

Consolidated Financial Statements of

**TOWN OF CARLETON
PLACE**

Year ended December 31, 2021

DRAFT

TOWN OF CARLETON PLACE

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Carleton Place are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

Diane Smithson, B. Comm, Dipl.M.M., CMO
Chief Administrative Officer

Trisa McConkey B. Acc. Sc., C.P.A., C.G.A.
Treasurer

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Carleton Place

Opinion

We have audited the financial statements of Corporation of the Town of Carleton Place (the "Entity"), which comprise:

- the consolidated statement of financial position as at end of December 31, 2021
- the consolidated statement of operations and municipal equity for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

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

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

Other Matter – Comparative Information

The financial statements as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 9, 2021.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(date)

TOWN OF CARLETON PLACE

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 35,831,666	\$ 34,564,750
Taxes receivable (net of allowance of \$55,000)	1,750,802	1,658,060
User charges receivable	263,273	534,933
Accounts receivable	3,084,775	2,860,621
Long-term mortgage receivable (note 5)	2,990,235	5,523,550
Long-term mortgage receivable (note 4)	3,780,705	3,925,463
	<u>47,701,456</u>	<u>49,067,377</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,194,949	2,500,487
Other current liabilities	1,175,066	592,729
Security deposits	5,975,273	5,777,865
Employee future benefit obligations (note 6)	552,384	514,454
Deferred revenues (note 7)	4,442,837	3,905,115
Long-term liabilities (note 8)	5,602,388	6,181,175
	<u>19,942,897</u>	<u>19,471,825</u>
Total net financial assets	<u>27,758,559</u>	<u>29,595,552</u>
Non-financial assets:		
Tangible capital assets (note 15)	119,154,802	113,763,497
Inventories	93,165	79,677
Prepaid expenses	9,167	15,060
	<u>119,257,134</u>	<u>113,858,234</u>
Commitments (note 12)		
Contingent liabilities (note 13)		
Municipal equity (note 9)	<u>\$ 147,015,693</u>	<u>\$ 143,453,786</u>

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

TOWN OF CARLETON PLACE

Statement of Operations and Accumulated Surplus

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

	Budget 2021	Actual 2021	Actual 2020
	(note 16)		
Revenue:			
Taxation	\$ 12,271,781	\$ 12,498,584	\$ 11,741,931
User charges	10,711,442	8,280,019	9,872,170
Government transfers	6,607,629	5,675,820	8,044,104
Licenses and permits	771,815	854,643	1,467,164
Investment income	266,599	317,907	377,480
Penalties and interest on taxes	288,000	432,212	158,174
Other	471,268	489,868	2,019,514
	31,388,534	28,549,053	33,680,537
Expenses (note 15):			
General government	2,665,237	2,662,214	1,456,142
Protection to persons and property	4,621,883	4,827,918	4,530,455
Transportation services	3,100,541	4,016,792	4,622,897
Environmental services	4,339,681	5,998,855	5,788,829
Social and family services	3,466,398	3,209,689	3,005,109
Recreation and cultural services	3,373,750	3,102,273	3,314,160
Planning and development	1,118,581	1,169,405	937,698
	22,686,071	24,987,146	23,655,290
Annual surplus	8,702,463	3,561,907	10,025,247
Municipal equity, beginning of year	143,453,786	143,453,786	133,428,539
Municipal equity, end of year (note 9)	\$ 152,156,249	\$ 147,015,693	\$ 143,453,786

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

TOWN OF CARLETON PLACE

Consolidated Statement of Changes in Net Financial Assets

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

	Budget 2021	Actual 2021	Actual 2020
	(note 16)		
Annual surplus	\$ 8,702,463	\$ 3,561,907	\$10,025,247
Amortization of tangible capital assets	3,657,000	3,877,404	3,334,816
Acquisition of tangible capital assets	(14,499,500)	(9,425,510)	(8,717,956)
Disposal of tangible capital assets	-	139,051	254,577
Loss on disposal of tangible capital assets	-	17,750	17,835
Disposition (acquisition) of inventories	-	(13,488)	8,323
Disposal of prepaid expenses	-	5,893	112,391
	(10,842,500)	(5,398,900)	(4,990,014)
Change in net financial assets	(2,140,037)	(1,836,993)	5,035,233
Net financial assets, beginning of year	29,595,552	29,595,552	24,560,319
Net financial assets, end of year	\$ 27,455,515	\$ 27,758,559	\$29,595,552

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

TOWN OF CARLETON PLACE

Consolidated Statement of Cash Flows

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

	2021	2020
Operating activities:		
Annual surplus	\$ 3,561,907	\$ 10,025,247
Item not involving cash:		
Amortization	3,877,404	3,334,816
Loss on disposal of tangible capital assets	17,750	17,835
Change in non-cash operating working capital:		
Taxes receivable	(92,742)	(270,772)
User charges receivable	271,660	(181,224)
Accounts receivable	(224,154)	(1,783,395)
Accounts payable and accrued liabilities	(305,538)	(1,008,269)
Other current liabilities	582,337	241,643
Security deposits	197,408	3,178,808
Employee future benefit obligation	37,930	12,262
Deferred revenues	537,722	333,993
Inventories	(13,488)	8,323
Prepaid expenses	5,893	112,391
	8,454,089	14,021,658
Capital activities:		
Acquisition of tangible capital assets	(9,425,510)	(8,717,956)
Disposal of tangible capital assets	139,051	254,577
	(9,286,459)	(8,463,379)
Investing activities:		
Repayment of long-term mortgage receivable	2,533,315	69,482
Repayment of long-term mortgage receivable	144,758	139,961
	2,678,073	209,443
Financing activities:		
Debt principal repayments	(578,787)	(653,985)
Increase in cash	1,266,916	5,113,737
Cash, beginning of year	34,564,750	29,451,013
Cash, end of year	\$ 35,831,666	\$ 34,564,750

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

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Status of the Town of Carleton Place:

The Town of Carleton Place (the 'Town') was incorporated January 6, 1890 (previously incorporated as a village in 1870) and assumed its responsibilities under the authority of the Provincial Secretary. The Town operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant accounting policies:

The consolidated financial statements of the Corporation of the Town of Carleton Place are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies by the Town are as follows:

(a) Reporting entity:

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

- Public Library Board
- Business Improvement Area Committee

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

(b) Basis of accounting:

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus provides the change in net financial assets for the year.

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(c) Taxation and related revenues:

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by the Town Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark for regional services, and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

(d) Tangible capital assets:

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

Asset	Estimated Useful Life
Land	
Land improvements	10-25 years
Buildings	20-60 years
Machinery and equipment	5-30 years
Vehicles	3-25 years
Water and waste plants and networks:	
Water plant	60 years
Sewage plant	60 years
Storm ponds	25 years
Linear assets:	
Roads	15-25 years
Sidewalks/curbs	35 years
Underground networks:	
Water	60 years
Sewer	60 years
Storm	60 years
Bridges	50 years

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$10,000 for vehicles and equipment and \$100,000 for linear assets and buildings so that individual capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operations reasons.

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

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

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

(e) Leases:

Leases are classified as capital or operations 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.

(f) Inventories:

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

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(g) Employee future benefit obligation:

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

Employee benefits include vacation entitlement and banked time. Vacation entitlements and banked time are accrued as entitlements are earned.

The Town accrues its obligation for employee benefit plans. The cost of post-retirement 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.

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

(h) Government transfers:

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

(i) Deferred revenue:

The Town defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and recreational land collected under the *Planning Act* are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

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

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(i) Deferred revenue (continued):

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Town has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(j) Investments:

Short-term and long-term investments are recorded at cost plus accrued interest. If the market value of 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.

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

(k) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Town:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Significant accounting policies (continued):

(l) 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. Actual results could differ from these estimates.

3. Operations of the School Boards and County of Lanark:

In 2021, the Town collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark and School Boards as follows:

	School board 2021	County 2021	School board 2020	County 2020
Property taxes	\$3,841,921	\$6,705,513	\$ 3,947,580	\$ 6,173,589
Taxation from other governments	-	25,295	-	27,253
	\$3,841,921	\$6,730,808	\$ 3,947,580	\$ 6,200,842

4. Long-term mortgage receivable:

In 2017, the Town entered into a long term financing agreement with Mississippi Valley Conservation Authority to finance the construction of a new facility to be located within the Town. Long term financing was a debenture funded through Ontario Infrastructure and Lands Corporation (OILC) in the amount of \$4,640,000.

The loan is secured with an agreement that includes a mortgage on the property. The debenture terms include interest at a rate of 3.4%, semi annual blended payments of \$138,502, due June 1st and December 1st and is due June 2040.

Year	Amount
2022	\$ 149,723
2023	154,857
2024	160,166
2025	165,658
2026	171,339
2027	948,954
Thereafter	2,030,008
	\$ 3,780,705

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Long-term mortgage receivable:

In 2020, the Town executed cost recovery agreements with developers for core infrastructure services for water and sewer on Highway 7 and McNeely Avenue. Under the agreement, the Town agreed to fund the up front infrastructure costs and then recover the funds from the developers through a long term mortgage.

The mortgages are to be repaid over 15 years with quarterly payments and with interest compounded annually at 4%. The Town has mortgage security on each property within the development area.

The loan agreements provide for lump sum repayments of principal under the following conditions:

- (i) The Town recovers development costs from other owners of land who benefit from the core services within the development area.
- (ii) Developer registers a plan of the subdivision, registers a site plan approval, receives a severance or upon the issuance of a building permit for any building requiring a connection to services.

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. Employee future benefit obligations:

The Town extends non-pension retirement benefits for medical and dental benefits to a maximum of \$5,000 per year, for full time employees for ten years after retirement or to age 65, whichever comes first. To be eligible an employee must be at least age 55 (age 50 for firefighters) and has at least 20 years of service with the Town. Employees with 15 years of service are eligible but will receive 50% of the normal benefit reimbursement.

An independent actuarial study of the employee non-pension benefits has been undertaken. The most recent valuation of the employee future benefits was effective at December 31, 2021.

The accrued benefit liability relating to the employee non-pension retirement benefits has been actuarially determined using the projected benefit method pro-rated on services. At December 31, 2021, based on an actuarial valuation, the accrued benefit liability was \$552,384 (2020 \$514,454).

Discount rate		1.83%
Trend rates	7.50% decreasing by 0.50% annually to 4.00%	
Employee turnover	4.50% decreasing to 1.00% after 25 years of service	
Retirement age	Early age of 55 or age plus service totals 90	
Participation	90.00% will elect family coverage and 10.00% will elect single coverage	
Cost of coverage	\$3,800 in 2021 for family coverage and half for single coverage	

The continuity of post employment benefits is as follows:

	2021	2020
Accrued benefit liability at beginning of year	\$ 514,454	\$ 502,192
Benefits accrued during the year	43,492	23,098
Benefits paid during the year	(25,400)	(26,600)
Interest on accrued benefit liability during the year	11,448	15,764
Amortization gain	8,390	-
Accrued benefit liability at end of year	\$ 552,384	\$ 514,454

	2021	2020
Accrued future benefit obligation at end of year	\$ 646,022	\$ 616,482
Unamortized actuarial loss	(93,638)	(102,028)
Accrued benefit liability at end of year	\$ 552,384	\$ 514,454

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Deferred revenues:

A requirement of 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 as Provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

The transactions for the year are summarized below:

	Government grants	Development charges	Recreational land	Parking	Federal gas tax	Total
January 1, 2021	\$ 554,380	\$ 3,143,676	\$ 207,059	\$ -	\$ -	\$ 3,905,115
Government grants	1,034,367	-	-	-	662,098	1,696,465
Contributions from developers	-	1,426,946	13,058	14,000	-	1,454,004
Interest	-	32,778	1,491	30	4,964	39,263
Transfer to capital fund	(1,549,630)	(987,649)	-	-	(114,731)	(2,652,010)
December 31, 2021	\$ 39,117	\$ 3,615,751	\$ 221,608	\$ 14,030	\$ 552,331	\$ 4,442,837

8. Long-term liabilities:

(a) The balance of long-term liabilities reported on the consolidated statement of financial position is comprised of the following:

	2021	2020
Total long-term liabilities incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to:	\$ 3,780,705	\$ 3,925,463
Ontario Infrastructure and Land Corporation loan with maturity date 2040, with interest rate 3.40%.	352,663	460,159
Ontario Infrastructure and Land Corporation loan with maturity date 2024 with interest rate of 4.49%.	1,209,040	1,485,573
Mutura (0.00%), with maturity date February 2022.	259,980	309,980
	\$ 5,602,388	\$ 6,181,175

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

8. Long-term liabilities (continued):

(b) Of the municipal debt shown above, the responsibility for the payment of principal and interest charges for the Mississippi Valley Conservation Authority (MVCA) has been assumed by MVCA 2021 of \$3,780,705 (2020 - \$3,925,464).

(c) Principal payments fall due as follows:

	User charges	General revenue	From others	Total
2022	\$ 398,837	\$ 50,000	\$ 149,723	\$ 598,560
2023	414,222	50,000	154,857	619,079
2024	430,210	50,000	160,166	640,376
2025	318,434	50,000	165,658	534,092
2026	–	59,980	171,339	231,319
2027 to 2030	–	–	948,954	948,954
2031 and thereafter	–	–	2,030,008	2,030,008
	\$1,561,703	\$ 259,980	\$ 3,780,705	\$ 5,602,388

(d) Interest expense on long term liabilities in 2021 amounted to \$205,046 (2020 - \$227,341).

(e) These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

9. Municipal equity:

Municipal equity consists of:

	2021	2020
Investment in intangible capital assets:		
Tangible capital assets	\$ 119,154,802	\$ 113,763,497
Long-term liabilities	(1,821,683)	(2,255,711)
Unfinanced capital projects	(3,179,671)	(1,136,372)
	114,153,448	110,371,414
(Deficit) surplus	(370,905)	79,677
Unfunded post retirement benefits	(552,384)	(514,454)
Reserves (Schedule 1)	32,391,371	32,244,381
Reserve Funds (Schedule 1)	1,408,193	1,272,768
Total municipal equity	\$ 147,029,723	\$ 143,453,786

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Pension contributions:

The Town makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Town does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$593,073 (2020 \$598,484) for current services and is included as an expense on the consolidated statement of operations classified under the appropriate functional expenditure.

11. Provincial offences administration (POA):

The Corporation of the Town of Perth has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of the Attorney General to the Town was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Town’s share of net revenues arising from operation of the POA office have been consolidated with these financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Perth court.

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System (“ICON”) operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Town shares net POA revenues based on weighted assessment.

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Commitments:

- (a) In 1997, the Town entered into a fixed price contract with the Ontario Clean Water Agency to manage the water treatment plant and the sewage treatment plant. The operational costs are subject to inflationary increases and the Town is responsible for capital costs and emergency use costs. The contract expires December 2023.

Included in the consolidated statement of operations are the costs paid to the Ontario Clean Water Agency of \$1,315,999 (2020 - \$1,149,509) for the sewage plant and \$789,329 (2020 - \$776,671) for the water treatment plant.

- (b) In 2021, the Town entered into an agreement with GFL Environmental to provide solid waste collection and disposal services. Payment for collection was approximately \$294,539 in (2021 - 262,531). Payment for disposal was approximately \$351,439 in 2021 (2020 - \$322,566). The contract with GFL Environmental is for a period of five (5) years with two (2) additional one (1) year extensions possible. Annual charges are based on the number of households, volumes of material processed / disposed, and annual inflation adjustments.
- (c) In 2021, the Town entered into an agreement with Emterra Environmental to provide recycling collection and processing services. Payment for collection was approximately \$456,658 in 2021 (2020 - \$399,520). Payment for processing was approximately \$88,225 in 2021 (2020 - \$57,137). The contract with Emterra Environmental is for a period of two and a half (2.5) years with three (3) additional one (1) year extensions possible. Annual charges are based on the number of households, volumes of material processed / disposed, and annual inflation adjustments.
- (d) The Town has negotiated a long term contract with the Ontario Provincial Police for the provision of policing services. The contract ends December 2024. Annual charges are determined based on level of service and are reconciled to actual costs in the following year. The contractual expense for 2021 was \$2,396,376 (2020 - \$2,361,060).
- (e) The Town has entered into a long term lease agreement (99 years) with the Upper Canada District School Board for the child care centre property. The financial considerations was \$1 in 2020 and \$8,547 in 2021 as additional land was added due to the expansion of the child care centre. Annual financial considerations include upkeep and maintenance of the shared driveway.
- (f) The Town entered into boundary restructuring agreements with Beckwith Township. In consideration of jurisdictional rights the Town has agreed to compensate Beckwith Township for the municipal share of taxes levied for a maximum 40 years. For the agreement expiring December 31, 2036 the compensation is 30% of the municipal share of taxes. For the agreement expiring December 31, 2051 the compensation is 30% of the municipal share of commercial taxes levied and a one time payment equivalent to the Beckwith development charge for residential units on new residential units. Payments under these agreements for the year were \$354,440 (2020 - \$431,521).

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Contractual obligations (continued):

- (g) The Town has entered into a boundary restructuring agreement with the Town of Mississippi Mills. In consideration of jurisdictional rights the Town has agreed to compensate the Town of Mississippi Mills for 30% of commercial taxes levied and a one time payment equivalent to the Mississippi Mills development charge for residential units on new residential units for a maximum of 40 years. The agreement expires December 31, 2051.

13. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2021, management believes that the Town has valid defences and appropriate and adequate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Tangible capital assets, at net book value:

	2021	2020
Land	\$ 5,481,769	\$ 5,518,556
Land improvements	4,074,894	4,186,761
Buildings	14,652,601	14,559,861
Machinery and equipment	7,646,502	7,513,534
Vehicles	1,732,415	1,877,977
Water and waste plants and networks:		
Water plant	3,121,344	3,121,344
Sewage plant	11,649,854	12,052,567
Linear assets:		
Roads	18,171,976	17,661,140
Sidewalks/curbs	3,531,899	3,531,899
Underground networks:		
Water	14,534,434	14,883,984
Sewer	12,707,201	13,007,197
Storm	7,525,668	7,348,191
Bridges	107,430	116,551
Construction in progress	14,216,815	8,383,935
	<u>\$ 119,154,802</u>	<u>\$ 113,763,497</u>

For additional information, see Schedule 2 > Tangible Capital Assets.

15. Segmented information:

The Town is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of financial activities.

Departments have been separately disclosed in the segmented information, along with the service they provide, are set out in the schedule below.

For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information (continued):

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

2021	Salaries, wages & employee benefits	Interest on long-term liabilities	Materials & services	Amortization	Total
General government:					
Governance	\$ 251,395	–	\$ 60,723	\$ –	\$ 312,118
Corporate management & program support	1,302,933	–	995,760	51,403	2,350,096
Protection to persons and property:					
Fire	795,102	–	257,880	134,657	1,187,639
Police	79,782	–	2,440,665	1,002	2,521,449
Conservation authority		132,246	78,697	–	210,943
Protective Inspection	755,711	–	143,153	9,023	907,887
Transportation:					
Roadways	834,782	–	872,472	1,545,548	3,252,802
Winter control	310,751	–	250,578	39,937	601,266
Street lighting		–	161,915	–	161,915
Transit		–	809	–	809
Environmental:					
Sanitary sewer	336,640	53,332	1,418,129	999,276	2,807,377
Waterworks	171,642	–	1,035,820	590,458	1,797,920
Waste services	125,528	–	1,268,030	–	1,393,558
Social and family:					
Child care	2,547,715	19,468	537,226	105,280	3,209,689
Recreation and Cultural services:					
Parks	222,720	–	234,415	172,361	629,496
Recreation facilities & programs	980,947	–	682,938	177,091	1,840,976
Libraries	391,566	–	130,650	45,212	567,428
Cultural services	6,316	–	51,901	6,156	64,373
Planning and development:					
Planning & zoning	292,664	–	199,372	–	492,036
Commercial & industrial	383,124	–	294,245	–	677,369
2021	\$ 9,789,318	\$ 205,046	\$ 11,115,378	\$ 3,877,404	\$ 24,987,146

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information (continued):

2020	Salaries, wages & employee benefits	Interest on long-term liabilities	Materials & services	Amortization	Total
General government:					
Governance	\$ 251,471	\$ -	\$ 26,458	\$ -	\$ 277,929
Corporate management & program support	1,132,341	-	339	45,533	1,178,213
Protection to persons and property:					
Fire	617,874	-	267,557	130,296	1,015,727
Police	71,476	137,044	2,397,624	1,435	2,607,579
Conversation authority	-	-	75,793	-	75,793
Protective inspection	610,739	-	212,392	8,225	831,356
Transportation:					
Roadways	981,571	-	1,819,479	1,060,718	3,861,768
Winter control	171,967	-	303,545	47,704	523,216
Street lighting	-	-	165,326	23,782	189,108
Transit	-	-	48,805	-	48,805
Environmental:					
Sanitary sewer	74,035	66,160	1,439,428	993,305	2,572,928
Waterworks	416,233	-	1,011,566	572,173	1,999,972
Waste services	71,089	-	1,144,840	-	1,215,929
Social and family:					
Child care	2,458,305	24,137	468,164	54,503	3,005,109
Recreation and Cultural services:					
Parks	228,740	-	154,952	165,557	549,249
Recreation facilities & programs	1,086,816	-	907,007	173,467	2,167,290
Libraries	342,553	-	137,916	58,118	538,587
Cultural services	3,184	-	55,850	-	59,034
Planning and development:					
Planning & zoning	324,640	-	124,947	-	449,587
Commercial & industrial	193,860	-	294,251	-	488,111
2020	\$9,036,894	\$227,341	\$11,056,239	\$3,334,816	\$23,655,290

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Budget figures:

The 2021 budget amounts that were approved were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Board Standards). The budget included capital items such as infrastructure replacements and estimated costs for constructed assets, as program expenses, but the actual expenses have been removed in the statement of operations. The revenues attributable to these items continue to be included in the statement of operations, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited financial statements:

	Budget
Total revenues	\$ 31,388,534
Total expenses	(22,686,071)
Net revenues	8,702,463
Amortization	3,657,000
Adjusted net revenues	12,359,463
Capital expenses	(14,499,500)
Principal repayments on long-term debt	(528,788)
Increase post employment benefits	70,000
Decrease in operating surplus	(2,598,825)
Allocated as follows:	
Net decrease in unfinanced capital	(2,225,833)
Net transfers (to) from reserves	(231,525)
Year end operating surplus	(141,467)
	\$ (2,598,825)

TOWN OF CARLETON PLACE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

17. Impact of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. The pandemic has had significant operational and financial impacts as a result of social and market disruption.

The Town continues to experience impacts of the pandemic in the 2021 fiscal year.

Impacts have been mitigated by associated funding and other cost saving measures. The outcome and time frame for a recovery from the pandemic is unknown, and therefore it is not practicable to estimate and disclose its financial effect on future operations at this time.

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TOWN OF CARLETON PLACE

Schedule 1 – Continuity of reserves and reserve funds

Year ended December 31, 2021

	Budget (note 16)	2021	2020
Revenue:			
Investment income	\$ –	\$ 34,298	\$ 121,395
Net transfers from (to) other funds:			
Transfers from operations	1,703,571	4,373,004	6,978,843
Transfers to capital acquisitions	(1,935,096)	(4,138,917)	(1,778,719)
Total net transfers	(231,525)	234,087	5,200,124
Reserves and reserve fund balance, change in year	(231,525)	268,385	5,321,519
Reserves and reserve fund balance, beginning of year	33,517,149	33,517,149	28,195,630
Reserves and reserve fund balances, end of year	\$ 33,285,624	\$ 33,785,534	\$ 33,517,149
Composition of reserves and reserve funds			
		2021	2020
Reserves set aside for specific purposes by Council:			
For operating purposes:			
For working funds		\$ 1,026,957	\$ 1,029,717
For insurance		31,122	30,772
For elections		50,700	45,300
For business improvement area		14,363	15,116
For health services		339,500	339,500
For economic development		198,002	203,582
		1,660,644	1,663,987
For capital purposes:			
For acquisition of capital assets		4,350,521	4,665,401
For contingencies, office equipment		289,736	372,468
For recreation purposes		724,010	786,004
For library purposes		262,749	636,714
For fire, police and protective inspection		2,606,394	2,515,652
For day care purposes		4,094,689	3,441,007
For sewage and water treatment plant		18,402,627	18,163,148
		30,730,726	30,580,394
Total reserves		32,391,370	32,244,381
Reserve funds:			
For tax rate stabilization		1,394,163	1,272,768
Total reserves and reserve funds		\$ 33,785,533	\$ 33,517,149

TOWN OF CARLETON PLACE

Schedule 2 – 2021 Tangible capital assets

Year ended December 31

Asset class	Cost 01/01/21	Additions	Disposals	Cost 31/12/21
General capital:				
Land	\$ 5,518,556	\$ -	\$ (36,787)	\$ 5,481,769
Land improvements	6,099,259	71,978	36,787	6,208,024
Buildings	19,682,783	434,218	-	20,117,001
Machinery & equipment	1,556,534	83,934	(32,216)	1,608,252
Vehicles	4,506,259	321,394	(167,361)	4,660,292
General capital total	37,363,391	911,524	(199,577)	38,075,338
Infrastructure:				
Land improvements	327,601	-	-	327,601
Machinery & equipment	9,644,941	321,221	-	9,966,162
Building:				
Sewage plant	17,976,070	-	-	17,976,070
Water plant	6,229,857	-	-	6,229,857
Linear assets:				
Paved roads	36,586,490	1,734,979	(764,145)	37,557,324
Curbs	2,512,656	-	-	2,512,656
Sidewalks	4,466,164	-	-	4,466,164
Mains:				
Sanitary sewer	21,924,512	92,030	(75,855)	21,940,687
Network:				
Storm water network	13,044,556	415,747	(67,346)	13,392,957
Water network	26,022,773	117,129	(87,723)	26,052,179
Bridges & culverts	499,048	-	-	499,048
Infrastructure total	139,234,668	2,681,106	(995,069)	140,920,705
WIP	8,383,935	7,513,663	(1,680,783)	14,216,815
Grand total	\$184,981,994	\$11,106,293	\$(2,875,429)	\$193,212,858

TOWN OF CARLETON PLACE

Schedule 2 – 2021 Tangible capital assets (continued)

Year ended December 31

Asset class	Accumulated amortization 01/01/21	Amortization	Disposals	Accumulated amortization 31/12/21	Net book value 31/12/21
General capital:					
Land	\$ -	\$ -	\$ -	\$ -	\$ 5,481,769
Land improvements	1,965,413	217,829	-	2,183,242	4,024,782
Buildings	5,122,922	341,478	-	5,464,400	14,652,601
Machinery & equipment	1,112,440	95,323	(32,216)	1,175,547	432,705
Vehicles	2,628,282	427,389	(127,794)	2,927,877	1,732,415
General capital total	10,829,057	1,082,019	(160,010)	11,751,066	26,324,272
Infrastructure:					
Land improvements	274,686	2,803	-	277,489	50,112
Machinery & equipment	2,575,501	176,865	-	2,752,366	7,213,796
Building:					
Sewage plant	5,923,503	402,713	-	6,326,216	11,649,854
Water plant	3,108,513	-	-	3,108,513	3,121,344
Linear assets:					
Paved roads	18,925,350	1,215,859	(755,861)	19,385,348	18,171,976
Curbs	1,176,502	-	-	1,176,502	1,336,154
Sidewalks	2,270,419	-	-	2,270,419	2,195,746
Mains:					
Sanitary sewer	8,917,315	358,355	(42,184)	9,233,486	12,707,201
Network:					
Storm water network	5,696,365	204,842	(33,918)	5,867,289	7,525,668
Water network	11,138,789	424,827	(45,871)	11,517,745	14,534,434
Bridges & culverts	382,497	9,121	-	391,618	107,430
Infrastructure total	60,389,440	2,795,385	(877,834)	62,306,991	78,613,715
WIP	-	-	-	-	14,216,815
Grand total	\$71,218,497	\$3,877,404	\$(1,037,844)	\$74,058,057	\$119,154,802

TOWN OF CARLETON PLACE

Schedule 2 – 2021 Tangible capital assets (continued)

Year ended December 31

Asset class	Cost 01/01/20	Additions	Disposals	Cost 31/12/20
General capital:				
Land	\$ 5,790,959	\$ -	\$ (272,403)	\$ 5,518,556
Land improvements	4,948,741	1,150,517	-	6,099,258
Buildings	15,842,017	3,840,766	-	19,682,783
Machinery & equipment	1,458,550	97,983	-	1,556,533
Vehicles	4,652,846	82,045	(228,632)	4,506,259
General capital total	32,693,113	5,171,311	(501,035)	37,363,389
Infrastructure:				
Land improvements	327,601	-	-	327,601
Machinery & equipment	9,187,809	457,132	-	9,644,941
Building:				
Sewage plant	17,976,070	-	-	17,976,070
Water plant	6,229,857	-	-	6,229,857
Linear assets:				
Paved roads	35,283,220	1,878,079	(574,808)	36,586,491
Curbs	2,225,196	287,460	-	2,512,656
Sidewalks	4,466,164	-	-	4,466,164
Mains:				
Sanitary sewer	21,924,512	-	-	21,924,512
Network:				
Storm water network	12,593,501	451,054	-	13,044,555
Water network	26,022,773	-	-	26,022,773
Bridges & culverts	499,050	-	-	499,050
Infrastructure total	136,735,753	3,073,725	(574,808)	139,234,670
WIP	7,911,015	7,872,632	(7,399,712)	8,383,935
Grand total	\$177,339,881	\$16,117,668	\$(8,475,555)	\$184,981,994

TOWN OF CARLETON PLACE

Schedule 2 – 2021 Tangible capital assets (continued)

Year ended December 31

Asset class	Accumulated amortization 01/01/20	Amortization	Disposals	Accumulated amortization 31/12/20	Net book value 31/12/20
General capital:					
Land	\$ -	\$ -	\$ -	\$ -	\$ 5,518,556
Land improvements	1,766,769	198,644	-	1,965,413	4,133,845
Buildings	4,842,001	280,921	-	5,122,922	14,559,861
Machinery & equipment	1,009,824	102,616	-	1,112,440	444,093
Vehicles	2,592,614	264,291	(228,623)	2,628,282	1,877,977
General capital total	10,211,208	846,472	(228,623)	10,829,057	26,534,332
Infrastructure:					
Land improvements	271,883	2,803	-	274,686	52,915
Machinery & equipment	2,415,260	160,241	-	2,575,501	7,069,440
Building:					
Sewage plant	5,623,987	299,516	-	5,923,503	12,052,567
Water plant	3,005,316	103,197	-	3,108,513	3,121,344
Linear assets:					
Paved roads	18,742,419	757,739	(574,808)	18,925,350	17,661,141
Curbs	1,123,251	53,251	-	1,176,502	1,336,154
Sidewalks	2,159,199	111,220	-	2,270,419	2,195,745
Mains:					
Sanitary sewer	8,558,960	358,355	-	8,917,315	13,007,197
Network:					
Storm water network	5,488,292	208,073	-	5,696,365	7,348,190
Water network	10,713,962	424,827	-	11,138,789	14,883,984
Bridges & culverts	373,376	9,121	-	382,497	116,553
Infrastructure total	58,475,905	2,488,343	(574,808)	60,389,440	78,845,230
WIP	-	-	-	-	8,383,935
Grand total	\$68,687,113	\$3,334,815	\$(803,431)	\$71,218,497	\$113,763,497