

THE CORPORATION OF LOYALIST TOWNSHIP

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

DECEMBER 31, 2021

THE CORPORATION OF LOYALIST TOWNSHIP

Management's Responsibility for the Financial Statements	1
Independent Auditor's Report	2
Statement of Financial Position	5
Statement of Operations and Accumulated Surplus	6
Statement of Change in Net Financial Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

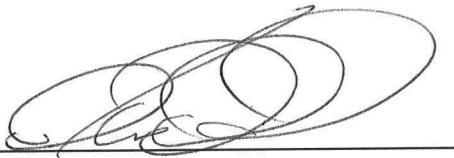
Management's Responsibility for the Financial Statements

The accompanying financial statements of the Corporation of Loyalist 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 the significant accounting policies is contained in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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



Chief Administrative Officer



Treasurer



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
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INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of The Corporation of Loyalist Township (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 10, 2021.



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Kingston, Canada
May 9, 2022

THE CORPORATION OF LOYALIST TOWNSHIP
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash - Note 4	\$ 29,933,128	\$ 20,343,719
Investment - Note 5	3,005,619	4,025,644
Taxes receivable	1,854,729	2,762,523
Accounts receivable	4,034,413	6,878,146
Utilities receivable	1,409,940	1,418,622
Land held for resale	1,140,813	1,155,627
Other assets	39,120	38,771
TOTAL FINANCIAL ASSETS	41,417,762	36,623,052
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	8,435,139	7,346,489
Deferred revenue - Note 10	351,925	342,545
Deferred revenue - obligatory reserve funds - Note 10	4,873,273	4,512,898
Employee benefits payable - Note 8	2,151,616	2,047,023
Landfill closure and post-closure liability - Note 11	2,657,279	2,371,483
Contaminated sites liability	200,000	200,000
Long-term debt - Note 12	10,156,106	11,427,672
TOTAL FINANCIAL LIABILITIES	28,825,338	28,248,110
NET FINANCIAL ASSETS	12,592,424	8,374,942
NON-FINANCIAL ASSETS		
Tangible capital assets - Note 16	173,612,174	162,432,873
Inventory	133,781	89,515
Prepaid expenses	570,392	528,905
	174,316,347	163,051,293
ACCUMULATED SURPLUS - Note 13	\$ 186,908,771	\$ 171,426,235
COMMITMENTS - Note 9		
CONTINGENT LIABILITIES - Note 18		

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

THE CORPORATION OF LOYALIST TOWNSHIP
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note 17 Budget 2021	Actual 2021	Actual 2020
	<u>2021</u>	<u>2021</u>	<u>2020</u>
REVENUE			
Municipal taxation	\$ 17,932,300	\$ 17,947,439	\$ 17,246,920
Taxation from other governments	1,461,100	1,220,206	1,444,518
User charges	14,645,200	14,812,560	13,763,911
Government transfers			
Government of Canada	62,000	110,906	19,805
Province of Ontario	3,333,700	3,357,029	3,574,578
Investment income	128,700	217,637	250,124
Deferred revenue earned	850,800	458,727	130,847
Interest and penalties on taxes	325,000	275,452	374,106
Donations	54,600	23,001	11,898
Other	688,600	914,921	1,601,510
	<u>39,482,000</u>	<u>39,337,878</u>	<u>38,418,217</u>
EXPENDITURES - Note 15			
General government	3,899,800	3,566,950	3,381,369
Protection services	6,048,800	5,900,890	5,677,481
Transportation services	11,415,900	9,754,673	9,229,644
Environmental services	9,838,400	9,549,282	10,271,680
Recreation and cultural services	4,195,600	3,274,435	3,149,225
Planning and development	1,630,800	1,334,159	1,946,239
Health Services/Cemeteries	58,500	31,320	36,652
	<u>37,087,800</u>	<u>33,411,709</u>	<u>33,692,290</u>
NET REVENUE	<u>2,394,200</u>	<u>5,926,169</u>	<u>4,725,927</u>
OTHER INCOME AND EXPENSES RELATED TO CAPITAL			
Contributed tangible capital assets	-	6,913,424	1,169,196
Government transfers			
Government of Canada	176,700	90,486	-
Province of Ontario	1,561,700	1,324,483	1,643,342
User charges	322,300	570,462	3,015,548
Deferred revenue earned	1,764,100	1,020,210	1,002,835
Donations	-	-	7,400
Loss on disposal of tangible capital assets	-	(362,698)	(103,141)
	<u>3,824,800</u>	<u>9,556,367</u>	<u>6,735,180</u>
ANNUAL SURPLUS	<u>\$ 6,219,000</u>	<u>\$ 15,482,536</u>	<u>\$ 11,461,107</u>
ACCUMULATED SURPLUS - beginning of year	171,426,235	171,426,235	159,965,128
ACCUMULATED SURPLUS - end of year	<u>\$ 177,645,235</u>	<u>\$ 186,908,771</u>	<u>\$ 171,426,235</u>

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

THE CORPORATION OF LOYALIST TOWNSHIP
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note 17 Budget 2021	Actual 2021	Actual 2020
	<u>2021</u>	<u>2021</u>	<u>2020</u>
ANNUAL SURPLUS	\$ 6,219,000	\$ 15,482,536	\$ 11,461,107
Amortization of tangible capital assets	5,546,000	5,572,098	5,087,691
Net acquisitions of tangible capital assets	(17,165,400)	(10,217,341)	(11,439,737)
Contributed tangible capital assets	-	(6,913,424)	(1,169,196)
Loss on disposal of tangible capital assets	-	362,698	103,141
Proceeds on disposal of tangible capital assets	-	16,668	1,195
Change in inventories and prepaid	-	(85,753)	(150,162)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(5,400,400)</u>	<u>4,217,482</u>	<u>3,894,039</u>
Net financial assets - beginning of year	<u>8,374,942</u>	<u>8,374,942</u>	<u>4,480,903</u>
NET FINANCIAL ASSETS - end of year	<u>\$ 2,974,542</u>	<u>\$ 12,592,424</u>	<u>\$ 8,374,942</u>

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

THE CORPORATION OF LOYALIST TOWNSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
OPERATING TRANSACTIONS		
Annual surplus	\$ 15,482,536	\$ 11,461,107
Item not requiring cash:		
Loss on disposal of tangible capital assets	362,698	103,141
Amortization of tangible capital assets	5,572,098	5,087,691
Contributed tangible capital assets	(6,913,424)	(1,169,196)
Change in employee benefits payable	104,593	118,289
Change in landfill closure and post-closure liability	<u>285,796</u>	<u>888,666</u>
	<u>14,894,297</u>	<u>16,489,698</u>
Changes in non-financial assets		
Inventory	(44,266)	(9,983)
Prepaid expenses	<u>(41,487)</u>	<u>(140,179)</u>
	<u>(85,753)</u>	<u>(150,162)</u>
Changes in non-cash assets and liabilities		
Taxes receivable	907,794	(132,353)
Accounts receivable	2,843,733	(4,181,713)
Utilities receivable	8,682	(151,058)
Land held for resale	14,814	558,229
Other assets	(349)	(270)
Accounts payable and accrued liabilities	1,088,650	962,199
Deferred revenue	9,380	146,112
Deferred revenue - obligatory reserve funds	<u>360,375</u>	<u>493,131</u>
	<u>5,233,079</u>	<u>(2,305,723)</u>
Net change in cash from operating transactions	<u>20,041,623</u>	<u>14,033,813</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(8,221,486)	(6,425,578)
Proceeds on disposal of tangible capital assets	16,668	1,195
Cash used to acquire assets under construction	<u>(1,995,855)</u>	<u>(5,014,159)</u>
Net change in cash from capital transactions	<u>(10,200,673)</u>	<u>(11,438,542)</u>
INVESTING TRANSACTIONS		
Investment in investments	(3,005,619)	(4,025,644)
Redemption of investments	<u>4,025,644</u>	<u>-</u>
Net change in cash from investing transactions	<u>1,020,025</u>	<u>(4,025,644)</u>
FINANCING TRANSACTIONS		
Repayment of long-term debt	<u>(1,271,566)</u>	<u>(1,289,260)</u>
Net change in cash from financing transactions	<u>(1,271,566)</u>	<u>(1,289,260)</u>
Net increase (decrease) in CASH	9,589,409	(2,719,633)
CASH - beginning of the year	<u>20,343,719</u>	<u>23,063,352</u>
CASH - end of the year	<u>\$ 29,933,128</u>	<u>\$ 20,343,719</u>

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

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Corporation of Loyalist Township (the "Township") are the representation of management prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant aspects of the accounting policies adopted by the Township are as follows:

a) Basis of consolidation:

i) Accounting for County and School Board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the School Boards and the County of Lennox and Addington ("the County") are not reflected in the municipal fund balances of these financial statements as the School Board and County are separate entities and the Township does not control or have any involvement in the operation of these entities.

ii) Trust Funds:

Trust funds and their related operations administered by the Township are not consolidated but are reported separately on the "Trust Funds Statement of Continuity and Statement of Financial Position".

b) Basis of accounting:

The Township follows the accrual method of accounting for revenue and expenses. Revenue is normally recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

c) Employee benefit obligations:

The Township accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service period of active employees.

Contributions to the multi-employer defined benefit retirement plan are expensed when due.

d) Contaminated sites liability:

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites when contamination exceeding an environmental standard exists, the Township is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2021.

At each financial reporting date, the Township reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Township continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Landfill closure and post-closure liabilities:

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

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

f) Deferred revenue:

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

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

g) 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. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, fair value of contributed assets, employee benefit obligations, useful lives of tangible capital assets, contaminated sites liability, and landfill closure and post-closure liability.

Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

h) Government transfers:

Government transfers are the transfer of monetary assets or tangible capital assets from other levels of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future.

The Township receives government transfers from the federal and provincial governments to fund operating and capital expenditures. These transfers to the Township are recognized as revenues when the transfers are authorized and all of the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the Township to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The transfers made by the Township are in the form of a grant to the recipient.

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Property taxation:

Annually, the Township bills and collects property tax revenues for lower and upper tier municipal purposes and for education purposes. Tax revenues are based on market value assessments as determined by the Municipal Property Assessment Corporation (MPAC) and annually established tax rates. Lower tier municipal tax rates are set each year by Township Council to raise the tax revenue required to meet the Township's budget requirements. Upper tier municipal tax rates are established by the County and tax rates for school purposes are established by the Province of Ontario. Upper tier and education taxes collected are remitted to the County and the Province and are excluded from revenues and expenses in the Statement of Operations and Accumulated Surplus (see note 13).

A provision for uncollectible taxes has been recorded for potential losses on assessment appeals or other possible uncollectible taxes receivable outstanding at December 31, 2021 in the amount of \$841,145 (2020 - \$521,516). This provision reduces overall taxes receivable and reduces the Township's revenue from property taxation. The impact of the reduction on the County and Education share of taxes is set up as amounts recoverable from those entities.

j) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvement to prepare the land for sale or servicing.

k) Non-financial assets:

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.

i) *Tangible capital assets*

Tangible capital assets are recorded at cost, which includes 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 life as follows:

Land improvements	15 to 30 years
Buildings and building improvements	10 to 80 years
Bridges and other structures	20 to 60 years
Fleet	5 to 20 years
Furniture, fixtures, and equipment	5 to 10 years
Information technology hardware and software	3 to 10 years
Machinery and equipment	5 to 25 years
Water infrastructure	5 to 80 years
Wastewater infrastructure	5 to 80 years
Storm water infrastructure	30 to 80 years
Roads infrastructure	8 to 60 years

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Non-financial assets (continued):

i) *Tangible capital assets (continued)*

Amortization is charged from the date the asset is put into use until such time it is disposed of or the end of its estimated useful life. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Township has a capitalization threshold so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

The estimated useful lives, residual values and amortization method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

ii) *Contribution of tangible capital assets*

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

iii) *Works of art and cultural and historic assets*

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

iv) *Interest capitalization*

Borrowing costs incurred for the acquisition or construction of an asset may be capitalized as part of the cost of that asset. Capitalization of interest costs will cease when the asset is ready for its intended use.

iv) *Inventories of supplies*

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

l) Financial instruments:

The Township initially measures its financial assets and liabilities at fair value, except certain non-arm's length transactions. Change in fair value are recognized in accumulated surplus. The Township subsequently measures all financial assets and liabilities at amortized cost.

m) Investment:

Investments are reported at amortized cost less any write-downs associated with a loss in value that is other than a temporary decline. Investments may consist of guaranteed investment certificates or bonds with a maturity of more than three months at acquisition.

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. OPERATION OF SCHOOL BOARDS AND THE COUNTY

During the year, requisitions were made by the School Boards and the County requesting the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	2021	2020
School Boards	\$ 4,147,006	\$ 4,434,287
County	11,937,942	11,365,986
	\$ 16,084,948	\$ 15,800,273

3. TRUST FUNDS

Trust funds administered by the Township, amounting to \$199,553 (2020 - \$97,963), have not been included in the "Statement of Financial Position" nor have their operations been included in the "Statement of Operations and Accumulated Surplus". These trust funds are reported separately on the Trust Funds Statement of Continuity and Trust Funds Statement of Financial Position.

4. CASH

Cash on hand consists of the following:

	2021	2020
Unappropriated cash and reserves	\$ 3,644,746	\$ 531,146
Development Charges Reserve Fund	2,465,572	2,006,099
Other Obligatory Reserve Funds	2,407,701	2,506,799
Discretionary Reserve Funds	4,731,291	3,357,638
Discretionary Reserve Funds: Special Area	9,488,888	8,334,628
Contingency Reserve Fund	262,756	250,963
Asset Replacement/Management Reserve Funds	6,932,174	3,356,446
	\$ 29,933,128	\$ 20,343,719

5. INVESTMENT

Investment consists of the following:

	2021	2020
Guaranteed Investment Certificate, matured June 2021	\$ -	\$ 4,025,644
Bonds, maturing April 2028	\$ 3,005,619	\$ -
	\$ 3,005,619	\$ 4,025,644

6. BANK INDEBTEDNESS

The Township's financial agreement with its bank provides for an operating credit facility of up to \$5,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds is charged at the bank's prime rate. As at December 31, 2021 amount drawn is Nil (2020 - Nil).

7. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 151 (2020 - 144) 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.

The amount contributed to OMERS for current service in 2021 was \$976,781 (2020 - \$958,349). The Township also made contributions to Registered Retirement Savings Plans on behalf of five (2020 - two) members of its staff. The amount contributed to these plans for the year was \$7,700 (2020 - \$6,800).

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

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

8. EMPLOYEE BENEFITS PAYABLE

Employee benefit obligations of the Township as at December 31 are as follows:

	2021	2020
Non-pension retirement benefits	\$ 417,538	\$ 401,209
Workplace Safety and Insurance Board obligations	1,734,078	1,645,814
	2,151,616	2,047,023
Amounts to be recovered from reserve funds	(262,756)	(250,963)
Amounts to be recovered from future revenue	\$ 1,888,860	\$ 1,796,060

a) *Employee non-pension retirement benefits (Extended health care and dental benefits for early retirees):*

The Township provides extended health care, dental and other benefits to its employees. Extended health care and dental benefits continue to be available to qualifying early retirees up to the age of 65, with the retiree generally being responsible for paying 50% of the benefit premiums.

An independent actuarial study of the employee non-pension retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed at December 31, 2019.

The accrued benefit obligation relating to employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, the accrued benefit obligation was \$581,488 (2020 - \$594,668).

Actuarial gains and losses are amortized over the expected average remaining service life of the employees, which is estimated to be 15 years (2020 – 15 years).

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligation are as follows:

Discount rate	3.50% per annum
Inflation rate	1.75% per annum
Salary escalation	2.75% per annum
Dental benefits escalation	3.75% per annum
Health benefits escalation	6.42% per annum*

*reducing 0.3333% per annum to reach 3.75% in 2029.

Information with respect to the Township's non-pension retirement obligations is as follows:

	2021	2020
Accrued benefit liability, beginning of the year	\$ 401,209	\$ 379,398
Expense recognized for the year	16,901	16,009
Interest cost	20,229	20,588
Benefits paid for the year	(50,310)	(44,302)
Amortization of loss	29,509	29,516
Accrued benefit liability, end of year	\$ 417,538	\$ 401,209

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

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

8. EMPLOYEE BENEFITS PAYABLE (continued)

The accrued benefit liability includes the following components:

	2021	2020
Accrued benefit obligation	\$ 581,488	\$ 594,668
Unamortized actuarial loss	(163,950)	(193,459)
Accrued benefit liability, end of year	\$ 417,538	\$ 401,209

b) Workplace Safety & Insurance Board Act:

In common with other Schedule 2 employers, the Township funds its obligations to the Workplace Safety and Insurance Board on a “pay-as-you-go” basis for employees under Schedule 2. The most recent valuation of this obligation was completed at December 31, 2019.

At December 31, the Township’s accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$1,760,527 (2020 - \$1,671,311).

Actuarial gains and losses are amortized over the expected average remaining service life of the employees, which is estimated to be 14 years (2020 – 14 years).

The significant actuarial assumptions adopted in estimating the Township's accrued benefit obligations are as follows:

Discount rate	3.50% per annum
Loss of earnings	1.00% per annum
Administration costs	28% of benefit costs

Information with respect to the Township’s Workplace Safety and Insurance Board future payments, as determined by actuarial valuation, is as follows:

	2021	2020
Accrued benefit liability, beginning of the year	\$ 1,645,814	\$ 1,549,336
Expense recognized for the year	150,440	146,354
Interest cost	59,024	55,868
Benefits paid for the year	(120,248)	(107,917)
Amortization of loss (gain)	(952)	2,173
Accrued benefit liability, end of year	\$ 1,734,078	\$ 1,645,814

The accrued benefit liability at December 31 includes the following components:

	2021	2020
Accrued benefit obligation	\$ 1,760,527	\$ 1,671,311
Unamortized actuarial loss	(26,449)	(25,497)
Accrued benefit liability, end of year	\$ 1,734,078	\$ 1,645,814

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

9. COMMITMENTS

- (a) In July 2020, the Township awarded a two-year contract extension to Waste Connections of Canada for garbage collection services. Costs are expected to be approximately \$330,000 in 2022 (\$313,000 in 2021) and are financed out of operating revenue.
- (b) In July 2020, the Township awarded a three-year contract to Waste Connections of Canada for recycling collection services. Costs are expected to be approximately \$525,000 in 2022 (\$483,000 in 2021) and are financed out of operating revenue.
- (c) In August 2019, the Township extended its transit services agreement for five years with the City of Kingston, ending in July 2024. Costs are expected to be approximately \$628,000 in 2022 (\$608,300 in 2021) with an hourly rate of \$99 (\$95.68 in 2021) and capital cost of \$49,891 (\$48,218 in 2021) beginning on January 1, 2022 for 115 hours per week and the use of a single bus.
- (d) Police services are provided by the Ontario Provincial Police on a non-contract basis as Council opted to migrate from a section 10 municipality requiring a contract, to a section 5 municipality which does not require a contract. The new billing model for police services includes two components. Base policing costs are invoiced for items such as crime prevention, proactive policing, officer training and administrative duties and will make up approximately 51% of the invoice. The second component is for reactive calls for service making up the remaining 49%. The Township has budgeted \$2,513,300 in 2022 (\$2,535,400 in 2021).
- (e) In February 2020, the Township entered into a five-year lease agreement with a third-party until January 31, 2025 to rent office space located in Amherstview. Lease payments include a minimum annual lease payment plus operating costs and property taxes estimated by the lessor at the beginning of each year. In 2022, these additional costs amount to \$60,000 (\$57,700 in 2021). Minimum lease payments are as follows:

2022	\$	100,618
2023		101,220
2024		101,220
2025		<u>8,435</u>
Total	\$	<u>311,493</u>

- (f) Material capital commitments of \$1,209,000 in 2022 (\$978,000 in 2021) are not reflected in the financial statements. This amount, for which funding is in place, represents uncompleted portions of contracts signed as of the date of these financial statements on major projects and estimated obligations under various agreements.
- (g) In February 2022, the Township entered into a one-year pilot project with Enterprise Fleet Management Canada for the leasing of 16 light-duty vehicles with varying lease terms of 24 to 60 months including the disposal of surplus vehicles. It is expected that the minimum annual leasing costs including maintenance will be approximately:

2022	\$	182,000
2023		182,000
2024		24,000
2025		24,000
2026		<u>24,000</u>
Total	\$	<u>436,000</u>

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

10. DEFERRED REVENUE

A requirement of Canadian Public Sector Accounting Standards (PSAS) is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as federal, provincial and municipal legislation restricts how these funds may be used. To the extent that receipts of provincial gas tax and the Canada Community Building funds are applied in the year, the receipt has been reported as a Provincial or Federal grant, as applicable. Receipts in the year over and above utilization are added to deferred revenue. The balances in the obligatory reserve funds of the Township are summarized below. The balance of deferred revenue consists of the following:

	Balance Beginning of the year	Additions	Transferred to Income	Balance End of the year
Externally restricted				
Development charges	\$ 2,006,099	\$ 905,990	\$ 446,517	\$ 2,465,572
Canada Community Building Fund	1,378,324	1,069,402	922,332	1,525,394
Provincial gas tax	415,233	189,850	110,088	494,995
Building rate stabilization	119	1	-	120
Parkland	79,460	143,565	-	223,025
Ontario Community Infrastructure Fund	633,663	759,392	1,305,734	87,321
Other	-	76,846	-	76,846
	<u>4,512,898</u>	<u>3,145,046</u>	<u>2,784,671</u>	<u>4,873,273</u>
Other deferred revenue	<u>342,545</u>	<u>343,312</u>	<u>333,932</u>	<u>351,925</u>
	<u>\$ 4,855,443</u>	<u>\$ 3,488,358</u>	<u>\$ 3,118,603</u>	<u>\$ 5,225,198</u>

11. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, ongoing environmental monitoring and site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a fifty-three year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities using an estimated inflation rate of 3% and discounted at the Township's available long-term borrowing rate of 3.4% (2020 - 2.7%). The estimated total landfill closure and post-closure care expenses are calculated to be \$3,419,558 (2020 - \$3,098,057). The estimated liability for these expenses is recognized as the landfill site's capacity is used. Included in the Statement of Financial Position at December 31 is an amount of \$2,657,279 (2020 - \$2,371,483) with respect to landfill closure and post-closure liabilities recognized to date.

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

11. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY (continued)

The estimated remaining capacity of the Violet Road landfill site is 19% (174,500 cubic meters) of its total estimated capacity and its estimated minimum life is 21 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Amherst Island Phase 1 landfill site is 29% (7,000 cubic meters) of its total estimated capacity and its estimated anticipated life is 22 years, after which the period for post-closure care is estimated to be 25 years.

The estimated remaining capacity of the Amherst Island Phase 2 landfill site is 43% (4,800 cubic meters) of its total estimated capacity and its estimated anticipated life is 15 years, after which the period for post-closure care is estimated to be 25 years.

The landfill closure and post-closure liability at December 31 is to be recovered as follows:

	2021	2020
Landfill closure and post-closure liability	\$ 2,657,279	\$ 2,371,483
Amounts previously funded from operations	-	(479,800)
Amounts to be recovered from reserve funds	(871,618)	(327,729)
Amounts to be recovered from future revenue	\$ 1,785,661	\$ 1,563,954

12. LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
4.15% Canada Mortgage and Housing Corporation \$924,600 debenture, annual payments of \$84,034 for principal and interest, due May, 2025	\$ 303,960	\$ 372,534
4.06% Infrastructure Ontario \$1,164,300 debenture, semi-annual payments of \$38,810 for principal plus interest, due August, 2025	310,480	388,100
4.35% Infrastructure Ontario \$1,737,400 debenture, semi-annual payments of \$43,435 for principal plus interest, due August, 2030	781,830	868,700
2.95% Infrastructure Ontario \$417,819 debenture, semi-annual payments of \$17,336 for principal and interest, due December, 2031	298,371	323,680
3.24% Infrastructure Ontario \$1,225,555 debenture, semi-annual payments of \$41,870 for principal and interest, due December, 2036	988,635	1,039,113
3.42% Infrastructure Ontario \$1,574,299 debenture, semi-annual payments of \$47,094 for principal and interest due December, 2041	1,356,309	1,402,913
3.28% Infrastructure Ontario \$1,441,335 debenture, semi-annual payments of \$49,420 for principal and interest, due September, 2037	1,222,845	1,280,161
3.42% Infrastructure Ontario \$1,494,830 debenture, semi-annual payments of \$44,717 for principal and interest, due September, 2042	1,332,096	1,374,871

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

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

12. LONG-TERM DEBT (continued)

2.5% Toronto Dominion \$1,399,047 bank loan, monthly payments of \$10,513 for principal and interest, due March, 2025	729,544	836,016
2.52% Toronto Dominion \$1,460,558 bank loan, monthly payments of \$16,796 for principal and interest, due March, 2025	1,165,757	1,335,616
2.81% Toronto Dominion \$1,750,000 bank loan, monthly payments of \$11,926 for principal and interest, due January, 2025	1,033,885	1,146,231
2.6% Toronto Dominion \$757,754 bank loan, monthly payments of \$13,482 for principal and interest, due October, 2022	133,269	289,360
3.14% Royal Bank of Canada \$593,240 bank loan, monthly payments of \$6,592 for principal plus interest, discharged May, 2021	-	39,514
2.35% Royal Bank of Canada \$2,063,366 bank loan, monthly payments of \$19,312 for principal plus interest, due March, 2025	<u>499,125</u>	<u>730,863</u>
	<u>\$ 10,156,106</u>	<u>\$ 11,427,672</u>

Principal and interest repayments due within the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,226,328	\$ 319,955
2023	1,113,982	285,192
2024	939,384	251,781
2025	924,412	223,039
2026	785,582	190,884
Thereafter	<u>5,166,418</u>	<u>1,044,452</u>
Total	<u>\$ 10,156,106</u>	<u>\$ 2,315,303</u>

Interest paid during the year amounted to \$342,726 (2020 - \$378,449).

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

13. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2021	2020
<u>Operating surplus (deficit)</u>		
General purpose (applicable to all ratepayers and properties)	\$ 1,164,328	\$ 3,118,200
Building services	(122,088)	(342,861)
Sewer areas	147,395	1,268,636
Water areas	146,969	1,050,302
Ferry	-	(211,729)
	<u>1,336,604</u>	<u>4,882,548</u>
<u>Other surplus (deficit):</u>		
Land held for resale	1,140,813	1,155,627
Landfill closure costs	(2,657,279)	(1,891,683)
Contaminated site liability	(200,000)	(200,000)
Employee benefit obligations	(2,151,616)	(2,047,023)
	<u>(3,868,082)</u>	<u>(2,983,079)</u>
<u>Investment in tangible capital assets:</u>		
Equity in tangible capital assets	173,612,174	162,432,873
Capital costs financed by long-term debt	(10,156,106)	(11,427,672)
Capital costs financed internally	(177,500)	(281,000)
Capital costs not yet funded	(2,045,223)	(1,646,708)
Unexpended capital financing	2,729,686	2,627,696
	<u>163,963,031</u>	<u>151,705,189</u>
<u>Reserves set aside for specific purposes by Council:</u>		
Tax Rate Stabilization	525,573	-
Utilities User Rate Stabilization	849,673	-
Winter Control	220,000	-
Ferry Operations	171,208	-
Transit Operations	11,688	-
General Fire Department	22,054	-
Fire Training	48,416	-
Working capital	1,511,573	1,839,292
Bath Canada Day	45,734	40,651
Municipal election	52,920	37,920
	<u>3,458,839</u>	<u>1,917,863</u>

THE CORPORATION OF LOYALIST TOWNSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

13. ACCUMULATED SURPLUS (continued)

	2021	2020
<u>Reserve funds set aside for specific purposes by Council:</u>		
General rate		
Landfill Obligations	871,618	327,729
Industrial & Business Parks	353,724	241,447
Ameriks Scholarship	20,181	20,001
Prepaid Local Charges	519,301	517,653
Community Vibrancy Fund	784,393	675,456
Road Use Agreement Fund	261,369	195,058
Community Benefit Agreement Fund	1,893,862	1,358,542
Fire Training Centre	-	47,540
Quarry Rehabilitation	386,321	28,983
Ice Resurfacer	11,772	57,883
Workplace Safety Insurance Board	262,756	250,963
General Capital	3,066,451	2,696,979
Fleet & Equipment Replacement	1,531,113	-
Amherst Island Assets	90,892	90,213
Heritage Preservation	-	-
	<u>10,053,753</u>	<u>6,508,447</u>
Special rate		
Ferry berthage	630,111	625,790
Ferry operations	-	210,317
Transit operations	-	11,652
Sewer Impost Fees	5,443,980	4,709,301
Water Impost Fees	4,044,754	3,403,358
Water & Sewer Capital	1,845,781	434,849
	<u>11,964,626</u>	<u>9,395,267</u>
Total reserves and reserve funds	<u>25,477,218</u>	<u>17,821,577</u>
Total accumulated surplus	<u>\$ 186,908,771</u>	<u>\$ 171,426,235</u>

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

14. SEGMENTED INFORMATION

The Township is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational, environmental and water and sewage. For management reporting purposes, the Township's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

General Government includes corporate services and governance of the Township. As a segment, it includes Council and statutory services, support to Council for policy development, by-law development in compliance with the Municipal Act, overall corporate administration such as human resource management, tax billing and collection responsibilities, financial administration, budget monitoring and reporting, information technology, asset management, as well as frontline reception and customer service.

(b) Protection Services:

(i) Emergency Services include policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Control includes by-law enforcement and dog control services.

(ii) Building Services include building inspection and permits.

(c) Transportation Services:

(i) Roads Services include winter and summer maintenance, repair and construction of the municipal roads system including bridges and culverts, sidewalks, and streetlights. The Township provides operational services on County roads within the Township and recovers the majority of allocated operating costs in accordance with a formula used on a County wide basis.

(ii) Amherst Island Ferry Service includes the management and operation of the Ferry Service between Millhaven dock on the mainland and Stella dock on Amherst Island. This operation is administered in accordance with the terms of an agreement with the Ministry of Transportation which owns the ferry. The Ministry provides a subsidy of nearly 90% of operating costs with the balance of operating revenue coming from fares.

(iii) Amherstview Transit Service includes the delivery of Transit Service within Amherstview under a contractual arrangement with the City of Kingston. A portion of the costs of operating the Transit Service is recovered by a special area rate tax levy applicable to taxpayers falling within the Amherstview Transit Service geographic boundaries with the balance of operating revenue coming from fares and provincial grants.

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

14. SEGMENTED INFORMATION (continued)

(d) Environmental Services:

- (i) Waste and Stormwater Services include solid waste management including administration of waste collection and recycling contracts, operation of two landfill sites within the Township, stormwater management, and the eventual start-up for the operation of the Amherstview Septage Facility.
- (ii) Water Systems include the management and maintenance of water treatment plants in Fairfield and Bath, and distribution services for customers in Amherstview, Odessa, Harewood and Brooklands, Parrott's Bay, Bath and Correctional Services Canada. This self-sustaining segment is supported only by water rates billed to users in each of the serviced areas.
- (iii) Sewer Systems include the management and maintenance of wastewater plants in Loyalist East and Bath, and sanitary sewer services for customers in Amherstview, Odessa, Bath and Correctional Services Canada. This self-sustaining segment is supported only by sewer rates billed to users in the serviced areas.

(e) Recreation and Culture Services:

Recreation and Culture Services contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, the pool and the arena.

(f) Planning and Development Services:

Planning and Development Services manage development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, and the application and enforcement of the zoning by-law and official plan.

(g) Cemeteries

Includes the management of the Township owned cemeteries.

For each segment separately reported, the segment revenue and 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. Segment revenue and expenses are reported in the department to which they are recorded in the Township accounts.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

For detailed segmented reporting, see Schedule B.

15. SUPPLEMENTARY INFORMATION

	2021	2020
Expense by object:		
Salaries, wages and benefits	\$ 14,793,818	\$ 14,217,764
Materials, services, rents and financial expenses	10,276,929	11,610,274
External transfers	2,768,864	2,776,561
Amortization	5,572,098	5,087,691
	\$ 33,411,709	\$ 33,692,290

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

16. TANGIBLE CAPITAL ASSETS

(a) Assets under construction:

Assets under construction having a value of \$5,155,984 (2020 - \$8,049,891) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$6,913,424 (2020 - \$1,169,196) comprised of land in the amount of \$345,000 (2020 - \$Nil), roads and stormwater infrastructure in the amount of \$5,344,370 (2020 - \$778,532), and water and wastewater infrastructure in the amount of \$1,224,054 (2020 - \$390,664).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(d) Works of art and historical treasures

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

For details on tangible capital assets, see Schedule C.

17. BUDGET FIGURES

Capital budgets established by the Township are based on a project oriented basis, the costs of which may be carried out over one or more years. Although they are not directly comparable with current year actual amounts, budget figures have been reflected on the "Statement of Operations". Budget figures have been reclassified for the purpose of these financial statements to comply with PSAS reporting requirements. See Schedule D reconciliation of the financial plan to the budget.

18. CONTINGENT LIABILITIES

In the course of its business, the Township becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. An estimate of the contingency cannot be made since the outcome of these matters cannot be determined at this time. The Township carries liability insurance. Any settlement in excess of amounts which have been recorded in the accounts and insurance coverage will be accounted for as a current transaction in the year of settlement. Contingent environmental liabilities may arise out of existing operations. Such liabilities are different from environmental remediation and solid waste landfill closure and post-closure care liabilities because the liabilities are not determinable, the condition which may give rise to the expenditures are uncertain, and the future expectations of the applicable regulatory authorities are not known. Potential costs that may arise in connection with such liabilities are not included in Township provisions until the source and nature of the obligation become clear and is reasonably estimable.

19. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified in order to conform with the financial statement presentation adopted in the current year.

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

20. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

The following summarizes upcoming changes to PSAS and the effective date of required application based on fiscal periods beginning on or after the following dates, impacting the Township's 2023 year-end. While early adoption is permitted, the adoption of certain standards must be done in the same year.

PS 2601 <i>Foreign currency translation</i>	April 1, 2022
PS 1201 <i>Financial statement presentation</i>	April 1, 2022
PS 3450 <i>Financial instruments</i>	April 1, 2022
PS 3280 <i>Asset retirement obligations</i>	April 1, 2022

SCHEDULE A

**THE CORPORATION OF LOYALIST TOWNSHIP
SCHEDULE OF RESERVES AND RESERVE FUNDS
DECEMBER 31, 2021**

	BALANCE January 1, 2021	CONTRIBUTIONS			TRANSFERS			BALANCE December 31, 2021
		Interest Income	Revenue/ Transfers	Total	To Operations	To Capital	Total	
General Rate Reserve Funds								
Landfill Obligations	\$ 327,729	\$ 3,399	\$ 540,490	\$ 543,889	\$ -	\$ -	\$ -	\$ 871,618
Industrial & Business Parks	241,447	2,072	110,205	112,277	-	-	-	353,724
Ameriks Scholarship	20,001	138	1,000	1,138	958	-	958	20,181
Prepaid Local Charges	517,653	3,569	-	3,569	-	1,921	1,921	519,301
Community Vibrancy Fund	675,456	4,657	104,280	108,937	-	-	-	784,393
Road Use Agreement Fund	195,058	1,206	75,105	76,311	-	10,000	10,000	261,369
Community Benefit Agreement Fund	1,358,542	7,811	527,509	535,320	-	-	-	1,893,862
Fire Training Centre	47,540	188	(47,728)	(47,540)	-	-	-	-
Quarry Rehabilitation	28,983	1,338	356,000	357,338	-	-	-	386,321
Ice Resurfacers	57,883	435	3,454	3,889	-	50,000	50,000	11,772
Workplace Safety Insurance Board	250,963	1,793	10,000	11,793	-	-	-	262,756
General Capital	2,696,979	15,588	353,884	369,472	-	-	-	3,066,451
Fleet & Equipment Replacement	-	5,617	1,694,796	1,700,413	-	169,300	169,300	1,531,113
Amherst Island Assets	90,213	679	-	679	-	-	-	90,892
Heritage Preservation	-	-	-	-	-	-	-	-
	<u>6,508,447</u>	<u>48,490</u>	<u>3,728,995</u>	<u>3,777,485</u>	<u>958</u>	<u>231,221</u>	<u>232,179</u>	<u>10,053,753</u>
Reserves								
Tax Rate Stabilization	-	-	525,573	525,573	-	-	-	525,573
Utilities User Rate Stabilization	-	-	849,673	849,673	-	-	-	849,673
Winter Control	-	-	220,000	220,000	-	-	-	220,000
Ferry Operations	-	-	210,958	210,958	39,750	-	39,750	171,208
Transit Operations	-	-	11,688	11,688	-	-	-	11,688
General Fire Department	-	-	22,054	22,054	-	-	-	22,054
Fire Training	-	-	59,716	59,716	11,300	-	11,300	48,416
Working Capital	1,839,292	-	253,816	253,816	460,732	120,803	581,535	1,511,573
Bath Canada Day	40,651	-	5,083	5,083	-	-	-	45,734
Municipal Election	37,920	-	15,000	15,000	-	-	-	52,920
	<u>1,917,863</u>	<u>-</u>	<u>2,173,561</u>	<u>2,173,561</u>	<u>511,782</u>	<u>120,803</u>	<u>632,585</u>	<u>3,458,839</u>

SCHEDULE A

THE CORPORATION OF LOYALIST TOWNSHIP
 SCHEDULE OF RESERVES AND RESERVE FUNDS
 DECEMBER 31, 2021

	BALANCE January 1, 2021	CONTRIBUTIONS			TRANSFERS			BALANCE December 31, 2021
		Interest Income	Revenue/ Transfers	Total	To Operations	To Capital	Total	
Service Rate Reserve Funds								
Ferry Berthage	625,790	3,616	705	4,321	-	-	-	630,111
Ferry Operations	210,317	641	(210,958)	(210,317)	-	-	-	-
Transit Operations	11,652	35	(11,687)	(11,652)	-	-	-	-
Amherstview Sewer Impost Fees	3,920,754	12,580	(3,933,334)	(3,920,754)	-	-	-	-
Fairfield Water Impost Fees	3,358,934	10,974	(3,369,908)	(3,358,934)	-	-	-	-
Bath Sewer Impost Fees	788,547	2,323	(790,870)	(788,547)	-	-	-	-
Bath Water Impost Fees	44,424	720	(45,144)	(44,424)	-	-	-	-
Water Impost Fees	-	15,702	4,422,631	4,438,333	19,679	373,900	393,579	4,044,754
Sewer Impost Fees	-	20,647	5,444,737	5,465,384	21,404	-	21,404	5,443,980
Equipment Replacement Loyalist East Sewer	190,980	381	(191,361)	(190,980)	-	-	-	-
Equipment Replacement Fairfield Water	188,640	377	(189,017)	(188,640)	-	-	-	-
Equipment Replacement Bath Sewer	36,812	63	(36,875)	(36,812)	-	-	-	-
Equipment Replacement Bath Water	18,417	31	(18,448)	(18,417)	-	-	-	-
Utilities Water Capital	-	2,638	735,917	738,555	-	-	-	738,555
Utilities Sewer Capital	-	4,150	1,103,076	1,107,226	-	-	-	1,107,226
	<u>9,395,267</u>	<u>74,878</u>	<u>2,909,464</u>	<u>2,984,342</u>	<u>41,083</u>	<u>373,900</u>	<u>414,983</u>	<u>11,964,626</u>
Total Reserves and Reserve Funds	<u>\$ 17,821,577</u>	<u>\$ 123,368</u>	<u>\$ 8,812,020</u>	<u>\$ 8,935,388</u>	<u>\$ 553,823</u>	<u>\$ 725,924</u>	<u>\$ 1,279,747</u>	<u>\$ 25,477,218</u>

SCHEDULE B

**THE CORPORATION OF LOYALIST TOWNSHIP
SCHEDULE OF SEGMENTED INFORMATION
DECEMBER 31, 2021**

	General Government	Emergency Services	Roads Services	Waste & Stormwater Services	Cemeteries	Recreation & Culture Services	Planning & Development Services	Water Systems	Sewer Systems	Building Services	Amherst Island Ferry Service	Amherstview Transit Service	Total
Revenue													
Municipal taxation	\$ 3,243,047	\$ 4,731,804	\$ 4,525,535	\$ 1,216,135	\$ -	\$ 2,775,737	\$ 947,649	\$ -	\$ -	\$ -	\$ -	\$ 507,532	\$ 17,947,439
Taxation from other governments	226,904	331,067	316,635	85,089	-	194,208	66,303	-	-	-	-	-	1,220,206
User charges	95,129	160,772	838,681	864,105	6,956	302,889	319,660	6,018,662	4,769,011	905,292	427,712	103,691	14,812,560
Government transfers													
Government of Canada	23,450	17,365	16,608	4,463	-	45,544	3,476	-	-	-	-	-	110,906
Province of Ontario	128,146	188,430	154,215	41,436	-	163,392	32,289	-	-	-	2,614,504	34,617	3,357,029
Investment income	122,740	188	10,357	3,399	-	436	5,642	30,441	40,143	-	4,256	35	217,637
Deferred revenue earned	-	90,198	7,942	5,420	-	-	245,079	-	-	-	-	110,088	458,727
Interest and penalties on taxes	51,222	74,736	71,478	19,208	-	43,841	14,967	-	-	-	-	-	275,452
Donations	1,000	10,000	-	-	-	10,501	1,500	-	-	-	-	-	23,001
Other	633,328	-	75,000	-	-	-	129,182	63,243	14,168	-	-	-	914,921
	<u>4,524,966</u>	<u>5,604,560</u>	<u>6,016,451</u>	<u>2,239,255</u>	<u>6,956</u>	<u>3,536,548</u>	<u>1,765,747</u>	<u>6,112,346</u>	<u>4,823,322</u>	<u>905,292</u>	<u>3,046,472</u>	<u>755,963</u>	<u>39,337,878</u>
Expenditures													
Salaries, wages and benefits	2,599,197	1,511,095	2,732,317	388,661	115	1,979,371	932,809	1,233,924	442,813	562,909	2,314,202	96,405	14,793,818
Interest on long-term debt	162,484	-	-	-	-	-	-	81,152	99,090	-	-	-	342,726
Materials	722,173	416,150	652,749	573,603	1,804	276,614	286,554	526,507	441,931	27,480	668,654	5,754	4,599,973
Contracted services	806,207	128,138	349,306	830,935	29,401	659,288	83,122	433,495	1,075,920	530	133,992	617,369	5,147,703
Rent and financial expenses	177,292	-	-	355	-	6,977	-	-	-	-	1,903	-	186,527
External transfers	1,249	2,752,616	-	1,325	-	10,800	2,874	-	-	-	-	-	2,768,864
Interfunctional adjustments	(1,158,800)	11,489	(76,300)	(10,882)	-	19,539	28,800	102,475	769,279	83,600	194,400	36,400	-
Amortization	257,148	406,883	2,025,389	382,033	-	321,846	-	1,255,061	921,605	-	-	2,133	5,572,098
	<u>3,566,950</u>	<u>5,226,371</u>	<u>5,683,461</u>	<u>2,166,030</u>	<u>31,320</u>	<u>3,274,435</u>	<u>1,334,159</u>	<u>3,632,614</u>	<u>3,750,638</u>	<u>674,519</u>	<u>3,313,151</u>	<u>758,061</u>	<u>33,411,709</u>
NET REVENUE (EXPENDITURES)	<u>958,016</u>	<u>378,189</u>	<u>332,990</u>	<u>73,225</u>	<u>(24,364)</u>	<u>262,113</u>	<u>431,588</u>	<u>2,479,732</u>	<u>1,072,684</u>	<u>230,773</u>	<u>(266,679)</u>	<u>(2,098)</u>	<u>5,926,169</u>
Capital Revenue													
Contributed tangible capital assets	345,000	-	952,355	4,392,014	-	-	-	432,804	791,251	-	-	-	6,913,424
Government transfers													
Government of Canada	-	-	-	-	-	90,486	-	-	-	-	-	-	90,486
Government of Ontario	18,749	-	1,305,734	-	-	-	-	-	-	-	-	-	1,324,483
User charges	9,274	-	-	25,669	-	-	-	499,592	35,927	-	-	-	570,462
Deferred revenue earned	-	-	931,373	88,837	-	-	-	-	-	-	-	-	1,020,210
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal	-	(43,951)	(15,356)	(1,301)	-	-	-	(302,090)	-	-	-	-	(362,698)
	<u>373,023</u>	<u>(43,951)</u>	<u>3,174,106</u>	<u>4,505,219</u>	<u>-</u>	<u>90,486</u>	<u>-</u>	<u>630,306</u>	<u>827,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,556,367</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 1,331,039</u>	<u>\$ 334,238</u>	<u>\$ 3,507,096</u>	<u>\$ 4,578,444</u>	<u>\$ (24,364)</u>	<u>\$ 352,599</u>	<u>\$ 431,588</u>	<u>\$ 3,110,038</u>	<u>\$ 1,899,862</u>	<u>\$ 230,773</u>	<u>\$ (266,679)</u>	<u>\$ (2,098)</u>	<u>\$ 15,482,536</u>

THE CORPORATION OF LOYALIST TOWNSHIP
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION
DECEMBER 31, 2021

	GENERAL							INFRASTRUCTURE					TOTALS	
	Land	Land Improvements	Building and Building Improvements	Fleet	Furniture, Fixtures and Equipment	Machinery and Equipment	Information Technology Hardware and Software	Water Infrastructure	Wastewater Infrastructure	Stormwater Infrastructure	Bridges and Other Structures	Roads Infrastructure	Assets Under Construction	2021
COST														
Balance, beginning of year	\$ 4,649,143	\$ 4,261,122	\$ 14,548,010	\$ 9,277,408	\$ 294,119	\$ 5,511,804	\$ 1,341,090	\$ 56,621,107	\$ 48,161,505	\$ 27,555,588	\$ 6,486,101	\$ 59,278,055	\$ 8,049,891	\$ 246,034,943
Additions during the year	716,379	210,493	522,353	1,452,203	-	107,723	235,818	7,393,397	1,555,003	4,730,509	160,769	2,940,022	1,995,855	22,020,524
Disposals during the year	-	(40,848)	(106,786)	(145,349)	-	(7,181)	-	(3,281,480)	(80,729)	(24,905)	(49,429)	(264,268)	(4,889,762)	(8,890,737)
Balance, end of year	<u>5,365,522</u>	<u>4,430,767</u>	<u>14,963,577</u>	<u>10,584,262</u>	<u>294,119</u>	<u>5,612,346</u>	<u>1,576,908</u>	<u>60,733,024</u>	<u>49,635,779</u>	<u>32,261,192</u>	<u>6,597,441</u>	<u>61,953,809</u>	<u>5,155,984</u>	<u>259,164,730</u>
ACCUMULATED AMORTIZATION														
Balance, beginning of year	-	1,808,731	5,644,202	5,341,681	149,336	2,881,237	633,395	19,297,719	14,013,781	6,576,554	2,956,742	24,298,692	-	83,602,070
Amortization during the year	-	146,158	319,969	475,850	24,897	289,678	222,914	1,235,416	901,960	382,030	150,972	1,422,254	-	5,572,098
Accumulated amortization on disposals	-	(40,850)	(74,391)	(133,795)	-	(7,181)	-	(3,011,761)	(48,356)	(6,018)	(35,519)	(263,741)	-	(3,621,612)
Balance, end of year	<u>-</u>	<u>1,914,039</u>	<u>5,889,780</u>	<u>5,683,736</u>	<u>174,233</u>	<u>3,163,734</u>	<u>856,309</u>	<u>17,521,374</u>	<u>14,867,385</u>	<u>6,952,566</u>	<u>3,072,195</u>	<u>25,457,205</u>	<u>-</u>	<u>85,552,556</u>
Net Book Value of Tangible Capital Assets	<u>\$ 5,365,522</u>	<u>\$ 2,516,728</u>	<u>\$ 9,073,797</u>	<u>\$ 4,900,526</u>	<u>\$ 119,886</u>	<u>\$ 2,448,612</u>	<u>\$ 720,599</u>	<u>\$ 43,211,650</u>	<u>\$ 34,768,394</u>	<u>\$ 25,308,626</u>	<u>\$ 3,525,246</u>	<u>\$ 36,496,604</u>	<u>\$ 5,155,984</u>	<u>\$ 173,612,174</u>

THE CORPORATION OF LOYALIST TOWNSHIP
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION
DECEMBER 31, 2020

	GENERAL							INFRASTRUCTURE					TOTALS	
	Land	Land Improvements	Building and Building Improvements	Fleet	Furniture, Fixtures and Equipment	Machinery and Equipment	Information Technology Hardware and Software	Water Infrastructure	Wastewater Infrastructure	Stormwater Infrastructure	Bridges and Other Structures	Roads Infrastructure	Assets Under Construction	2020
COST														
Balance, beginning of year	\$ 4,650,643	\$ 4,019,290	\$ 14,518,590	\$ 8,476,004	\$ 287,953	\$ 5,355,141	\$ 1,050,373	\$ 56,260,936	\$ 47,948,369	\$ 25,871,754	\$ 6,305,269	\$ 55,898,763	\$ 3,289,252	\$ 233,932,337
Additions during the year	-	251,866	29,420	824,470	6,166	208,415	290,717	415,584	291,990	1,705,337	235,803	3,588,525	5,014,159	12,862,452
Disposals during the year	(1,500)	(10,034)	-	(23,066)	-	(51,752)	-	(55,413)	(78,854)	(21,503)	(54,971)	(209,233)	(253,520)	(759,846)
Balance, end of year	<u>4,649,143</u>	<u>4,261,122</u>	<u>14,548,010</u>	<u>9,277,408</u>	<u>294,119</u>	<u>5,511,804</u>	<u>1,341,090</u>	<u>56,621,107</u>	<u>48,161,505</u>	<u>27,555,588</u>	<u>6,486,101</u>	<u>59,278,055</u>	<u>8,049,891</u>	<u>246,034,943</u>
ACCUMULATED AMORTIZATION														
Balance, beginning of year	-	1,675,508	5,328,659	4,899,349	124,465	2,635,830	442,098	18,059,904	13,190,236	6,261,951	2,835,569	23,462,801	-	78,916,370
Amortization during the year	-	143,257	315,543	465,398	24,871	292,335	191,297	1,257,195	901,237	323,358	154,500	1,018,700	-	5,087,691
Accumulated amortization on disposals	-	(10,034)	-	(23,066)	-	(46,928)	-	(19,380)	(77,692)	(8,755)	(33,327)	(182,809)	-	(401,991)
Balance, end of year	<u>-</u>	<u>1,808,731</u>	<u>5,644,202</u>	<u>5,341,681</u>	<u>149,336</u>	<u>2,881,237</u>	<u>633,395</u>	<u>19,297,719</u>	<u>14,013,781</u>	<u>6,576,554</u>	<u>2,956,742</u>	<u>24,298,692</u>	<u>-</u>	<u>83,602,070</u>
Net Book Value of Tangible Capital Assets	<u>\$ 4,649,143</u>	<u>\$ 2,452,391</u>	<u>\$ 8,903,808</u>	<u>\$ 3,935,727</u>	<u>\$ 144,783</u>	<u>\$ 2,630,567</u>	<u>\$ 707,695</u>	<u>\$ 37,323,388</u>	<u>\$ 34,147,724</u>	<u>\$ 20,979,034</u>	<u>\$ 3,529,359</u>	<u>\$ 34,979,363</u>	<u>\$ 8,049,891</u>	<u>\$ 162,432,873</u>

CORPORATION OF LOYALIST TOWNSHIP

CONSOLIDATED SCHEDULE OF RECONCILIATION OF FINANCIAL PLAN TO THE BUDGET

DECEMBER 31, 2021

	OPERATING BUDGET	CAPITAL BUDGET	TRANSFERS TO CAPITAL	TRANSFER TO (FROM) RESERVES & RESERVE FUNDS	TANGIBLE CAPITAL ASSET ADJUSTMENTS	LONG-TERM DEBT PRINCIPAL	PSAB BUDGET
REVENUES							
Municipal taxation	\$ 17,932,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,932,300
Taxation from other governments	1,461,100	-	-	-	-	-	1,461,100
User fees and sale of goods and services	14,645,200	-	-	-	-	-	14,645,200
Government transfers							
Canada	62,000	-	-	-	-	-	62,000
Ontario	3,333,700	-	-	-	-	-	3,333,700
Investment income	128,700	-	-	-	-	-	128,700
Deferred revenue earned	850,800	-	-	-	-	-	850,800
Interest and penalties on Taxes	325,000	-	-	-	-	-	325,000
Donations	54,600	-	-	-	-	-	54,600
Other	688,600	-	-	-	-	-	688,600
Transfers from reserves	855,200	-	-	(855,200)	-	-	-
	<u>40,337,200</u>	<u>-</u>	<u>-</u>	<u>(855,200)</u>	<u>-</u>	<u>-</u>	<u>39,482,000</u>
EXPENDITURES							
Current							
Non departmental	2,328,000	-	(2,328,000)	-	-	-	-
General government	4,831,400	-	-	(716,300)	257,100	(472,400)	3,899,800
Protection services	5,641,900	-	-	-	406,900	-	6,048,800
Transportation services	9,478,400	-	-	(90,000)	2,027,500	-	11,415,900
Environmental services	11,917,800	-	(2,632,500)	(1,180,500)	2,532,600	(799,000)	9,838,400
Recreation and cultural services	3,930,900	-	-	(57,200)	321,900	-	4,195,600
Planning and development	2,150,300	-	-	(519,500)	-	-	1,630,800
Health services/Cemeteries	58,500	-	-	-	-	-	58,500
Capital							
General government	-	355,200	-	-	(355,200)	-	-
Protection services	-	756,700	-	-	(756,700)	-	-
Transportation services	-	9,616,700	-	-	(9,616,700)	-	-
Environmental services	-	3,174,100	-	-	(3,174,100)	-	-
Recreation and cultural services	-	3,221,300	-	-	(3,221,300)	-	-
Planning and development	-	41,400	-	-	(41,400)	-	-
Health services/Cemeteries	-	-	-	-	-	-	-
	<u>40,337,200</u>	<u>17,165,400</u>	<u>(4,960,500)</u>	<u>(2,563,500)</u>	<u>(11,619,400)</u>	<u>(1,271,400)</u>	<u>37,087,800</u>
NET REVENUES (EXPENDITURES)	-	(17,165,400)	4,960,500	1,708,300	11,619,400	1,271,400	2,394,200
OTHER INCOME AND EXPENSES RELATED TO CAPITAL							
Deferred revenue earned	-	1,764,100	-	-	-	-	1,764,100
Government transfers							
Canada	-	176,700	-	-	-	-	176,700
Ontario	-	1,561,700	-	-	-	-	1,561,700
User Charges	-	322,300	-	-	-	-	322,300
Donations and miscellaneous	-	-	-	-	-	-	-
	<u>-</u>	<u>3,824,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,824,800</u>
FINANCING AND TRANSFERS							
Debenture and other long-term borrowings	-	6,166,400	(6,166,400)	-	-	-	-
Debt repayment	-	-	-	-	-	(1,271,400)	(1,271,400)
Transfers from (to) other funds	-	7,174,200	(4,960,500)	(2,213,700)	-	1,271,400	1,271,400
	<u>-</u>	<u>13,340,600</u>	<u>(11,126,900)</u>	<u>(2,213,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,166,400)</u>	<u>\$ (505,400)</u>	<u>\$ 11,619,400</u>	<u>\$ 1,271,400</u>	<u>\$ 6,219,000</u>