

THE CORPORATION OF LOYALIST TOWNSHIP

**CONSOLIDATED FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

DECEMBER 31, 2020

THE CORPORATION OF LOYALIST TOWNSHIP

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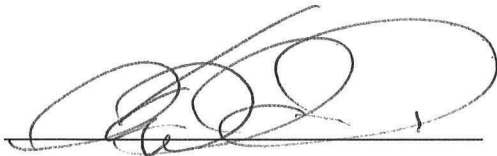
Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards (PSAS). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements. The members of Council are also responsible for recommending the appointment of external auditors.

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



Chief Administrative Officer



Treasurer

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

Opinion

We have audited the consolidated financial statements of the Corporation of Loyalist Township and its subsidiaries (the "Township"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net financial assets (net debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2020, and the results of its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kingston, Ontario

May 10, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

THE CORPORATION OF LOYALIST TOWNSHIP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash - Note 4	\$ 20,343,719	\$ 23,063,352
Investment - Note 5	4,025,644	-
Taxes receivable	2,762,523	2,630,170
Accounts receivable	6,878,146	2,696,433
Utilities receivable	1,418,622	1,267,564
Land held for resale	1,155,627	1,713,856
Other assets	38,771	38,501
	36,623,052	31,409,876
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	7,346,489	6,384,290
Deferred revenue - Note 10	342,545	196,433
Deferred revenue - obligatory reserve funds - Note 10	4,512,898	4,019,767
Employee benefits payable - Note 8	2,047,023	1,928,734
Landfill closure and post-closure liability - Note 11	2,371,483	1,482,817
Contaminated sites liability	200,000	200,000
Long-term debt - Note 12	11,427,672	12,716,932
	28,248,110	26,928,973
NET FINANCIAL ASSETS	8,374,942	4,480,903
NON-FINANCIAL ASSETS		
Tangible capital assets - Note 16	162,432,873	155,015,967
Inventory	89,515	79,532
Prepaid expenses	528,905	388,726
	163,051,293	155,484,225
ACCUMULATED SURPLUS - Note 13	\$ 171,426,235	\$ 159,965,128
COMMITMENTS - Note 9		
CONTINGENT LIABILITIES - Note 18		

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

THE CORPORATION OF LOYALIST TOWNSHIP
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note 17 Budget 2020	Actual 2020	Actual 2019
REVENUE			
Municipal taxation	\$ 17,155,700	\$ 17,246,920	\$ 15,223,639
Taxation from other governments	1,465,400	1,444,518	1,622,707
User charges	13,575,800	13,763,911	14,006,927
Government transfers			
Government of Canada	11,500	19,805	7,032
Province of Ontario	3,415,400	3,574,578	3,320,310
Investment income	185,100	250,124	489,863
Deferred revenue earned	495,900	130,847	239,207
Interest and penalties on taxes	320,000	374,106	333,834
Donations	49,000	11,898	44,450
Other	365,500	1,601,510	1,208,751
	<u>37,039,300</u>	<u>38,418,217</u>	<u>36,496,720</u>
EXPENDITURES - Note 14			
General government	3,252,600	3,381,369	2,163,222
Protection services	5,853,800	5,677,481	5,364,534
Transportation services	10,354,300	9,229,644	9,459,214
Environmental services	9,709,400	10,271,680	8,817,667
Recreation and cultural services	3,894,600	3,149,225	3,803,950
Planning and development	1,815,300	1,946,239	1,350,854
Health Services/Cemeteries	60,400	36,652	18,978
	<u>34,940,400</u>	<u>33,692,290</u>	<u>30,978,419</u>
NET REVENUE	<u>2,098,900</u>	<u>4,725,927</u>	<u>5,518,301</u>
OTHER INCOME AND EXPENSES RELATED TO CAPITAL			
Contributed tangible capital assets	-	1,169,196	19,169,808
Government transfers			
Government of Canada	-	-	143,195
Province of Ontario	2,453,900	1,643,342	746,422
User charges	3,043,800	3,015,548	404,617
Deferred revenue earned	3,169,500	1,002,835	372,720
Donations and miscellaneous costs	-	7,400	(1,500)
Loss on disposal of tangible capital assets	-	(103,141)	(147,997)
	<u>8,667,200</u>	<u>6,735,180</u>	<u>20,687,265</u>
ANNUAL SURPLUS	<u>\$ 10,766,100</u>	<u>\$ 11,461,107</u>	<u>\$ 26,205,566</u>
ACCUMULATED SURPLUS - beginning of year	159,965,128	159,965,128	133,759,562
ACCUMULATED SURPLUS - end of year	<u>\$ 170,731,228</u>	<u>\$ 171,426,235</u>	<u>\$ 159,965,128</u>

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

THE CORPORATION OF LOYALIST TOWNSHIP
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITY)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note 17 Budget 2020	Actual 2020	Actual 2019
	<u> </u>	<u> </u>	<u> </u>
ANNUAL SURPLUS	\$ 10,766,100	\$ 11,461,107	\$ 26,205,566
Amortization of tangible capital assets	5,087,700	5,087,691	4,682,761
Net acquisitions of tangible capital assets	(18,036,400)	(11,439,737)	(5,641,309)
Contributed tangible capital assets	-	(1,169,196)	(19,169,808)
Loss on disposal of tangible capital assets	-	103,141	147,997
Proceeds on disposal of tangible capital assets	-	1,195	199,487
Change in inventories and prepaid	<u>-</u>	<u>(150,162)</u>	<u>(69,154)</u>
INCREASE (DECREASE)			
IN NET FINANCIAL ASSETS (LIABILITY)	<u>(2,182,600)</u>	<u>3,894,039</u>	<u>6,355,540</u>
Net financial asset (liability) - beginning of year	<u>4,480,903</u>	<u>4,480,903</u>	<u>(1,874,637)</u>
NET FINANCIAL ASSETS - end of year	<u>\$ 2,298,303</u>	<u>\$ 8,374,942</u>	<u>\$ 4,480,903</u>

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

THE CORPORATION OF LOYALIST TOWNSHIP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
OPERATING TRANSACTIONS		
Annual surplus	\$ 11,461,107	\$ 26,205,566
Item not requiring cash:		
Loss on disposal of tangible capital assets	103,141	147,997
Amortization of tangible capital assets	5,087,691	4,682,761
Contributed tangible capital assets	(1,169,196)	(19,169,808)
Change in employee benefits payable	118,289	39,323
Change in landfill closure and post-closure liability	<u>888,666</u>	<u>252,510</u>
	<u>16,489,698</u>	<u>12,158,349</u>
Changes in non-financial assets		
Inventory	(9,983)	23,766
Prepaid expenses	<u>(140,179)</u>	<u>(92,920)</u>
	<u>(150,162)</u>	<u>(69,154)</u>
Changes in non-cash assets and liabilities		
Taxes receivable	(132,353)	(409,066)
Accounts receivable	(4,181,713)	520,189
Utilities receivable	(151,058)	(53,875)
Land held for resale	558,229	-
Other assets	(270)	(1,494)
Accounts payable and accrued liabilities	962,199	(419,460)
Deferred revenue	146,112	(52,744)
Deferred revenue - obligatory reserve funds	<u>493,131</u>	<u>1,405,871</u>
	<u>(2,305,723)</u>	<u>989,421</u>
Net change in cash from operating transactions	<u>14,033,813</u>	<u>13,078,616</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(6,425,578)	(4,634,917)
Proceeds on disposal of tangible capital assets	1,195	199,487
Cash used to acquire assets under construction	<u>(5,014,159)</u>	<u>(1,006,392)</u>
Net change in cash from capital transactions	<u>(11,438,542)</u>	<u>(5,441,822)</u>
INVESTING TRANSACTIONS		
Investment in guaranteed investment certificate	<u>(4,025,644)</u>	<u>-</u>
Net change in cash from investing transactions	<u>(4,025,644)</u>	<u>-</u>
FINANCING TRANSACTIONS		
Repayment of long-term debt	<u>(1,289,260)</u>	<u>(1,268,486)</u>
Net change in cash from financing transactions	<u>(1,289,260)</u>	<u>(1,268,486)</u>
Net decrease (increase) in CASH	<u>(2,719,633)</u>	<u>6,368,308</u>
CASH - beginning of the year	<u>23,063,352</u>	<u>16,695,044</u>
CASH - end of the year	<u>\$ 20,343,719</u>	<u>\$ 23,063,352</u>

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

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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) Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are owned or controlled by the Township.

ii) 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 consolidated financial statements as School Board and County are separate entities and the Township does not control or have any involvement in the operation of these entities.

iii) 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, 2020.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 - obligatory reserve funds:

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.

g) 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 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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 Consolidated 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, 2020 in the amount of \$521,516 (2019 - \$437,734). 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 excess of revenues over expenses, provides the Consolidated Change in Net Financial Assets (Liability) 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
Office equipment, furniture and fixtures	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
Sanitary 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 consolidated 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 amounts written off to reflect a permanent decline in value. Investments consist of guaranteed investment certificates with a maturity of more than three months at acquisition.

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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:

	<u>School Boards</u>	<u>County</u>
Taxation	\$ 4,434,287	\$ 11,365,986
Requisitions	(4,434,287)	(11,365,986)
	-	-

3. TRUST FUNDS

Trust funds administered by the Township, amounting to \$97,963 (2019 - \$95,453), have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated 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:

	<u>2020</u>	<u>2019</u>
Unappropriated cash	\$ 531,146	\$ 6,379,750
Development Charges Reserve Fund	2,006,099	1,742,203
Asset Replacement Reserve Funds	3,356,446	2,463,927
Special Area Reserve Funds	8,112,659	7,191,125
Contingency Reserve Funds	250,963	238,368
Restricted Reserve Funds	3,357,638	2,562,299
Other Special Area Reserve Funds	221,969	208,116
Other Obligatory Reserve Funds	2,506,799	2,277,564
	<u>\$ 20,343,719</u>	<u>\$ 23,063,352</u>

5. INVESTMENT

Investment consists of the following:

	<u>2020</u>	<u>2019</u>
Guaranteed Investment Certificate maturing June 2021	<u>\$ 4,025,644</u>	<u>\$ -</u>

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, amount drawn is Nil (2019 - 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 144 (2019 - 140) 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 2020 was \$958,349 (2019 - \$813,937). The Township also made contributions to Registered Retirement Savings Plans on behalf of two (2019 - two) members of its staff. The amount contributed to these plans for the year was \$6,800 (2019 - \$6,900).

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

8. EMPLOYEE BENEFITS PAYABLE

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

	2020	2019
Non-pension retirement benefits	\$ 401,209	\$ 379,398
Workplace Safety and Insurance Board obligations	1,645,814	1,549,336
	2,047,023	1,928,734
Amounts to be recovered from reserve funds	(250,963)	(238,368)
Amounts to be recovered from future revenue	\$ 1,796,060	\$ 1,690,366

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, based on an actuarial update, the accrued benefit obligation was \$594,668 (2019 - \$513,923).

Actuarial gains and losses are amortized over the expected average remaining service life of the employees, which is estimated to be 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	6.75% 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:

	2020	2019
Accrued benefit liability, beginning of the year	\$ 379,398	\$ 368,600
Expense recognized for the year	16,009	14,930
Interest cost	20,588	20,405
Benefits paid for the year	(44,302)	(48,156)
Amortization of loss	29,516	23,619
Accrued benefit liability, end of year	\$ 401,209	\$ 379,398

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

8. EMPLOYEE BENEFITS PAYABLE (continued)

The accrued benefit liability includes the following components:

	2020	2019
Accrued benefit obligation	\$ 594,668	\$ 513,923
Unamortized actuarial loss	(193,459)	(134,525)
Accrued benefit liability, end of year	\$ 401,209	\$ 379,398

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, based on an actuarial update, the Township’s accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$1,671,311 (2019 - \$1,569,794).

Actuarial gains and losses are amortized over the expected average remaining service life of the employees, which is estimated to be 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:

	2020	2019
Accrued benefit liability, beginning of the year	\$ 1,549,336	\$ 1,520,811
Expense recognized for the year	146,354	109,238
Interest cost	55,868	61,034
Benefits paid for the year	(107,917)	(143,410)
Amortization of loss	2,173	1,663
Accrued benefit liability, end of year	\$ 1,645,814	\$ 1,549,336

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

	2020	2019
Accrued benefit obligation	\$ 1,671,311	\$ 1,569,794
Unamortized actuarial loss	(25,497)	(20,458)
Accrued benefit liability, end of year	\$ 1,645,814	\$ 1,549,336

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 \$313,000 in 2021 (\$300,000 in 2020) 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 \$483,000 in 2021 (\$475,000 in 2020) 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. The gross operating budget for the Amherstview Service Area is \$884,200 in 2021 (\$711,200 in 2020) with an hourly rate of \$95.68 (\$95.06 in 2020) and capital cost of \$48,218 (\$47,907 in 2020) beginning on January 1, 2020 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 53% of the invoice. The second component is for reactive calls for service making up the remaining 47%. The Township has budgeted \$2,535,400 in 2021 (\$2,506,200 in 2020).
- (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 2021, these additional costs amount to \$57,700. Minimum lease payments are as follows:

2021	\$ 93,990
2022	100,618
2023	101,220
2024	101,220
2025	<u>8,435</u>
Total	<u>\$ 405,483</u>

- (f) Material capital commitments of \$978,000 in 2021 (\$3,869,000 in 2020) are not reflected in the consolidated 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.

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 gasoline tax 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	\$ 1,742,203	\$ 813,289	\$ 549,393	\$ 2,006,099
Federal gas tax	1,385,217	532,055	538,948	1,378,324
Provincial gas tax	228,183	187,050	-	415,233
Building rate stabilization	118	1	-	119
Parkland	62,984	16,476	-	79,460
Ontario Community Infrastructure Fund	<u>601,062</u>	<u>782,443</u>	<u>749,842</u>	<u>633,663</u>
	4,019,767	2,331,314	1,838,183	4,512,898
Other deferred revenue	<u>196,433</u>	<u>563,397</u>	<u>417,285</u>	<u>342,545</u>
	<u>\$ 4,216,200</u>	<u>\$ 2,894,711</u>	<u>\$ 2,255,468</u>	<u>\$ 4,855,443</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 2% and discounted at the Township's available long-term borrowing rate of 2.7% (2019 - 4.5%). The estimated total landfill closure and post-closure care expenses are calculated to be \$3,098,057 (2019 - \$1,953,389). 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 \$2,371,483 (2019 - \$1,482,817) 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, 2020

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

The estimated remaining capacity of the Violet Road landfill site is 20% (182,100 cubic meters) of its total estimated capacity and its estimated minimum 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 1 landfill site is 32% (7,700 cubic meters) of its total estimated capacity and its estimated anticipated life is 25 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 16 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:

	2020	2019
Landfill closure and post-closure liability	\$ 2,371,483	\$ 1,482,817
Amounts previously funded from operations	(479,800)	(460,000)
Amounts to be recovered from reserve funds	(327,729)	(323,629)
Amounts to be recovered from future revenue	\$ 1,563,954	\$ 699,188

12. LONG-TERM DEBT

Long-term debt consists of the following:

	2020	2019
4.15% Canada Mortgage and Housing Corporation \$924,600 debenture, annual payments of \$84,034 for principal and interest, due May, 2025	\$ 372,534	\$ 438,375
4.06% Infrastructure Ontario \$1,164,300 debenture, semi-annual payments of \$38,810 for principal plus interest, due August, 2025	388,100	465,720
4.35% Infrastructure Ontario \$1,737,400 debenture, semi-annual payments of \$43,435 for principal plus interest, due August, 2030	868,700	955,570
2.95% Infrastructure Ontario \$417,819 debenture, semi-annual payments of \$17,336 for principal and interest, due December, 2031	323,680	348,259
3.24% Infrastructure Ontario \$1,225,555 debenture, semi-annual payments of \$41,870 for principal and interest, due December, 2036	1,039,113	1,087,994
3.42% Infrastructure Ontario \$1,574,299 debenture, semi-annual payments of \$47,094 for principal and interest due December, 2041	1,402,913	1,448,286
3.28% Infrastructure Ontario \$1,441,335 debenture, semi-annual payments of \$49,420 for principal and interest, due September, 2037	1,280,161	1,335,643
3.42% Infrastructure Ontario \$1,494,830 debenture, semi-annual payments of \$44,717 for principal and interest, due September, 2042	1,374,871	1,416,221

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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	836,016	939,863
2.52% Toronto Dominion \$1,460,558 bank loan, monthly payments of \$16,796 for principal and interest, due March, 2025	1,335,616	1,502,876
2.81% Toronto Dominion \$1,750,000 bank loan, monthly payments of \$11,926 for principal and interest, due January, 2025	1,146,231	1,255,468
2.6% Toronto Dominion \$757,754 bank loan, monthly payments of \$13,482 for principal and interest, due October, 2022	289,360	441,438
3.14% Royal Bank of Canada \$593,240 bank loan, monthly payments of \$6,592 for principal plus interest, due May, 2021	39,512	118,616
2.35% Royal Bank of Canada \$2,063,366 bank loan, monthly payments of \$19,312 for principal plus interest, due March, 2025	<u>730,865</u>	<u>962,603</u>
	<u>\$ 11,427,672</u>	<u>\$ 12,716,932</u>

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

	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,268,398	\$ 357,688
2022	1,226,328	319,955
2023	1,113,982	285,192
2024	939,384	251,781
2025	924,412	223,039
Thereafter	<u>5,955,168</u>	<u>1,235,336</u>
Total	<u>\$ 11,427,672</u>	<u>\$ 2,672,991</u>

Interest paid during the year amounted to \$378,449 (2019 - \$410,126).

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

13. ACCUMULATED SURPLUS

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

	2020	2019
<u>Operating surplus (deficit)</u>		
General purpose (applicable to all ratepayers and properties)	\$ 3,118,200	\$ 1,857,803
Building services	(342,861)	(288,579)
Sewer areas	1,268,636	1,016,047
Water areas	1,050,302	614,306
Ferry	(211,729)	-
Amherstview Transit Area	-	(10,962)
	4,882,548	3,188,615
<u>Other surplus (deficit):</u>		
Land held for resale	1,155,627	1,713,856
Landfill closure costs	(1,891,683)	(1,022,817)
Contaminated site liability	(200,000)	(200,000)
Employee benefit obligations	(2,047,023)	(1,928,734)
	(2,983,079)	(1,437,695)
<u>Investment in tangible capital assets:</u>		
Equity in tangible capital assets	162,432,873	155,015,967
Capital costs financed by long-term debt	(11,427,672)	(12,716,932)
Capital costs financed internally	(281,000)	(482,600)
Capital costs not yet funded	(1,646,708)	(1,246,887)
Unexpended capital financing	2,627,696	2,964,326
	151,705,189	143,533,874
<u>Reserves set aside for specific purposes by Council:</u>		
Future expenses	40,651	34,189
Municipal election	37,920	22,920
Working capital	1,839,292	1,385,039
	1,917,863	1,442,148

THE CORPORATION OF LOYALIST TOWNSHIP

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

13. ACCUMULATED SURPLUS (continued)

	2020	2019
<u>Reserve funds set aside for specific purposes by Council:</u>		
General rate		
Violet landfill	327,729	323,629
Fire training centre	47,540	47,050
Municipal capital fund	2,696,979	1,907,165
Quarry rehabilitation	28,983	28,683
Ice resurfacers	57,883	51,301
Ameriks scholarship	20,001	19,637
Industrial park	241,447	94,921
Amherst Drive frontage fees	517,653	525,707
Workplace safety insurance board	250,963	238,368
Community vibrancy fund	675,456	565,907
Road use agreement fund	195,058	119,513
Community benefit agreement fund	1,358,542	868,936
Amherst Island asset sales	90,213	89,283
	<u>6,508,447</u>	<u>4,880,100</u>
Special rate		
Ferry berthage	625,790	618,399
Ferry operations	210,317	208,116
Transit operations	11,652	-
Sewer areas	4,709,301	4,121,093
Water areas	3,403,358	3,070,032
Utility equipment replacement	434,849	340,446
	<u>9,395,267</u>	<u>8,358,086</u>
Total reserves and reserve funds	<u>17,821,577</u>	<u>14,680,334</u>
Total accumulated surplus	<u>\$ 171,426,235</u>	<u>\$ 159,965,128</u>

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 consolidated financial statements as disclosed in Note 1.

For detailed segmented reporting, see Schedule B.

15. SUPPLEMENTARY INFORMATION

	2020	2019
Expense by object:		
Salaries, wages and benefits	\$ 14,217,764	\$ 13,504,102
Materials, services, rents and financial expenses	11,610,274	10,118,602
External transfers	2,776,561	2,672,954
Amortization	5,087,691	4,682,761
	\$ 33,692,290	\$ 30,978,419

THE CORPORATION OF LOYALIST TOWNSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

16. TANGIBLE CAPITAL ASSETS

(a) Assets under construction:

Assets under construction having a value of \$8,049,891 (2019 - \$3,289,252) 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 \$1,169,196 (2019 - \$19,169,808) comprised of roads and stormwater infrastructure in the amount of \$778,532 (2019 - \$16,716,736) and water and wastewater infrastructure in the amount of \$390,664 (2019 - \$2,453,072).

(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 "Consolidated Statement of Operations". Budget figures have been reclassified for the purpose of these consolidated financial statements to comply with PSAS reporting requirements. See consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

20. SIGNIFICANT EVENT

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and organizations through the restrictions put in place by Canada, provincial, and municipal governments regarding travel, business operations, and isolation/quarantine orders. At the time it is unknown the extent of the impact of the COVID-19 outbreak may have on the Municipality as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be, put in place by Canada and other countries to fight the virus.

As of the date of these financial statements, the Municipality has experienced impacts from the pandemic but has strived to provide the same level of service to the extent possible. During the initial wave of the pandemic, being March 10 to June 2020, Council opted to provide property tax relief for residents in the form of waiving interest and penalties on late property tax payments. Likewise, interest and penalties were also waived for utility payments during that time. Council also opted to waive the requirement of one bag tag per week per household for waste collection during this time. In addition, passenger fares were not collected on the ferry from mid-March through the end of the year. Outside of the ferry operations, the relief measures did not significantly impact fiscal 2020 operations or financial results. The Municipality has received funding as part of the Federal-Provincial Safe Restart Agreement to support COVID-19 operating costs and pressures. Management and Council continue to monitor the COVID-19 matters and their effect on the Municipality on an on-going basis. The full extent of the future impact of COVID-19 on the Municipality remains unknown.

21. 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. While early adoption is permitted, the adoption of certain standards must be done in the same year. The Township has not adopted these standards nor determined the effect on the consolidated financial statements.

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, 2020**

	BALANCE January 1, 2020	CONTRIBUTIONS			TRANSFERS			BALANCE December 31, 2020
		Interest Income	Revenue/ Transfers	Total	To Operations	To Capital	Total	
General Rate Reserve Funds								
Violet landfill	\$ 323,629	\$ 2,920	\$ 1,180	\$ 4,100	\$ -	\$ -	\$ -	\$ 327,729
Industrial park	94,921	1,924	256,202	258,126	-	111,600	111,600	241,447
Ameriks scholarship	19,637	291	2,050	2,341	1,977	-	1,977	20,001
Amherst Drive frontage fees	525,707	4,895	-	4,895	-	12,949	12,949	517,653
Community vibracy fund	565,907	5,269	104,280	109,549	-	-	-	675,456
Road use agreement fund	119,513	545	75,000	75,545	-	-	-	195,058
Community benefit agreement fund	868,936	5,867	483,739	489,606	-	-	-	1,358,542
Fire training centre	47,050	490	-	490	-	-	-	47,540
Quarry rehabilitation	28,683	300	-	300	-	-	-	28,983
Ice resurfacers	51,301	533	6,049	6,582	-	-	-	57,883
Workplace safety insurance board	238,368	2,595	10,000	12,595	-	-	-	250,963
Municipal capital fund	1,907,165	22,716	767,098	789,814	-	-	-	2,696,979
Amherst Island asset sales	89,283	930	-	930	-	-	-	90,213
	<u>4,880,100</u>	<u>49,275</u>	<u>1,705,598</u>	<u>1,754,873</u>	<u>1,977</u>	<u>124,549</u>	<u>126,526</u>	<u>6,508,447</u>
General Rate Reserves								
Working Capital	1,385,039	-	660,700	660,700	149,032	57,415	206,447	1,839,292
Future Expenses	34,189	-	6,462	6,462	-	-	-	40,651
Municipal Election	22,920	-	15,000	15,000	-	-	-	37,920
	<u>1,442,148</u>	<u>-</u>	<u>682,162</u>	<u>682,162</u>	<u>149,032</u>	<u>57,415</u>	<u>206,447</u>	<u>1,917,863</u>
Service Rate Reserve Funds								
Ferry Berthage	618,399	5,984	1,407	7,391	-	-	-	625,790
Amhestview Sewer Impost Fees	3,400,513	36,803	613,962	650,765	-	130,524	130,524	3,920,754
Fairfield Water Impost Fees	2,513,060	33,873	846,197	880,070	-	34,196	34,196	3,358,934
Bath Sewer Impost Fees	720,580	5,388	62,579	67,967	-	-	-	788,547
Bath Water Impost Fees	556,972	4,331	93,365	97,696	-	610,244	610,244	44,424
Ferry Operations	208,116	2,201	-	2,201	-	-	-	210,317
Transit Operations	-	-	11,652	11,652	-	-	-	11,652
Equipment Replacement Loyalist East Sewer	158,407	1,773	30,800	32,573	-	-	-	190,980
Equipment Replacement Fairfield Water	140,493	1,647	46,500	48,147	-	-	-	188,640
Equipment Replacement Bath Sewer	31,466	347	4,999	5,346	-	-	-	36,812
Equipment Replacement Bath Water	10,080	137	8,200	8,337	-	-	-	18,417
	<u>8,358,086</u>	<u>92,484</u>	<u>1,719,661</u>	<u>1,812,145</u>	<u>-</u>	<u>774,964</u>	<u>774,964</u>	<u>9,395,267</u>
Total Reserves and Reserve Funds	<u>\$ 14,680,334</u>	<u>\$ 141,759</u>	<u>\$ 4,107,421</u>	<u>\$ 4,249,180</u>	<u>\$ 151,009</u>	<u>\$ 956,928</u>	<u>\$ 1,107,937</u>	<u>\$ 17,821,577</u>

SCHEDULE B

**THE CORPORATION OF LOYALIST TOWNSHIP
SCHEDULE OF SEGMENTED INFORMATION
DECEMBER 31, 2020**

	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	\$ 2,783,258	\$ 4,205,089	\$ 3,980,205	\$ 2,024,084	\$ -	\$ 2,323,055	\$ 1,428,874	\$ -	\$ -	\$ -	\$ -	\$ 502,355	\$ 17,246,920
Taxation from other governments	240,106	362,764	343,364	174,614	-	200,405	123,265	-	-	-	-	-	1,444,518
User charges	94,280	142,295	1,163,438	707,437	5,810	405,646	258,707	5,844,480	4,432,656	524,602	107,967	76,593	13,763,911
Government transfers													
Government of Canada	-	-	-	7,481	-	12,324	-	-	-	-	-	-	19,805
Province of Ontario	247,351	270,422	230,832	117,387	-	138,383	82,868	-	-	-	2,420,750	66,585	3,574,578
Investment income	140,160	490	6,714	2,920	-	534	6,819	39,988	44,310	-	8,189	-	250,124
Deferred revenue earned	-	90,198	-	-	-	-	40,649	-	-	-	-	-	130,847
Interest and penalties on taxes	62,183	93,950	88,925	45,223	-	51,902	31,923	-	-	-	-	-	374,106
Donations	-	-	-	-	2,050	9,848	-	-	-	-	-	-	11,898
Other	591,326	-	75,000	-	-	-	845,000	74,842	15,342	-	-	-	1,601,510
	<u>4,158,664</u>	<u>5,165,208</u>	<u>5,888,478</u>	<u>3,079,146</u>	<u>7,860</u>	<u>3,142,097</u>	<u>2,818,105</u>	<u>5,959,310</u>	<u>4,492,308</u>	<u>524,602</u>	<u>2,536,906</u>	<u>645,533</u>	<u>38,418,217</u>
Expenditures													
Salaries, wages and benefits	2,570,627	1,379,267	2,516,862	439,348	505	1,978,117	1,052,641	1,183,684	447,242	486,490	2,129,012	33,969	14,217,764
Interest on long-term debt	-	49,734	44,609	23,619	-	14,242	15,174	94,048	137,023	-	-	-	378,449
Materials	794,323	411,539	1,083,594	1,322,070	2,979	266,149	580,529	527,272	380,869	54,557	415,981	6,852	5,846,714
Contracted services	815,442	143,496	503,866	967,947	33,168	444,271	119,806	432,310	1,163,466	237	48,353	557,097	5,229,459
Rent and financial expenses	147,406	-	-	1,041	-	7,205	-	-	-	-	-	-	155,652
External transfers	3,139	2,718,479	-	1,250	-	49,104	4,589	-	-	-	-	-	2,776,561
Interfunctional adjustments	(1,175,100)	42,041	(112,300)	18,489	-	66,240	173,500	116,517	670,913	27,600	147,100	25,000	-
Amortization	225,532	364,041	1,827,516	323,361	-	323,897	-	1,096,461	924,750	-	-	2,133	5,087,691
	<u>3,381,369</u>	<u>5,108,597</u>	<u>5,864,147</u>	<u>3,097,125</u>	<u>36,652</u>	<u>3,149,225</u>	<u>1,946,239</u>	<u>3,450,292</u>	<u>3,724,263</u>	<u>568,884</u>	<u>2,740,446</u>	<u>625,051</u>	<u>33,692,290</u>
NET REVENUE (EXPENDITURES)	<u>777,295</u>	<u>56,611</u>	<u>24,331</u>	<u>(17,979)</u>	<u>(28,792)</u>	<u>(7,128)</u>	<u>871,866</u>	<u>2,509,018</u>	<u>768,045</u>	<u>(44,282)</u>	<u>(203,540)</u>	<u>20,482</u>	<u>4,725,927</u>
Capital Revenue													
Contributed tangible capital assets	-	-	572,289	206,243	-	-	-	220,965	169,699	-	-	-	1,169,196
Government transfers													
Government of Canada	-	-	-	-	-	-	-	-	-	-	-	-	-
Government of Ontario	-	-	1,643,342	-	-	-	-	-	-	-	-	-	1,643,342
User charges	-	-	5,251	1,548,233	-	-	-	1,460,212	1,852	-	-	-	3,015,548
Deferred revenue earned	-	45,342	398,728	-	-	43,965	-	514,800	-	-	-	-	1,002,835
Donations	-	-	-	-	-	7,400	-	-	-	-	-	-	7,400
Loss on disposal	(1,500)	(4,824)	(46,874)	(12,748)	-	-	-	(37,195)	-	-	-	-	(103,141)
	<u>(1,500)</u>	<u>40,518</u>	<u>2,572,736</u>	<u>1,741,728</u>	<u>-</u>	<u>51,365</u>	<u>-</u>	<u>2,158,782</u>	<u>171,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,735,180</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 775,795</u>	<u>\$ 97,129</u>	<u>\$ 2,597,067</u>	<u>\$ 1,723,749</u>	<u>\$ (28,792)</u>	<u>\$ 44,237</u>	<u>\$ 871,866</u>	<u>\$ 4,667,800</u>	<u>\$ 939,596</u>	<u>\$ (44,282)</u>	<u>\$ (203,540)</u>	<u>\$ 20,482</u>	<u>\$ 11,461,107</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	Vehicles	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>	

THE CORPORATION OF LOYALIST TOWNSHIP
SCHEDULE OF CAPITAL ASSETS AND ACCUMULATED AMORTIZATION
DECEMBER 31, 2019

	GENERAL							INFRASTRUCTURE					TOTALS	
	Land	Land Improvements	Building and Building Improvements	Vehicles	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	2019
COST														
Balance, beginning of year	\$ 4,682,359	\$ 3,744,742	\$ 14,225,458	\$ 8,755,810	\$ 284,465	\$ 4,814,187	\$ 799,725	\$ 53,807,417	\$ 46,125,826	\$ 23,858,889	\$ 5,858,829	\$ 42,199,784	\$ 2,608,245	\$ 211,765,736
Additions during the year	-	282,965	314,842	449,361	3,488	579,731	268,674	2,453,519	1,920,143	2,069,968	512,419	15,224,855	1,006,391	25,086,356
Disposals during the year	(31,716)	(8,417)	(21,710)	(729,167)	-	(38,777)	(18,026)	-	(97,600)	(57,103)	(65,979)	(1,525,876)	(325,384)	(2,919,755)
Balance, end of year	<u>4,650,643</u>	<u>4,019,290</u>	<u>14,518,590</u>	<u>8,476,004</u>	<u>287,953</u>	<u>5,355,141</u>	<u>1,050,373</u>	<u>56,260,936</u>	<u>47,948,369</u>	<u>25,871,754</u>	<u>6,305,269</u>	<u>55,898,763</u>	<u>3,289,252</u>	<u>233,932,337</u>
ACCUMULATED AMORTIZATION														
Balance, beginning of year	-	1,548,949	5,033,982	5,189,420	100,650	2,373,495	303,989	17,189,481	12,366,372	5,959,021	2,743,215	23,722,067	-	76,530,641
Amortization during the year	-	129,417	313,937	439,096	23,815	289,160	150,927	870,423	897,671	313,110	147,057	1,108,148	-	4,682,761
Accumulated amortization on disposals	-	(2,858)	(19,260)	(729,167)	-	(26,825)	(12,818)	-	(73,807)	(10,180)	(54,703)	(1,367,414)	-	(2,297,032)
Balance, end of year	<u>-</u>	<u>1,675,508</u>	<u>5,328,659</u>	<u>4,899,349</u>	<u>124,465</u>	<u>2,635,830</u>	<u>442,098</u>	<u>18,059,904</u>	<u>13,190,236</u>	<u>6,261,951</u>	<u>2,835,569</u>	<u>23,462,801</u>	<u>-</u>	<u>78,916,370</u>
Net Book Value of Tangible Capital Assets	<u>\$ 4,650,643</u>	<u>\$ 2,343,782</u>	<u>\$ 9,189,931</u>	<u>\$ 3,576,655</u>	<u>\$ 163,488</u>	<u>\$ 2,719,311</u>	<u>\$ 608,275</u>	<u>\$ 38,201,032</u>	<u>\$ 34,758,133</u>	<u>\$ 19,609,803</u>	<u>\$ 3,469,700</u>	<u>\$ 32,435,962</u>	<u>\$ 3,289,252</u>	<u>\$ 155,015,967</u>

CORPORATION OF LOYALIST TOWNSHIP

CONSOLIDATED SCHEDULE OF RECONCILIATION OF FINANCIAL PLAN TO THE BUDGET

DECEMBER 31, 2020

	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	\$ 17,155,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,155,700
Taxation from other governments	1,465,400	-	-	-	-	-	1,465,400
User fees and sale of goods and services	13,575,800	-	-	-	-	-	13,575,800
Government transfers							
Canada	11,500	-	-	-	-	-	11,500
Ontario	3,415,400	-	-	-	-	-	3,415,400
Deferred revenue earned	495,900	-	-	-	-	-	495,900
Investment income	185,100	-	-	-	-	-	185,100
Interest and penalties on Taxes	320,000	-	-	-	-	-	320,000
Donations	49,000	-	-	-	-	-	49,000
Other	365,500	-	-	-	-	-	365,500
Transfers from reserves	601,000	-	-	(601,000)	-	-	-
	<u>37,640,300</u>	<u>-</u>	<u>-</u>	<u>(601,000)</u>	<u>-</u>	<u>-</u>	<u>37,039,300</u>
EXPENDITURES							
Current							
Non departmental	2,282,400	-	(2,282,400)	-	-	-	-
General government	3,481,500	-	-	(454,400)	225,500	-	3,252,600
Protection services	5,773,400	-	-	(143,000)	364,000	(140,600)	5,853,800
Transportation services	8,840,400	-	-	(254,500)	1,829,600	(61,200)	10,354,300
Environmental services	11,380,700	-	(1,810,700)	(1,204,000)	2,344,600	(1,001,200)	9,709,400
Recreation and cultural services	3,663,200	-	-	(77,200)	323,900	(15,300)	3,894,600
Planning and development	2,158,300	-	-	(273,000)	-	(70,000)	1,815,300
Health services	60,400	-	-	-	-	-	60,400
Capital							
General government	-	205,000	-	-	(205,000)	-	-
Protection services	-	767,000	-	-	(767,000)	-	-
Transportation services	-	6,652,600	-	-	(6,652,600)	-	-
Environmental services	-	8,398,700	-	-	(8,398,700)	-	-
Recreation and cultural services	-	390,600	-	-	(390,600)	-	-
Planning and development	-	1,622,500	-	-	(1,622,500)	-	-
Health services	-	-	-	-	-	-	-
	<u>37,640,300</u>	<u>18,036,400</u>	<u>(4,093,100)</u>	<u>(2,406,100)</u>	<u>(12,948,800)</u>	<u>(1,288,300)</u>	<u>34,940,400</u>
NET REVENUES (EXPENDITURES)	-	(18,036,400)	4,093,100	1,805,100	12,948,800	1,288,300	2,098,900
OTHER INCOME AND EXPENSES RELATED TO CAPITAL							
Deferred revenue earned	-	3,169,500	-	-	-	-	3,169,500
Government transfers							
Canada	-	-	-	-	-	-	-
Ontario	-	2,453,900	-	-	-	-	2,453,900
User Charges	-	3,043,800	-	-	-	-	3,043,800
Donations and miscellaneous	-	-	-	-	-	-	-
	<u>-</u>	<u>8,667,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,667,200</u>
FINANCING AND TRANSFERS							
Debtenture and other long-term borrowings	-	2,633,100	(2,633,100)	-	-	-	-
Debt repayment	-	-	-	-	-	(1,288,300)	(1,288,300)
Transfers from (to) other funds	-	6,736,100	(4,093,100)	(2,643,000)	-	1,288,300	1,288,300
	<u>-</u>	<u>9,369,200</u>	<u>(6,726,200)</u>	<u>(2,643,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,633,100)</u>	<u>\$ (837,900)</u>	<u>\$ 12,948,800</u>	<u>\$ 1,288,300</u>	<u>\$ 10,766,100</u>