

Consolidated Financial Statements of

**CORPORATION OF THE
TOWN OF ARNPRIOR**

Year ended December 31, 2021

CORPORATION OF THE TOWN OF ARNPRIOR

Consolidated Financial Statements

Year ended December 31, 2021

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Arnprior (the Town) 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 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The 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.

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 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 Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Robin Paquette
CAO

Jennifer Morawiec
General Manager, Client Services/Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Arnprior:

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Arnprior (the Entity), which comprise:

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

(Hereinafter referred to as the “financial statements”).

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

Basis for Opinion

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

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

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



Other Matter – Comparative Information

The financial statements 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 May 25, 2021.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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



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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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

May 24, 2022

CORPORATION OF THE TOWN OF ARNPRIOR

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Financial assets:		
Cash and cash equivalents	\$ 20,333,728	\$ 12,339,049
Taxes receivable	689,152	786,549
User charges receivable	679,181	618,224
Accounts receivable	1,012,896	783,761
Long-term investments (note 3)	1,022,933	987,436
	<u>23,737,890</u>	<u>15,515,019</u>
Liabilities		
Financial Liabilities:		
Accounts payable and accrued liabilities	1,898,185	868,197
Accrued landfill closure and post closure (note 5)	1,688,731	1,632,605
Prepaid property taxes	112,261	119,061
Deferred revenue obligatory reserve funds (note 4)	6,004,813	2,272,996
Deferred revenues	802,662	426,346
Long-term liabilities (note 6)	12,113,368	14,178,610
	<u>22,620,020</u>	<u>19,497,815</u>
Net financial assets (debt)	1,117,870	(3,982,796)
Non-financial assets:		
Tangible capital assets (note 13)	100,860,793	100,253,142
Tangible capital assets - Library (note 13)	129,519	25,819
Inventories	85,502	106,854
Prepaid expenses	5,400	5,400
Total non-financial assets	<u>101,081,214</u>	<u>100,391,215</u>
Contingent liabilities (note 12)		
Commitments (note 11)		
Accumulated municipal equity (note 7)	<u>\$ 102,199,084</u>	<u>\$ 96,408,419</u>

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

CORPORATION OF THE TOWN OF ARNPRIOR

Consolidated Statement of Operations and Accumulated Municipal Equity

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

	Budget 2021 (note 15)	2021	2020
Revenue:			
Property taxation	\$ 10,933,433	\$ 11,036,619	\$ 10,609,606
User charges	6,470,910	6,488,429	6,105,724
Government transfers	4,614,481	4,371,492	3,488,318
Licenses and permits	190,000	853,487	259,094
Investment income	58,500	49,824	77,964
Penalties and interest on taxes	159,000	156,855	140,629
Provincial offenses	32,000	24,838	34,624
Other	4,000	4,000	321,634
Total revenue	22,462,324	22,985,544	21,037,593
Expenses (note 14):			
General government	2,260,060	2,047,313	2,193,492
Protection to persons and property	3,086,274	3,085,157	3,060,300
Transportation services	2,964,672	2,633,931	2,592,621
Environmental services	6,513,236	5,238,682	6,100,693
Social and health services	206,100	235,361	234,310
Recreation and cultural services	3,869,727	3,609,233	3,135,740
Planning and development	361,600	345,202	211,481
Total expenses	19,261,669	17,194,879	17,528,637
Annual surplus	3,200,655	5,790,665	3,508,956
Accumulated municipal equity, beginning of year	96,408,419	96,408,419	93,110,472
Adjustment to municipal equity (note 17)	—	—	(211,009)
Accumulated municipal equity, end of year	\$ 99,609,074	\$ 102,199,084	\$ 96,408,419

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

CORPORATION OF THE TOWN OF ARNPRIOR

Consolidated Statement of Changes in Net Financial Assets

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

	Budget 2021 (note 15)	2021	2020
Annual surplus	\$ 3,200,655	\$ 5,790,665	\$ 3,508,956
Amortization of tangible capital assets	3,676,124	2,994,809	3,681,089
Acquisition of tangible capital assets	(4,411,618)	(3,706,160)	(2,285,350)
Disposal (acquisition) of supplies inventories	–	–	196,511
Disposal of inventories of supplies	–	21,352	16,679
Adjustment to municipal equity	–	–	(211,009)
Change in net debt	2,465,161	5,100,666	4,906,876
Net financial assets, beginning of year	(3,982,796)	(3,982,796)	(8,889,672)
Net financial assets (debt), end of year	\$ (1,517,635)	\$ 1,117,870	\$ (3,982,796)

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

CORPORATION OF THE TOWN OF ARNPRIOR

Consolidated Statement of Cash Flows

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

	2021	2020
Operating activities:		
Annual surplus	\$ 5,790,665	\$ 3,508,956
Item not involving cash:		
Non-consolidated of Airport	—	(211,009)
Amortization of tangible capital assets	2,994,809	3,681,089
Change in non-cash operating working capital:		
Taxes receivable	97,397	(10,213)
User charges receivable	(60,957)	(63,818)
Accounts receivable	(229,135)	147,946
Accrued landfill closure and post closure	56,126	54,154
Accounts payable and accrued liabilities	1,029,988	(670,573)
Prepaid property taxes	(6,800)	(2,730)
Deferred revenues - obligatory reserve funds (note 4)	3,731,817	899,501
Inventories	21,352	16,679
Long-term investments	(35,497)	(28)
Deferred revenues	376,316	(64,224)
Net change in cash from operations	13,766,081	7,285,730
Capital activities:		
Acquisition of tangible capital assets	(3,706,160)	(2,285,350)
Disposal of tangible capital assets	—	196,511
	(3,706,160)	(2,088,839)
Financing activities:		
Repayment of long-term debt	(2,065,242)	(2,416,052)
Increase in cash	7,994,679	2,780,839
Cash, beginning of year	12,339,049	9,558,210
Cash and cash equivalents, end of year	\$ 20,333,728	\$ 12,339,049

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

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements

Year ended December 31, 2021

The Town of Arnprior (the 'Town') was incorporated in 1892 (previously incorporated as a village in 1862) and assumed its responsibilities under the authority of the Provincial Secretary. The Town operates as a lower tier government in the County of Renfrew, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the Town are the representations of management and have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

- (i) The consolidated financial statements reflect 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:

Arnprior Cemetery Board
Business Improvement Area Committee
Arnprior Library Board

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

(b) Basis of accounting:

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.
- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the change in net financial assets for the year.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(iii) Trust funds and their related operations administered by the Town are not included in these consolidated financial statements but are reported separately on the Trust Funds Statement of Financial Activities and Financial Position.

(c) Taxation and related revenues:

Property tax billings are prepared by the 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 the County of Renfrew 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 revenues 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 historical cost or where historical cost records were not available, other methods determined to provide a best estimate of historical cost and accumulated amortization of the assets. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land	
Land improvements	
Buildings	20 to 75
Machinery and equipment	5 to 20
Vehicles	10 to 20
Linear assets	30 to 80

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

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

The Town has a capitalization threshold of \$10,000 for vehicles and equipment and \$20,000 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. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of other asset as of the date of transfer.

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 and accumulated municipal equity 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 and accumulated municipal equity.

(e) 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.

(f) Inventories and prepaid expenses:

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

(g) Cash and cash equivalents:

The Town considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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.

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 accrual 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 surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(k) Landfill closure and post-closure liabilities:

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

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

(l) 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.

(m) 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. Significant estimates include the liabilities for landfill closure and post closure costs.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Operations of the school boards and County of Renfrew:

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

	School boards	County
Property taxes	\$ 2,233,339	\$ 4,183,180
Taxation from other governments	941	28,513
	<u>\$ 2,234,280</u>	<u>\$ 4,211,693</u>

3. Long-term investments:

Long-term investments, which consist of guaranteed investment certificates are recorded on the Consolidated statement of financial position at cost plus accrued interest. Interest rates range between 0.60% to 2.70% with maturity dates between May 2022 and June 2025. They have a market value of \$1,103,268 at December 31, 2021 (2020 - \$998,380).

4. Deferred revenue:

A requirement of public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenues. 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.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

4. Deferred revenue (continued):

The balances in the obligatory reserve funds of the Town are summarized below:

	Federal gas tax	Development charges	Recreational land	Total
Balance, beginning of year	\$ 10,590	\$ 2,071,765	\$ 190,641	\$ 2,272,996
Government grants	547,082	–	–	547,082
Contributions from developers	–	4,643,485	300,000	4,943,485
Interest	1,011	20,777	1,515	23,303
Utilization of funds	(278,935)	(1,503,118)	–	(1,782,053)
Balance, end of year	\$ 279,748	\$ 5,232,909	\$ 492,156	\$ 6,004,813

5. 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, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events will result in changes to the estimated total expenses, capacity used or total capacity and the estimated liability and will be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure monitoring activities using an assumed rate of 2.86% (2020 - 2.86%) for inflation and a discount factor of 3.14% (2020 - 3.14%). The estimated total landfill closure and post-closure expenses are estimated to be \$3,600,714 (2020 - \$3,600,714). The Town currently has one active landfill site. The estimated liability for these expenses is recognized as the landfill sites' capacity is used. Included in liabilities at December 31, 2021 is an amount of \$1,688,731 (2020 - \$1,632,605) with respect to landfill closure and post-closure obligations recognized to date.

The estimated average remaining capacity of the landfill sites is 18% (2020 - 19%) of the total estimated capacity and the estimated average remaining life of the landfill sites is 22 years (2020 - 21 years), after which the period for post-closure care is estimated to be 25 years.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. 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 bear interest at rates that range between 2.33% and 4.94%, with due dates between October 2024 and July 2031. Amounts outstanding at the end of the year total:	\$ 12,113,368	\$ 14,178,610

- (b) Principal due on net long-term liabilities from general municipal revenues and user fees is summarized as follows:

2022	\$ 1,286,205
2023	1,337,069
2024	1,390,117
2025	1,324,857
2026	1,218,273
Thereafter	5,556,847
	\$ 12,113,368

- (c) Interest expense on long term liabilities in 2021 amounted to \$489,650 (2020 - \$610,178).

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

7. Municipal equity:

	2021	2020
Investment in tangible capital assets:		
Tangible capital assets	\$ 100,990,312	\$ 100,278,961
Long-term debt	(12,113,368)	(14,178,610)
	88,876,944	86,100,351
Unrestricted surplus	3,580,111	2,128,625
Unfunded landfill closure (note 6)	(1,688,731)	(1,632,605)
Reserves (Schedule 1)	2,896,138	2,587,083
Reserve funds (Schedule 1)	8,534,722	7,224,965
Total accumulated municipal equity	\$ 102,199,184	\$ 96,408,419

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

8. Trust funds:

Trust funds administered by the Town amounting to \$796,532 (2020 - \$771,741) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Town for the benefit of others, they are not presented as part of the Town's financial position or financial activities.

9. 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 \$385,055 (2020 - \$379,783) for current services and is included as an expense on the consolidated statement of operations and accumulated municipal equity classified under the appropriate functional category. Contributions by employees were a similar amount.

10. Contractual obligations:

- (a) There is no contract for policing services. The Town is provided police services by the Ontario Provincial Police under Section 5.1 of the Police Services Act. The annual charges are determined based on base costs and calls for service, overtime, prisoner transport, cleaning and accommodation. The amount paid in 2021 for police services was \$1,761,063 unreconciled, however there was an adjustment for the 2019 reconciliation of annual costs of \$36,767 that increased the police services usage to \$1,797,830 (2020 \$1,786,692 plus 2018 reconciliation of \$29,266).
- (b) The Town has negotiated a multi-year contract with Tomlinson Environmental Services for the operation and supervision of the Solid Waste Disposal Site. The contract commenced September of 2016 and will end August 2023. The Town is committed to payment of \$298,451 in 2021 (2020 \$305,280) including the net HST that the municipality pays.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Contractual obligations (continued):

- (c) The Town has entered into a multi-year contract with Topps Environmental Solutions (803836 Ontario Inc.) for the collection of recycling. The contract commenced August 3, 2020 and is for a three year period with the option of two one year extensions. The Town's annual commitment is estimated at \$192,279 however, annual charges under the contract are determined based on the number of households and is adjusted annually for inflation and fuel surcharges. The 2021 payments for recycling collection were \$191,066 (2020 - \$347,773).
- (d) The Town has entered into a multi-year contract with Topps Environmental Solutions (803836 Ontario Inc.) for the collection of solid waste. The contract commenced March 13, 2017 and is for a five year period with the option of two one year extensions. The Town's annual commitment is estimated at \$156,652 however, annual charges under the contract are determined based on the number of households and is adjusted annually for inflation and fuel surcharges. The 2021 payments for garbage collection were \$145,552 (2020 - \$139,981).
- (e) The Town has entered into an agreement with Halton Recycling Ltd. doing business as (dba) Emterra Environmental for the processing and marketing of recyclable materials. The contract commenced August 3, 2020 and is for a three year period with the option of two one year extensions. The Town's annual commitment is estimated at \$69,073 however the annual charges are determined based on tonnage and is adjusted annual for inflation and revenue shares. The 2021 net payments were \$47,113 (2020 - \$26,221 for 5 months).

11. Commitments:

The Town is a member of the Municipalities Benefit Committee (MBC) which is an employee group benefits plan arranged through Manulife to share in the financial risk of extended health and dental benefits. In the event that a deficit position is incurred, the Town must repay their pro-rata share of the deficit through a lump sum deposit or an increase in future annual premiums collected through the monthly billed rates. No such assessments have been made to December 31, 2021. In the case of a surplus position, upon full funding of the claims fluctuation reserve (DFR), the surplus is transferred to a deposit account held by Manulife on the MBC's behalf. The surplus funds in the deposit account are to be used to fund premium requirements, enhancements to the benefit plan or fund future deficits. If the Town of Arnprior leaves the MBC, the Town forfeits its right to any surplus. There are no distributions to or receivables from the MBC plan at December 31, 2021.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Contingent liabilities:

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

13. Tangible capital assets:

Cost	Balance at December 31, 2020	Transfers and additions	Disposals and adjustments	Balance at December 31, 2021
Land	\$ 1,650,155	\$ –	\$ –	\$ 1,650,155
Land improvements	1,426,254	39,896	–	1,466,150
Buildings	69,843,506	146,638	787,146	70,777,290
Machinery and equipment	4,793,226	357,701	–	5,150,927
Vehicles	3,363,050	161,455	–	3,524,505
Linear assets	69,713,169	2,161,948	–	71,875,117
Construction in progress	258,485	838,522	(787,146)	309,861
Total	\$ 151,047,845	\$ 3,706,160	\$ –	\$ 154,754,005

Accumulated amortization	Balance at December 31, 2020	Amortization and adjustments	Transfers, and disposals	Balance at December 31, 2021
Land improvements	\$ 619,141	\$ 70,733	\$ –	\$ 689,874
Buildings	26,263,798	1,936,443	–	28,200,241
Machinery and equipment	2,679,260	799,103	–	3,478,363
Vehicles	1,264,611	162,234	–	1,426,845
Linear assets	19,942,074	26,296	–	19,968,370
Total	\$ 50,768,884	\$ 2,994,809	\$ –	\$ 53,763,693

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Tangible capital assets (continued):

	Net book value 2020	Net book value 2021
Land	\$ 1,650,155	\$ 1,650,155
Land improvements	807,113	776,276
Buildings	43,579,708	42,577,049
Machinery and equipment	2,113,966	1,672,564
Vehicles	2,098,439	2,097,660
Linear assets	49,771,095	51,906,747
Construction in progress	258,485	309,861
Total	\$ 100,278,961	\$ 100,990,312

14. 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 operations and accumulated municipal equity.

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

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

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

- (i) General government is comprised of Council and administration and is responsible for the overall governance and management of the Municipality.
- (ii) Protection to persons and property 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 Municipality.
- (iv) Environmental services includes water supply and distribution, wastewater treatment and waste and recycling services.
- (v) Health services includes the management and maintenance of cemeteries and long term care funding.
- (vi) Recreational and cultural services includes parks and recreation, culture and libraries.
- (vii) Planning and development services are comprised of managing development for residential and business interest, as well as infrastructure and parks.

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Segmented information (continued):

2021	Salaries, Wages and Employee Benefits	Debenture Debt Interest	Materials and Services	External Transfers	Amortization	Total
General Government						
Governance	\$ 180,985	\$ -	\$ 17,738	\$ -	\$ -	\$ 198,723
Corporate management & Program Support	1,124,244	-	599,214	13,000	112,132	1,848,590
Protection to Persons and Property						
Fire	516,100	33,359	253,555	-	164,122	967,136
Police	-	-	1,767,693	-	-	1,767,693
Protective inspection	201,372	-	148,956	-	-	350,328
Transportation						
Roadways	650,294	3,460	293,311	60,000	1,008,950	2,016,015
Street lighting	-	4,262	75,543	-	-	79,805
Winter control	124,435	-	413,676	-	-	538,111
Environmental						
Waterworks & Sewer	1,124,127	448,569	1,399,714	-	1,406,064	4,378,474
Waste management	64,655	-	795,553	-	-	860,208
Health Services						
Cemetaries	75,162	-	60,199	-	-	135,361
Long-term care	-	-	-	100,000	-	100,000
Recreation and Cultural Services						
Parks	218,442	-	121,242	-	-	339,684
Recreation Program	1,264,248	-	732,442	-	262,176	2,258,866
Library	399,152	-	290,197	-	41,365	730,714
Museum	167,290	-	91,679	21,000	-	279,969
Planning and Development						
Planning and zoning	214,381	-	106,444	24,377	-	345,202
Total expenses	\$ 6,324,887	\$ 489,650	\$ 7,167,156	\$ 218,377	\$ 2,994,809	\$ 17,194,879

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Segmented information (continued):

2020	Salaries, Wages and Employee Benefits	Debenture Debt Interest	Materials and Services	External Transfers	Amortization	Total
General Government						
Governance	\$ 177,608	\$ -	\$ 19,271	\$ -	\$ -	\$ 196,879
Corporate management & Program Support	921,762	-	956,938	-	117,913	1,996,613
Protection to Persons and Property						
Fire	543,005	37,090	222,393	-	186,704	989,192
Police	-	-	1,801,549	-	-	1,801,549
Protective inspection	124,606	-	144,953	-	-	269,559
Transportation						
Roadways	559,653	16,619	331,255	-	1,011,208	1,918,735
Street lighting	361	5,349	61,534	-	-	67,244
Winter control	135,742	-	470,900	-	-	606,642
Environmental						
Waterworks & Sewer	994,789	551,120	1,344,929	-	2,091,217	4,982,055
Waste management	76,166	-	1,042,472	-	-	1,118,638
Health Services						
Cemetaries	74,698	-	59,612	-	-	134,310
Long-term care	-	-	-	100,000	-	100,000
Recreation and Cultural Services						
Parks	159,040	-	78,799	-	-	237,839
Recreation Program	1,072,306	-	900,583	-	268,951	2,241,840
Library	369,211	-	49,497	-	5,096	423,804
Museum	114,382	-	57,875	-	-	172,257
Airport	-	-	-	60,000	-	60,000
Planning and Development						
Planning and zoning	122,700	-	88,781	-	-	211,481
Total expenses	\$ 5,446,029	\$ 610,178	\$ 7,631,341	\$ 160,000	\$ 3,681,089	\$ 17,528,637

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Budget figures:

The 2021 approved budget was prepared on a cash based approach with a reconciliation to a budget based on Public Sector Accounting Standards. The cash based approach includes capital expenses, repayment of long term debt and transfers to and from reserves which are removed in the year end consolidated statement of operations and accumulated municipal equity. The revenues attributable to these items continue to be included in the consolidated statement of operations and accumulated municipal equity, resulting in a significant variance. The following analysis is provided to assist readers in their understanding of differences between the approved budget and the audited consolidated financial statements.

	Budget 2021
Total revenues	\$ 22,462,324
Total expenses	(19,261,669)
Annual surplus	3,200,655
Amortization	3,676,124
Funds available	6,876,779
Capital expenses	(4,411,618)
Principal repayments	(2,065,242)
Increase in operating surplus	\$ 399,919
Allocated as follows:	
Net transfers to reserves	\$ 511,771
Current year deficit	(111,852)
	\$ 399,919

CORPORATION OF THE TOWN OF ARNPRIOR

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

16. Impact of COVID-19 pandemic:

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.

17. Comparative information:

The comparative information included the proportionate consolidated of the Arnprior Airport. The consolidated financial statements do not include the proportionate consolidation of the Arnprior Airport for the 2020 year due to the change in control of the Airport Commission.

Municipal equity, January 1, 2020	
As previously report	\$ 93,110,472
Arnprior Airport	
Share of reserves	(26,844)
Share of surplus	(184,165)
	<u>(211,009)</u>
Restated Municipal equity, January 1, 2020	<u>\$ 92,899,463</u>

CORPORATION OF THE TOWN OF ARNPRIOR

Schedule 1: Continuity of Reserves and Reserve Funds

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

	Budget (note 15)	2021	2020
Net transfers from (to) other funds			
Transfers from operations	\$ 5,606,287	\$ 6,168,604	\$ 5,123,338
Interest	–	72,169	70,650
Transfers from capital acquisitions	(5,094,516)	(4,621,961)	(4,125,096)
Total net transfers	511,771	1,618,812	1,068,892
Reserves and reserve fund balances, change in year	511,771	1,618,812	1,068,892
Reserves and reserve fund balances, beginning of year	9,812,048	9,812,048	8,743,156
Reserves and reserve fund balances, end of year	\$ 10,323,819	\$ 11,430,860	\$ 9,812,048

Composition of Reserves and Reserve Funds

	2021	2020
Reserves set aside for specific purposes by Council:		
Reserves set aside for specific purposes by Council		
Working capital	\$ 589,912	\$ 464,432
Contingency	467,927	574,623
Building	470,083	389,178
Marketing	65,000	100,000
Policing	124,999	124,999
Winter control	760,350	410,347
Elections	30,103	22,603
Economic development	8,989	12,686
Grants	22,182	216,460
Waste	135,834	81,584
	2,675,379	2,396,912
For capital purposes:		
Business improvement area	6,354	6,354
Library	214,405	183,817
	220,759	190,171
Reserve funds:		
Capital landfill	1,881,025	1,817,418
Parking lot	(139,588)	(153,848)
Museum	72,693	83,846
Water	87,393	(578,695)
Wastewater	187,810	416,593
Capital	6,293,477	5,574,013
JA Gaumond	45,308	45,050
Cemetery	106,604	20,588
Total reserves and reserve funds	\$ 11,430,860	\$ 9,812,048