<ul style="list-style-type: none"> Financial instruments 		✓	Base
<ul style="list-style-type: none"> Financial reporting 		✓	Base

- PRESUMED RISK OF MATERIAL MISSTATEMENT
- OTHER AREA OF FOCUS



Current year findings

We did not uncover any significant findings as a result of the procedures performed over the areas highlighted above.



Significant risks and results

We highlight our significant findings in respect of **significant risk**.



Fraud risk from management override of controls

Significant risk	Estimate?	Key audit matter?
Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.	No	No

Our response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:


- Assessed the design and implementation of controls surrounding the journal entry process;
- Determined the criteria to identify high-risk journal entries and other adjustments; and
- Tested high-risk journal entries and other adjustments.

Findings


We did not uncover any issues during the performance of the procedures described above.

Other risks and results

We highlight our significant findings in respect of new **risks of material misstatement** identified in the current year.




Asset Retirement Obligations

RISK OF

FRAUD

Background	Estimate?	Key audit matter?
<p>In 2023, the Township adopted Public Accounting Standard PS 3280, Asset Retirement Obligations (“ARO”). The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in buildings owned by the Township, as well as replacing PS3270, Solid Waste Landfill Closure and Post-Closure Liability. Asset retirement obligations are an estimate in the Township’s financial statements which is derived from information provided by an external, third-party consultant as well using ARO costing model provided by the Province.</p> <p>Management performed an assessment of the impact of the new accounting standard on the Township’s financial statements by working with external consultants to perform assessments of any required remediation under the new standard. Using the modified retroactive approach, as at December 31, 2023, an asset retirement obligation amounting to \$1.751 million (2022 - \$1.711 million) has been recognized on the Township’s consolidated Statement of Financial Position.</p>	Yes	No

Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focuses our audit effort on journal entries that are riskier in nature.



[Click to learn more](#)

Other risks and results (continued)

We highlight our significant findings in respect of new **risks of material misstatement** identified in the current year.



Asset Retirement Obligations

RISK OF
FRAUD

Our response

- Our procedures included:
 - We obtained an understanding of the activities performed by Management to identify the Township’s legal obligations associated with the retirement of capital assets and ensured that all of the recognition criteria were met to recognize an ARO in the financial statements.
 - We obtained Management’s calculation of the ARO liability and corroborated management’s inputs into the calculation to assess their reasonableness.
 - We also inquired about the completeness of the liability estimate for TCA without an associated ARO.
 - We do note that discounting was utilized in the calculation of the landfill retirement costs. Inflation and discount rates utilized in the calculation were based on management’s assessment current market conditions. The other AROs were not discounted due to the uncertainty around the timing of cashflows.
 - We noted that this estimate is based on management’s knowledge of the assets within scope of ARO. Any changes to the ARO in the future will be treated as a change in estimate, presented prospectively. Management are required to re-evaluate this estimate annually to ensure accurate financial reporting.
 - We also inquired about the completeness of the liability estimate for TCA without an associated ARO.

Our findings

Appropriate disclosures have been made in the financial statements for the adoption of the new accounting policy in note 18. We noted that this estimate is based on management’s knowledge of the assets within scope of ARO. Any changes to the ARO in the future will be treated as a change in estimate, presented prospectively. Management are required to re-evaluate this estimate annually to ensure accurate financial reporting.

Looking ahead, in subsequent periods, continued effective communication between operations and finance will be important to ensure that the ARO recorded in the Township’s financial statements remains complete and accurate.



Advanced technologies

Our KPMG Clara Journal Entry Analysis Tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focuses our audit effort on journal entries that are riskier in nature.



Click to learn more

Other audit risks and results (continued)



Financial Instruments

Background

In fiscal 2023, the Township adopted the following standards concurrently beginning January 1, 2023 on a prospective basis:

- PS 1201 Financial Statement Presentation;
- PS 2601 Foreign Currency Translation;
- PS 3041 Portfolio Investments; and
- PS 3450 Financial Instruments.

Management performed an assessment of the impact of the new accounting standards and concluded there was not a significant impact.

Our response

- We obtained an understanding of the activities performed by management to identify financial instruments and ensure compliance with the new standards.
- We ensured appropriate disclosures have been made in the financial statements for the adoption of the new accounting standards, including related financial risk and concentration of risk disclosures (see note 15).

Findings

Based on the information provided and the audit procedures performed, we concur with Management’s presentation and disclosure related to the implementation of these new standards in the Township’s financial statements for the year ended December 31, 2023.

Audit misstatements

As noted previously in our report, materiality for fiscal 2023 was set at \$225,000 which translated into an audit misstatement posting threshold of \$11,250. As such, all misstatements identified during the audit greater than \$11,250 have been recorded on our summary of adjustments and differences.

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and Council that all identified adjustments or differences be corrected, if any.



Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
- This includes the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements—individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management’s representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor’s report.



Impact of corrected misstatements

- We did not identify any misstatements in the current year.



Individually significant uncorrected audit misstatements

Uncorrected audit misstatements greater than \$11,250 individually:

Description of individually significant misstatements	Annual surplus effect	Financial position		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Municipal Equity (Decrease) Increase
To adjust OPP 2023 reconciliation costs	(13,901)	-	13,901	(13,901)
Total uncorrected misstatements (see Management Representation Letter)	(13,901)	-	13,901	(13,901)

Control deficiencies

Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to the Township's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting



A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance. **We have not identified a significant deficiency in internal control over financial reporting. Other observations have been brought to the attention of management.**

Other financial reporting matters

We also highlight the following:




Financial statement presentation - form, arrangement, and content



The presentation and disclosure in the financial statements is in accordance with the required standards as disclosed in the notes to the financial statements.


Through the course of the audit, KPMG provided support to management on required disclosures in accordance with the financial reporting framework, along with the adoption of the new accounting standards in 2023.



Concerns regarding application of new accounting pronouncements



See [Appendix 3: Upcoming changes to accounting standards](#) for Public Sector Accounting Standards Board developments.



Significant qualitative aspects of financial statement presentation and disclosure



No matters to report.

Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud	No matters to report
Other information in documents containing the audited financial statements	Not applicable.
Significant difficulties encountered during the audit	No matters to report
Difficult or contentious matters for which the auditor consulted	No matters to report
Management’s consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Related parties	No matters to report
Significant issues in connection with our appointment or retention	No matters to report
Other matters that are relevant matters of governance interest	No matters to report

Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code¹ and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:



Dedicated ethics & independence partners



Process for reporting breaches of professional standards and policy, and documented disciplinary policy



Ethics, independence and integrity training for all staff



International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest



Operating policies, procedures and guidance contained in our quality & risk management manual



Mandated procedures for evaluating independence of prospective audit clients



Restricted investments and relationships



Annual ethics and independence confirmation for staff

Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.



¹ International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)

Appendices

1

Required communications

2

Audit quality

3

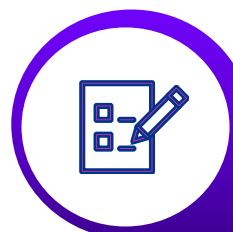
New and upcoming standards

4

Audit and assurance insights



Appendix 1: Other required communications



Engagement terms

An engagement letter was provided to management for fiscal 2023.



Auditor's report

The conclusion of our audit is set out in our draft auditors' report as attached.



Representations of management

In accordance with professional standards, we will obtain certain representations from management upon approval of the financial statements.



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)

Appendix 1a: Draft auditor's report

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 debt 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 consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the 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.

Appendix 1a: Draft auditor's report (continued)

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.

Appendix 1a: Draft auditor's report (continued)

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

Appendix 2: Audit quality - How do we deliver audit quality?

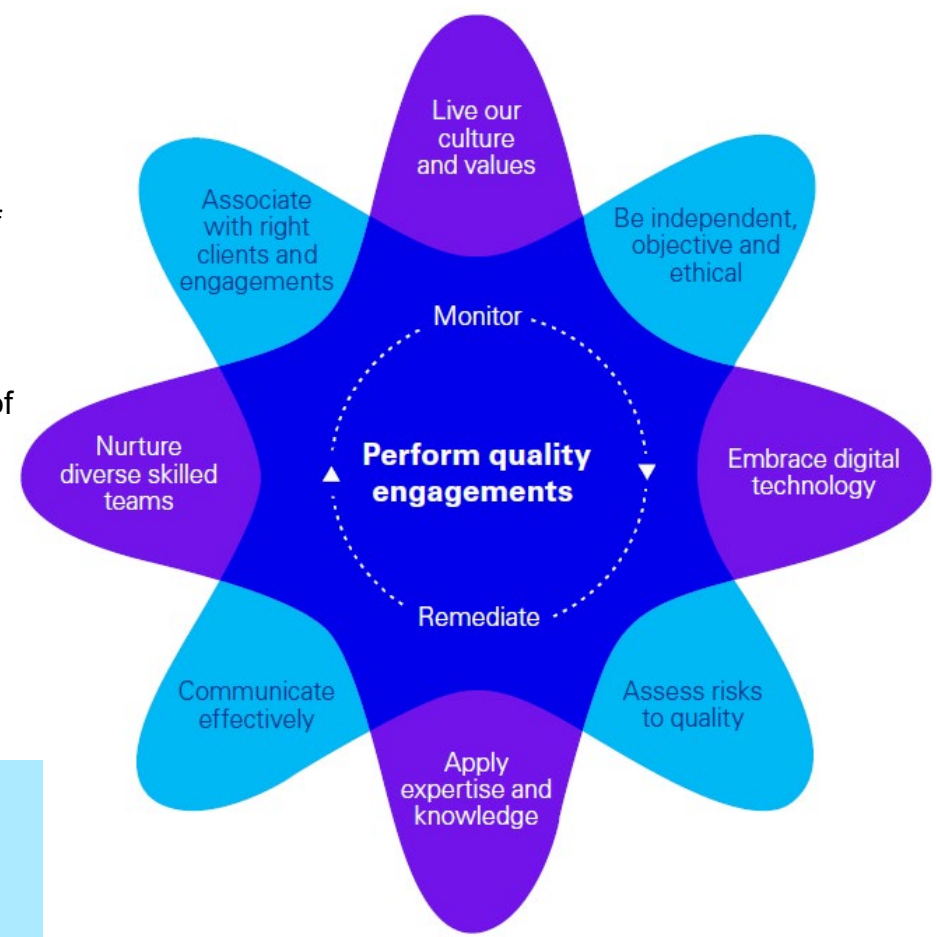
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm’s Statement on the Effectiveness of our SoQM.

[▶ KPMG 2023 Audit Quality and Transparency Report](#)

We define ‘audit quality’ as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.

Appendix 2: Audit quality - audit quality indicators (AQIs)

The objective of these measures is to provide Council and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.

Audit team composition ●

- Experience, commitment and knowledge of the broader public sector
- A combination of continuity and fresh perspectives
- Access to specialist resources with public sector experience

Technology in the audit ●

- Increase in use of technology in the audit year over year
- Use of secure KPMG portal for transfer of electronic documents

Independence ●

- We will not put ourselves in a situation where we would audit our own work.
- We apply the most rigorous standards to our professional services in order to ensure our continued independence in our role.

Client preparedness ●

- There was a delay in the completion of the audit fieldwork as we worked through the new accounting standards for the current fiscal year along with audit adjustments identified through the course of our work.

Council ●

- Council members participate fully in the discussion with auditors
- KPMG provides current industry trends and updates to accounting and audit standards

- Nothing to report
- Some matters to report
- Specific matters to report

Appendix 3: Upcoming changes to accounting standards

Accounting changes

Newly effective accounting standards

→ The amendments to PS 3400, *Revenue*, become effective for this year end (fiscal years beginning on or after April 1, 2023).

- The standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.
- The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Newly effective accounting standards

→ PS 3160, *Public Private Partnerships (“P3s”)* becomes effective for this year end (fiscal years beginning on or after April 1, 2023).

- This standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard may be applied retroactively or prospectively.
- The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.
- The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.

Newly effective accounting standards

→ PSG-8, *Purchased Intangibles*, becomes effective for this year end (fiscal years beginning on or after April 1, 2023).

- The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.
- Narrow scope amendments were made to PS 1000 Financial statement concepts to remove the prohibition to recognize purchased intangibles and to PS 1201 Financial statement presentation to remove the requirement to disclose purchased intangibles not recognized.
- The guideline can be applied retroactively or prospectively.



Appendix 4: Audit and assurance insights

Our latest thinking on the issues that matter most to Councils and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2024

The key issues driving the audit committee agenda in 2024.

Momentum

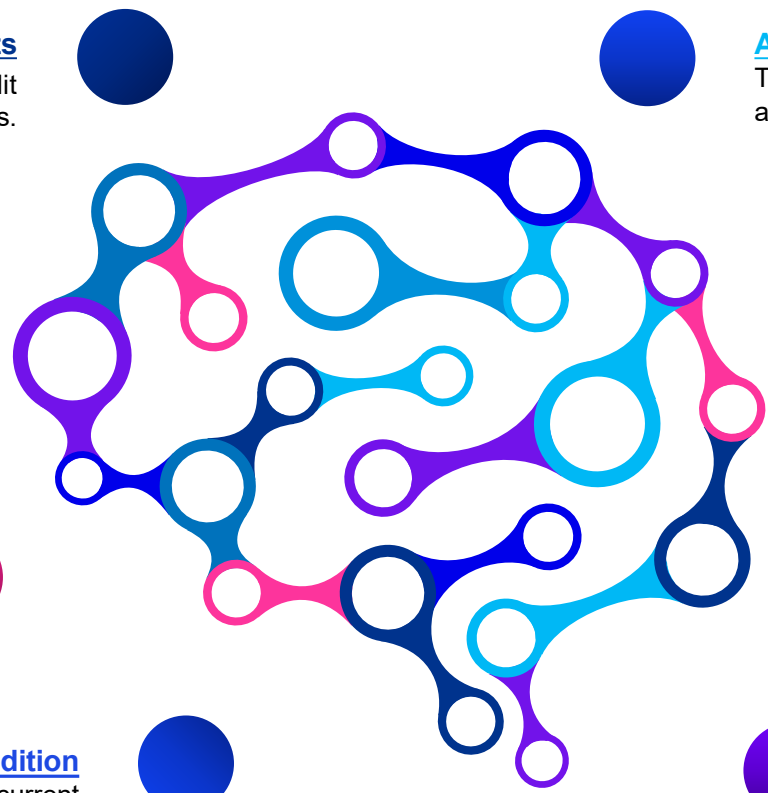
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

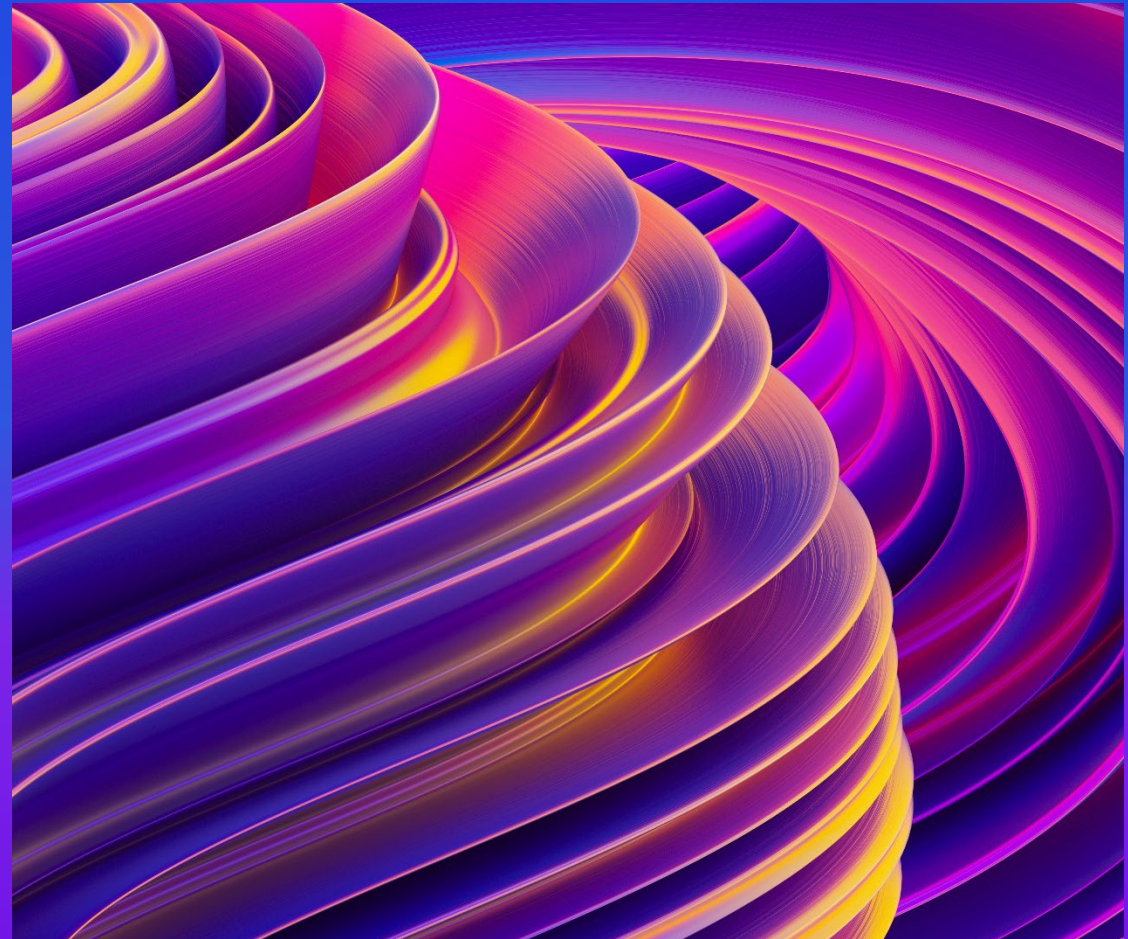
A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.





<https://kpmg.com/ca/en/home.html>

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Consolidated Financial Statements of

**THE CORPORATION OF
TAY VALLEY TOWNSHIP**

And Independent Auditor's Report thereon

Year ended December 31, 2023

DRAFT

THE CORPORATION OF TAY VALLEY TOWNSHIP

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Corporation of Tay Valley Township (the "Township") are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of consolidated financial statements. These systems are monitored and evaluated by management.

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

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

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

Ashley Liznick, CPA, CA
Treasurer

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
	<hr/> 10,112,760	<hr/> 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
	<hr/> 6,029,081	<hr/> 6,705,173
Net financial assets	<hr/> 4,083,679	<hr/> 3,220,791
Non-financial assets:		
Tangible capital assets (note 13)	19,597,569	18,461,039
Inventories	117,718	126,632
	<hr/> 19,715,287	<hr/> 18,587,671
Commitments (note 11)		
Contingent liabilities (note 12)		
Accumulated municipal equity (note 6)	<hr/> \$ 23,798,966	<hr/> \$ 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

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

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

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

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Consolidated Statement of Operations in the year of disposal.

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Consolidated Statement of Operations.

(e) Inventories:

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

(f) Employee future benefit obligations:

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

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

(g) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

	Level	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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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
	<u>\$ 1,982,037</u>	<u>\$ 2,064,538</u>

- (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
	<u>\$ 1,982,037</u>

- (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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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

THE CORPORATION OF TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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.

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THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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 asset:	(106)	-	-	-	-	-	-	(106)
Total revenue	7,442,827	297,348	521,969	265,719	100,944	332,722	133,704	9,095,233
Expenses:								
Salaries, wages and employee benefits	974,213	474,113	590,045	277,667	-	180,046	162,111	2,658,195
Debenture debt interest	84,201	-	-	-	-	-	470	84,671
Materials and services	487,671	1,349,406	1,117,374	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

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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.

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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).

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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.

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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).

THE CORPORATION OF THE TAY VALLEY TOWNSHIP

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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.

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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

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THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds
Notes to Financial Statements

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

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).

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

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.

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

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).

THE CORPORATION OF TAY VALLEY TOWNSHIP

Trust Funds

Notes to Financial Statements (continued)

Year ended December 31, 2023

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).

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