

Township of Madawaska Valley

Financial Statements

For the year ended 31 December 2021

MACKILLICAN & ASSOCIATES

CHARTERED PROFESSIONAL ACCOUNTANTS

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Township of Madawaska Valley (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 consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

Amanda Hudder
Treasurer

Township of Madawaska Valley
Consolidated Financial Statements Index
For the year ended 31 December 2021

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Changes in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 14
Schedule of General Operations	15
Schedules of Tangible Capital Assets	16 - 17
Schedule of Reserves and Reserve Funds	18
Schedule of Waterworks Operations	19
Schedule of Wastewater Operations	20
Schedule of Business Improvement Area Association Operations	21
 <u>Combermere Methodist Cemetery Trust Fund</u> 	
Schedule of Financial Position	22
Schedule of Operations and Change in Fund Balance	22
 <u>Madawaska Valley Public Library Board</u> 	
Independent Auditor's Report	23
Statement of Financial Position	24
Statement of Operations and Accumulated Surplus	25
Statement of Cash Flows	26
Notes to the Financial Statements	27 - 28



INDEPENDENT AUDITOR'S REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Madawaska Valley.

Opinion

We have audited the consolidated financial statements of the Township of Madawaska Valley (the Township), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Township as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Opinion

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at MacKilligan's website at: http://mackillicans.com/PDF/Auditors_Responsibilities.pdf. This description forms part of our auditor's report.

RENFREW, Ontario.
16 May 2023.

Mac Killigan + Associates

Chartered Professional Accountants,
Licensed Public Accountants.

Township of Madawaska Valley
Consolidated Statement of Financial Position
As at 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash (Note 13)	\$ 8,108,030	\$ 7,224,802
Taxes receivable	1,262,545	1,335,025
Accounts receivable	1,339,966	3,167,066
Other assets	<u>2,443</u>	<u>2,443</u>
Total financial assets	<u>\$ 10,710,541</u>	<u>\$ 11,729,336</u>
Financial liabilities:		
Accounts payable and accrued liabilities	\$ 1,073,485	\$ 2,520,094
Deferred revenue - obligatory reserve funds (Note 5)	200,406	31,330
- other	294,375	403,854
Net long term liabilities - capital (Note 10)	1,332,022	1,437,734
Landfill closure and post closure costs (Note 6)	591,279	571,861
Employee future benefits	<u>110,930</u>	<u>110,321</u>
	<u>\$ 3,602,497</u>	<u>\$ 5,075,194</u>
Net financial assets	<u>\$ 7,108,044</u>	<u>\$ 6,654,142</u>
Non-financial assets:		
Tangible capital assets (net) (Note 9)	\$ 34,164,637	\$ 32,473,067
Inventory of supplies	64,191	104,110
Prepaid expenses	<u>126,276</u>	<u>100,171</u>
	<u>\$ 34,355,104</u>	<u>\$ 32,677,348</u>
Accumulated surplus	<u>\$ 41,463,148</u>	<u>\$ 39,331,490</u>
Municipal equity comprised of:		
Equity in tangible capital assets (Note 12)	\$ 32,832,615	\$ 31,035,333
Reserves	8,944,622	8,649,164
General	102,052	123,888
Library Board	9,399	26,366
Waterworks fund	133,733	102,915
Wastewater fund	129,394	64,607
Business Improvement Area Association	13,542	11,399
Unfunded - employee future benefit costs (Note 2)	(110,930)	(110,321)
Unfunded - landfill closure and post closure costs (Note 2)	<u>(591,279)</u>	<u>(571,861)</u>
Total accumulated surplus	<u>\$ 41,463,148</u>	<u>\$ 39,331,490</u>

(See accompanying notes)

Township of Madawaska Valley
Consolidated Statement of Operations and Accumulated Surplus
For the year ended 31 December 2021
(with 2021 budget and 2020 actual figures for comparison)

	2021 <u>Budget</u>	2021 <u>Actual</u>	2020 <u>Actual</u>
Revenue:			
Taxation and user charges	\$ 5,645,058	\$ 5,775,902	\$ 5,580,946
Government transfers:			
Ontario	2,363,726	2,434,084	3,160,380
Canada	407,592	451,666	1,687,118
Other municipalities	48,012	48,331	61,842
Other	782,336	2,294,991	910,749
Landfill closure cost adjustment	<u> </u>	<u>(19,418)</u>	<u>(11,102)</u>
	<u>\$ 9,246,724</u>	<u>\$ 10,985,556</u>	<u>\$ 11,389,933</u>
Expenses:			
General government	\$ 1,137,404	\$ 1,197,977	\$ 1,092,896
Protection to persons and property	1,458,531	1,486,253	1,522,865
Transportation services	2,835,402	3,038,686	2,885,314
Environmental services	1,881,956	1,889,788	1,845,150
Health services		135,215	27,597
Recreation and cultural services	1,208,830	925,102	938,478
Planning and development	<u>229,584</u>	<u>180,877</u>	<u>222,367</u>
	<u>\$ 8,751,707</u>	<u>\$ 8,853,898</u>	<u>\$ 8,534,667</u>
Excess of revenue over expenses	\$ 495,017	\$ 2,131,658	\$ 2,855,266
Accumulated surplus at the beginning of the year	<u>39,331,490</u>	<u>39,331,490</u>	<u>36,476,224</u>
Accumulated surplus at the end of the year	<u>\$ 39,826,507</u>	<u>\$ 41,463,148</u>	<u>\$ 39,331,490</u>

(See accompanying notes)

Township of Madawaska Valley
Consolidated Statement of Changes in Net Financial Assets
For the year ended 31 December 2021
(with 2021 budget and 2020 actual figures for comparison)

	2021 <u>Budget</u>	2021 <u>Actual</u>	2020 <u>Actual</u>
Excess of revenue over expenses	\$ 495,017	\$ 2,131,658	\$ 2,855,266
Amortization of tangible capital assets	1,733,362	1,733,362	1,693,719
Acquisition of tangible capital assets and construction in progress	(2,565,906)	(3,545,899)	(3,460,889)
Proceeds on sale of tangible capital assets		9,162	
Loss (gain) on disposal of tangible capital assets		111,805	
Use of (acquisition of) prepaid expenses		(26,105)	(7,913)
Use of (acquisition of) inventory	<u> </u>	<u>39,919</u>	<u>(14,835)</u>
Increase (decrease) in net financial assets	\$ (337,527)	\$ 453,902	\$ 1,065,348
Net financial assets at the beginning of the year	<u>6,654,142</u>	<u>6,654,142</u>	<u>5,588,794</u>
Net financial assets at the end of the year	<u>\$ 6,316,615</u>	<u>\$ 7,108,044</u>	<u>\$ 6,654,142</u>

(See accompanying notes)

Township of Madawaska Valley
Consolidated Statement of Cash Flows
For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 2,131,658	\$ 2,855,266
Add amortization which does not involve cash	1,733,362	1,693,719
Loss (gain) on disposal of capital assets	<u>111,805</u>	<u> </u>
	<u>\$ 3,976,825</u>	<u>\$ 4,548,985</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ 72,480	\$ (298,475)
- decrease (increase) in other assets	2,443	
- decrease (increase) in accounts receivable	1,827,100	(2,363,740)
- decrease (increase) in prepaid expenses	(26,105)	(7,913)
- decrease (increase) in inventory of supplies	39,919	(14,835)
- increase (decrease) in deferred revenue	59,597	(422,524)
- increase (decrease) in accounts payable and accrued liabilities	(1,446,609)	425,769
- increase (decrease) in landfill closure and post closure costs	19,418	11,102
- increase (decrease) in employee future benefits	<u>609</u>	<u>(15,658)</u>
	<u>\$ 548,852</u>	<u>\$ (2,686,274)</u>
Cash flows from operating activities	<u>\$ 4,525,677</u>	<u>\$ 1,862,711</u>
Cash flows used for financing activities:		
Decrease in long term liabilities	<u>\$ (105,712)</u>	<u>\$ (102,547)</u>
Cash flows used for capital activities:		
Additions to tangible capital assets:		
General government	\$ (60,409)	
Protection services	(464,266)	\$ (62,047)
Transportation services	(2,851,761)	(3,001,374)
Environmental services	(68,577)	(307,602)
Recreation and cultural services	(100,886)	(89,866)
Proceeds from the sale of tangible capital assets	<u>9,162</u>	<u> </u>
Cash flows used for capital activities	<u>\$ (3,536,737)</u>	<u>\$ (3,460,889)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ 883,228	\$ (1,700,725)
Cash and cash equivalents at the beginning of the year	<u>7,224,802</u>	<u>8,925,527</u>
Cash and cash equivalents at the end of the year	<u>\$ 8,108,030</u>	<u>\$ 7,224,802</u>

(See accompanying notes)

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Madawaska Valley are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and organizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include:

- Township of Madawaska Valley Public Library Board
- Township of Madawaska Valley Waterworks System
- Township of Madawaska Valley Wastewater System
- Township of Madawaska Valley Business Improvement Area Association

(ii) Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the county and school boards are not reflected in the municipal fund balances of these financial statements.

- (iii) Trust funds and their related operations administered by the Township are not included in these financial statements but are reported separately.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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 revenue over expenses, provides the change in net financial assets for the year.

(d) Tangible Capital Assets

(i) Tangible capital assets (TCAs) are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Consumer Price Index (CPI). Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	15 - 50 years
Linear assets	15 - 60 years
Machinery and equipment	5 - 20 years
Vehicles	10 - 15 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

(iii) Leases

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

(iv) Inventories

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

(e) Investments

Short term and long term investments are recorded at cost plus accrual interest. If the market value of the investments become lower than cost and the decline in value is considered to be other than temporary, the investments are written down to market value.

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment income earned on current funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

(f) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

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

(g) Deferred Revenue

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(h) 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 and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Significant estimates include the allowance for doubtful taxes, landfill closure and post closure costs, employee future benefits and the useful life and recoverable amount of tangible capital assets.

(j) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

(k) Revenue Recognition

Taxation revenue consists of non-exchange transactions. It is recognized in the period to which the assessment relates and reasonable estimates of amounts can be made. Annual revenue also includes adjustments related to reassessments or appeals related to prior years. Fees and user charges relate to utility charges [water, wastewater, and solid waste] licensing fees, fees for use of various programming, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

(l) Financial Instruments

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities and net long term liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying amounts reported on the statement of financial position for cash, accounts receivable, and accounts payable and accrued liabilities, approximate their fair values, due to the immediate and short term maturities of these financial instruments.

The fair value of net long term liabilities, including the current portion, is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

2. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the Township to raise funds in subsequent periods to finance unfunded liabilities, comprised of the landfill closure and post closure liabilities and employee future benefit costs.

3. TRUST FUNDS

Trust funds administered by the Township, totalling \$ 11,141 (2020 - \$ 8,547) are presented in separate financial statements of trust fund financial position and operations. As such, balances held in trust by the Township for the benefit of others 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.

4. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

Requisitions were made by the School Boards and County of Renfrew requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 1,382,965	\$ 2,964,793
Payments in lieu	<u>1,177</u>	<u>62,078</u>
	<u>\$ 1,384,142</u>	<u>\$ 3,026,871</u>

5. DEFERRED REVENUE

a) Obligatory Reserve Funds:

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

- (i) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year are comprised of the following externally restricted reserve funds:

	<u>2021</u>	<u>2020</u>
Development charges	\$ 31,327	\$ 31,330
Gasoline Tax - Federal	<u>169,079</u>	<u></u>
	<u>\$ 200,406</u>	<u>\$ 31,330</u>

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

5. DEFERRED REVENUE (Continued)

(ii) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	\$ 31,330	\$ 171,185
Gas tax revenue received	256,466	125,076
Interest earned	<u>507</u>	<u>3,056</u>
	\$ 288,303	\$ 299,317
Used to purchase tangible capital assets	<u>(87,897)</u>	<u>(267,987)</u>
Balance at the end of the year	<u>\$ 200,406</u>	<u>\$ 31,330</u>

b) Other Deferred Revenue:

Other deferred revenue consists of advances from the Province of Ontario to complete infrastructure projects within the Township.

6. 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 ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. Some closure costs are incurred on an ongoing basis and are included in the yearly fiscal operating budget. All remaining expected closure and post closure costs have been discounted at the Township's average long term borrowing rate, net of estimated inflation. There is currently \$ 663,389 in reserves set aside for either closure or post closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the useful life and estimated post closure care period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Landfill sites' estimated remaining capacity in cubic metres	112,299
Landfill sites' remaining useful life in years	33
Expected years of post closure care	25

The estimated total undiscounted expenses over the 25 year post closure period amount to approximately \$ 4,855,425.

7. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The Township of Madawaska Valley is currently involved in liability claims with the outcomes currently not determinable.

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

8. BUDGET FIGURES

The operating budget approved by the Township of Madawaska Valley for 2021 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements and are unaudited.

9. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. The total donated assets in 2021 - \$ Nil (2020 - \$ Nil).

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances. The 2021 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

10. NET LONG TERM LIABILITIES

- (a) The balance of net long term liabilities - capital of \$ 1,332,022 (2020 - \$ 1,437,734) reported on the "Consolidated Statement of Financial Position" is made up of long term liabilities incurred by the Township and includes those incurred on behalf of municipal enterprises.

	<u>2021</u>	<u>2020</u>
(b) Ontario Infrastructure Projects Corporations (OIPC) loan payable, interest at 2.73%, \$ 48,729 principal and interest payable semi-annually, maturing March 2034	\$ 1,026,263	\$ 1,094,308
Ontario Infrastructure and Lands Corporation debenture payable, interest at 3.67%, \$ 24,963 principal and interest payable semi-annually, maturing December 2028	<u>305,759</u>	<u>343,426</u>
Net long term liabilities at the end of the year	<u>\$ 1,332,022</u>	<u>\$ 1,437,734</u>

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

10. NET LONG TERM LIABILITIES (Continued)

(c) Principal and interest payments required on the long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 108,977	\$ 38,409	\$ 147,386
2023	112,345	35,041	147,386
2024	115,825	31,561	147,386
2025	119,405	27,981	147,386
2026	123,303	24,083	147,386
2027 to 2031	518,394	68,754	587,148
2032 onward	<u>233,773</u>	<u>9,668</u>	<u>243,441</u>
	<u>\$ 1,332,022</u>	<u>\$ 235,497</u>	<u>\$ 1,567,519</u>

11. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2021</u>	<u>2020</u>
Principal	\$ 105,712	\$ 102,547
Interest	<u>41,674</u>	<u>44,303</u>
	<u>\$ 147,386</u>	<u>\$ 146,850</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Consolidated Statement of Operations and Accumulated Surplus under the appropriate functional expenditure heading.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Tangible capital assets - net	\$ 34,164,637	\$ 32,473,067
Net long term liabilities	<u>(1,332,022)</u>	<u>(1,437,734)</u>
Equity in tangible capital assets	<u>\$ 32,832,615</u>	<u>\$ 31,035,333</u>

13. CASH

Cash consists of cash in bank of \$ 6,191,714 (2020 - \$ 5,016,103) and investments of \$ 1,916,316 (2020 - \$ 2,208,699).

	Cost 31 December <u>2021</u>	Cost 31 December <u>2020</u>	Market Value 31 December <u>2021</u>	Market Value 31 December <u>2020</u>
Investments consist of:				
Government of Canada Coupons	\$ 106,251	\$ 106,431	\$ 106,251	\$ 106,431
Province of Ontario Coupons	239,792	547,253	239,792	547,253
Province of Quebec Coupons	81,864	66,454	81,864	66,454
IGI Mort Short Term Income	<u>1,488,409</u>	<u>1,488,561</u>	<u>1,488,409</u>	<u>1,500,907</u>
Total investments	<u>\$ 1,916,316</u>	<u>\$ 2,208,699</u>	<u>\$ 1,916,316</u>	<u>\$ 2,221,045</u>

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

14. PENSION CONTRIBUTIONS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. During the year ended 31 December 2021, the Municipality contributed \$ 145,861 (2020 - \$ 142,964) to the plan and is included as an expense in the Consolidated Statement of Operations and Accumulated Surplus. The Township does not recognize in its consolidated financial statements any share of the pension plan surplus as this is a joint responsibility of all Ontario municipalities and their employees. The pension plan deficit for 2021 is \$ (69,000,000) (the surplus for 2020 was \$ (7,655,000,000)) based on the fair market value of the Plan's assets.

15. CONTRACTUAL OBLIGATIONS

In 2021, the Township entered into a contract with Ontario Clean Water Agency. The contract will continue to be in effect until 31 December 2024. The 2021 annual charges for water and sewage treatment was, water \$ 285,648 (2020 - \$ 252,269) and sewage disposal \$ 266,149 (2020 - \$ 291,857).

The Township has not negotiated a contract with the Ontario Provincial Police for the provision of policing services, however the Ontario Provincial Police provide policing services on an annual basis. Annual charges are determined based on the level of service and are reconciled to actual costs in the following year. The amount for 2021 was \$ 910,643 (2020 - \$ 933,146).

The Township entered into a contract for environmental engineering monitoring. The contract will continue in effect until 2021. The amount for 2021 was \$ 51,248 (2020 - \$ 46,974). Subsequent to year end, the Township entered into a new contract for environmental engineering monitoring that will continue in effect until 2027.

16. SEGMENTED INFORMATION

- (a) The Township is responsible for providing a wide range of services to its citizens. The Township reports on functional areas and programs in its consolidated financial statements. A brief description of each segment follows:
- i) General government is comprised of council and administration and is responsible for the overall governance and management of the Municipality.
 - ii) Protection is comprised of police, fire, and other protective services.
 - iii) Transportation is comprised of roads including parking, signs and signals, streetlights and the maintenance of roads of the Township.
 - iv) Environmental services include water supply and distribution, wastewater treatment, and solid waste and recycling services.
 - v) Health services include expenditures related to the doctor recruitment.
 - vi) Social services include service related to social assistance.
 - vii) Recreation and cultural services include parks and recreation and libraries.
 - viii) Planning and development services are comprised of managing development for residential and business interests, as well as infrastructure and parks.

Township of Madawaska Valley
Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

16. SEGMENTED INFORMATION (Continued)

(b) For each functional area, expenditures represent both amounts that are directly attributable to the functional area and amounts that are allocated on a reasonable basis. The expenditures for 31 December 2021 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 727,073		\$ 461,656	\$ -	\$ 10,257	\$ 1,198,986
Protection services	321,988		1,074,774		88,482	1,485,244
Transportation services	697,142		1,231,062		1,110,482	3,038,686
Environmental services	314,705	\$ 41,674	1,126,106		407,303	1,889,788
Health services			135,215			135,215
Recreation services	479,561		328,703		116,838	925,102
Planning and development	<u>117,253</u>		<u>63,624</u>			<u>180,877</u>
	<u>\$ 2,657,722</u>	<u>\$ 41,674</u>	<u>\$ 4,421,140</u>	<u>\$ -</u>	<u>\$ 1,733,362</u>	<u>\$ 8,853,898</u>

(c) The expenditures for 31 December 2020 are as follows:

	Salaries and benefits	Interest on long term debt	Materials and contracted services	Rent and external transfers	Amortization	Total
General government	\$ 646,838		\$ 435,833	\$ -	\$ 10,225	\$ 1,092,896
Protection services	326,239		1,113,399		83,227	1,522,865
Transportation services	653,311		1,137,968		1,094,035	2,885,314
Environmental services	290,056	\$ 44,303	1,115,435		395,356	1,845,150
Health services			27,597			27,597
Recreation services	447,621		379,981		110,876	938,478
Planning and development	<u>116,476</u>		<u>105,891</u>			<u>222,367</u>
	<u>\$ 2,480,541</u>	<u>\$ 44,303</u>	<u>\$ 4,316,104</u>	<u>\$ -</u>	<u>\$ 1,693,719</u>	<u>\$ 8,534,667</u>

17. RESTATEMENT OF PREVIOUS YEAR

The 31 December 2020 waterworks fund surplus was previously reported as \$ 81,290, the wastewater fund surplus was previously reported as \$ 39,183, accounts payable was previously reported as \$ 2,567,143 and the Environmental services expense was previously reported as \$ 1,892,199. During the 2021 audit, it was discovered that the 31 December 2020 financial statements included a payment that was entered twice and included in accounts payable at year end in error. As a result of this error, the 31 December 2020 waterworks fund surplus was increased by \$ 21,625 and restated to \$ 102,915, the wastewater fund was increased by \$ 25,424 and restated to \$ 64,607, accounts payable was decreased by \$ 47,049 and restated to \$ 2,520,094 and environmental expenses has been decreased by \$ 47,049 and restated to \$ 1,845,150. The operating charges - Ontario Clean Water Agency on the schedule of waterworks operations was decreased by \$ 21,625 and restated to \$ 252,269 and the operating charges - Ontario Clean Water Agency on the schedule of wastewater operations was decreased by \$ 25,424 and restated to \$ 291,857.

Township of Madawaska Valley

Schedule of General Operations

For the year ended 31 December 2021

(with 2021 budget and 2020 actual figures for comparison)

	2021 <u>Budget</u>	2021 <u>Actual</u>	2020 <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 4,571,018	\$ 4,698,444	\$ 4,454,305
Government transfers:			
Ontario	2,340,077	2,412,935	2,951,236
Canada	407,592	448,672	1,683,198
Other municipalities	44,220	44,539	58,050
Other	<u>765,339</u>	<u>2,165,604</u>	<u>871,899</u>
	<u>\$ 8,128,246</u>	<u>\$ 9,770,194</u>	<u>\$ 10,018,688</u>
Expenses:			
General government	\$ 1,137,404	\$ 1,184,818	\$ 1,115,969
Protection to persons and property	1,458,531	1,480,754	1,523,305
Transportation services	2,835,402	3,033,557	2,882,508
Environmental services	677,494	655,601	670,246
Health services		135,215	27,597
Recreation and cultural services	1,014,930	730,141	741,357
Planning and development	<u>229,584</u>	<u>182,896</u>	<u>213,812</u>
	<u>\$ 7,353,345</u>	<u>\$ 7,402,982</u>	<u>\$ 7,174,794</u>
Excess of revenue over expenses	<u>\$ 774,901</u>	<u>\$ 2,367,212</u>	<u>\$ 2,843,894</u>
Transfers:			
Transfer to Library	\$ (154,459)	\$ (152,199)	\$ (152,199)
Transfer to reserves	(631,009)	(144,396)	(876,286)
Transfer from (to) equity in tangible capital assets	<u>1,066,727</u>	<u>(2,092,453)</u>	<u>(1,807,806)</u>
Net transfers	<u>\$ 281,259</u>	<u>\$ (2,389,048)</u>	<u>\$ (2,836,291)</u>
Change in general surplus (deficit) for the year	\$ 1,056,160	\$ (21,836)	\$ 7,603
General surplus at the beginning of the year	<u>123,888</u>	<u>123,888</u>	<u>116,285</u>
General surplus at the end of the year	<u>\$ 1,180,048</u>	<u>\$ 102,052</u>	<u>\$ 123,888</u>

(See accompanying notes)

Township of Madawaska Valley
Schedule of Tangible Capital Assets
For the year ended 31 December 2021
(with 2020 figures for comparison)

Segmented by asset class:	Balance at 31 December <u>2020</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2021</u>
<u>Cost</u>				
Land	\$ 1,278,485			\$ 1,278,485
Land improvements	150,124			150,124
Buildings	17,280,121	\$ 91,658		17,371,779
Linear assets	31,549,012	2,781,958	\$ 2,443,334	36,774,304
Machinery and equipment	1,793,221	170,113	(39,651)	1,923,683
Vehicles	5,288,397	485,761	(169,323)	5,604,835
Capital work in process	<u>2,677,269</u>	<u>16,409</u>	<u>(2,677,269)</u>	<u>16,409</u>
Total	<u>\$ 60,016,629</u>	<u>\$ 3,545,899</u>	<u>\$ (442,909)</u>	<u>\$ 63,119,619</u>

Accumulated <u>amortization</u>	Balance at 31 December <u>2020</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2021</u>
Land improvements	\$ 22,902	\$ 6,208		\$ 29,110
Buildings	5,966,115	363,103		6,329,218
Linear assets	17,181,850	1,003,788	\$ (116,968)	18,068,670
Machinery and equipment	954,074	88,731	(39,651)	1,003,154
Vehicles	<u>3,418,621</u>	<u>271,532</u>	<u>(165,323)</u>	<u>3,524,830</u>
Total	<u>\$ 27,543,562</u>	<u>\$ 1,733,362</u>	<u>\$ (321,942)</u>	<u>\$ 28,954,982</u>

<u>Net book value</u>	Balance at 31 December <u>2020</u>	Balance at 31 December <u>2021</u>
Land	\$ 1,278,485	\$ 1,278,485
Land improvements	127,222	121,014
Buildings	11,314,006	11,042,561
Linear assets	14,367,162	18,705,634
Machinery and equipment	839,147	920,529
Vehicles	1,869,776	2,080,005
Capital work in process	<u>2,677,269</u>	<u>16,409</u>
Total	<u>\$ 32,473,067</u>	<u>\$ 34,164,637</u>

(See accompanying notes)

Township of Madawaska Valley
Schedule of Tangible Capital Assets
For the year ended 31 December 2021
(with 2020 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2020</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2021</u>
General government	\$ 723,307	\$ 60,409	\$ (32,745)	\$ 750,971
Protection services	1,635,235	464,266	(176,229)	1,923,272
Transportation services	34,476,679	2,851,761		37,328,440
Environmental services	18,540,567	68,577	(233,935)	18,375,209
Recreation and cultural services	<u>4,640,841</u>	<u>100,886</u>		<u>4,741,727</u>
Total	<u>\$ 60,016,629</u>	<u>\$ 3,545,899</u>	<u>\$ (442,909)</u>	<u>\$ 63,119,619</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2020</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2021</u>
General government	\$ 342,258	\$ 10,257	\$ (32,745)	\$ 319,770
Protection services	977,060	88,482	(172,229)	893,313
Transportation services	16,960,551	1,110,482		18,071,033
Environmental services	6,362,173	407,303	(116,968)	6,652,508
Recreation and cultural services	<u>2,901,520</u>	<u>116,838</u>		<u>3,018,358</u>
Total	<u>\$ 27,543,562</u>	<u>\$ 1,733,362</u>	<u>\$ (321,942)</u>	<u>\$ 28,954,982</u>

<u>Net book value</u>	Balance at 31 December <u>2020</u>	Balance at 31 December <u>2021</u>
General government	\$ 381,049	\$ 431,201
Protection services	658,175	1,029,959
Transportation services	17,516,128	19,257,407
Environmental services	12,178,394	11,722,701
Recreation and cultural services	<u>1,739,321</u>	<u>1,723,369</u>
Total	<u>\$ 32,473,067</u>	<u>\$ 34,164,637</u>

(See accompanying notes)

Township of Madawaska Valley
Schedule of Reserves and Reserve Funds
For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Contributions:		
From operations	\$ <u>1,338,951</u>	\$ <u>2,070,349</u>
Transfers:		
To operations	\$ (307,181)	\$ (588,988)
To tangible capital asset acquisitions	<u>(736,312)</u>	<u>(511,729)</u>
	\$ <u>(1,043,493)</u>	\$ <u>(1,100,717)</u>
Change in reserves and reserve funds balance	\$ 295,458	\$ 969,632
Reserves and reserve funds at the beginning of the year	<u>8,649,164</u>	<u>7,679,532</u>
Reserves and reserve funds at the end of the year	<u>\$ 8,944,622</u>	<u>\$ 8,649,164</u>
Reserves:		
Working funds	\$ 2,519,497	\$ 2,348,310
Fire	194,938	534,029
Roadways, sidewalks and streetlighting	1,360,744	1,279,591
Replacement of equipment	8,000	8,000
Recreation and culture	757,386	479,399
Building	101,213	84,931
Emergency plan	8,833	28,206
Wastewater system	712,717	638,454
Water system	695,554	618,755
Economic development	298,392	418,793
Unallocated	21,128	21,069
Waste management	<u>2,266,220</u>	<u>2,189,627</u>
Total reserves	<u>\$ 8,944,622</u>	<u>\$ 8,649,164</u>

(See accompanying notes)

Township of Madawaska Valley

Schedule of Waterworks Operations

For the year ended 31 December 2021

(with 2021 budget and 2020 actual figures for comparison)

	2021 <u>Budget</u>	2021 <u>Actual</u>	2020 <u>Actual</u>
Revenue:			
User charges	\$ 515,160	\$ 521,774	\$ 558,430
Late payment charges	2,600	7,494	1,822
Debt retirement			1
Other revenue	897	1,227	6,535
Ontario grant			168,080
Investment income	<u>1,700</u>	<u>215</u>	<u>500</u>
	<u>\$ 520,357</u>	<u>\$ 530,710</u>	<u>\$ 735,368</u>
Expenses:			
Amortization	\$ 136,250	\$ 136,250	\$ 123,541
Long term debt interest	30,000	29,413	31,699
Operating charges - Ontario Clean Water Agency	293,983	285,648	252,269
Materials and supplies	68,850	106,033	90,021
Wages and benefits	<u>14,865</u>	<u>12,912</u>	<u>13,241</u>
	<u>\$ 543,948</u>	<u>\$ 570,256</u>	<u>\$ 510,771</u>
Excess (shortfall) of revenue over expenses	<u>\$ (23,591)</u>	<u>\$ (39,546)</u>	<u>\$ 224,597</u>
Financing and transfers:			
Transfer from (to) equity in tangible capital assets	\$ (297,903)	\$ 147,162	\$ (248,077)
Transfer from (to) reserves	<u>286,402</u>	<u>(76,798)</u>	<u>(30,878)</u>
Net financing and transfers	<u>\$ (11,501)</u>	<u>\$ 70,364</u>	<u>\$ (278,955)</u>
Change in surplus (deficit) during the year	\$ (35,092)	\$ 30,818	\$ (54,358)
Surplus at the beginning of the year	<u>102,915</u>	<u>102,915</u>	<u>157,273</u>
Surplus at the end of the year	<u>\$ 67,823</u>	<u>\$ 133,733</u>	<u>\$ 102,915</u>

(See accompanying notes)

Township of Madawaska Valley
Schedule of Wastewater Operations
For the year ended 31 December 2021
(with 2021 budget and 2020 actual figures for comparison)

	<u>2021</u> <u>Budget</u>	<u>2021</u> <u>Actual</u>	<u>2020</u> <u>Actual</u>
Revenue:			
User charges	\$ 541,080	\$ 555,684	\$ 568,211
Late payment charges	4,500	4,279	3,286
Debt retirement			7
Other revenue		95,000	300
Ontario grant	17,500		18,120
Investment income	<u>2,300</u>	<u> </u>	<u> </u>
	<u>\$ 565,380</u>	<u>\$ 654,963</u>	<u>\$ 589,924</u>
Expenses:			
Amortization	\$ 209,783	\$ 209,783	\$ 209,783
Long term debt interest	13,000	12,261	12,604
Operating charges - Ontario Clean Water Agency	329,016	266,149	291,857
Material and supplies	76,850	162,022	138,679
Wages and benefits	<u>14,035</u>	<u>13,706</u>	<u>12,837</u>
	<u>\$ 642,684</u>	<u>\$ 663,921</u>	<u>\$ 665,760</u>
Shortfall of revenue over expenses	<u>\$ (77,304)</u>	<u>\$ (8,958)</u>	<u>\$ (75,836)</u>
Financing and transfers:			
Transfer from equity in tangible capital assets	\$ 100,379	\$ 148,007	\$ 186,168
Transfer from (to) reserves	<u>10,275</u>	<u>(74,262)</u>	<u>(62,471)</u>
Net financing and transfers	<u>\$ 110,654</u>	<u>\$ 73,745</u>	<u>\$ 123,697</u>
Change in surplus during the year	\$ 33,350	\$ 64,787	\$ 47,861
Surplus at the beginning of the year	<u>64,607</u>	<u>64,607</u>	<u>16,746</u>
Surplus at the end of the year	<u>\$ 97,957</u>	<u>\$ 129,394</u>	<u>\$ 64,607</u>

(See accompanying notes)

Township of Madawaska Valley
Schedule of Business Improvement Area Association Operations

For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Revenue	\$ <u>8,567</u>	\$ <u>11,564</u>
Expenses:		
Materials and supplies	\$ <u>6,424</u>	\$ <u>6,045</u>
Excess of revenue over expenses	\$ <u><u>2,143</u></u>	\$ <u><u>5,519</u></u>

(See accompanying notes)

Township of Madawaska Valley
Combermere Methodist Cemetery Trust Fund
Schedule of Financial Position
As at 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash in bank	\$ <u>11,141</u>	\$ <u>8,547</u>
<u>FUND BALANCE</u>		
Fund balance	\$ <u>11,141</u>	\$ <u>8,547</u>

Township of Madawaska Valley
Combermere Methodist Cemetery Trust Fund
Schedule of Operations and Change in Fund Balance
For the year ended 31 December 2021
(with 2020 figures for comparison)

	<u>2021</u>	<u>2020</u>
Fund balance at the beginning of the year	\$ 8,547	\$ 7,092
Revenue:		
Lot sale	2,586	1,443
Interest income	13	19
Expenditure:		
Bank charges	<u>(5)</u>	<u>(7)</u>
Fund balance at the end of the year	\$ <u>11,141</u>	\$ <u>8,547</u>

(See accompanying notes)