Ministry of Municipal Affairs and Housing

Municipal and Housing Operations Division, Municipal Services Office – North (Sudbury)

Fauquier-Strickland Provincial Municipal Audit

Final Report

—

July 10, 2026



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01

Project Overview



Background

The Township of Fauquier-Strickland (the “Township”) is a single tier municipality located 127km northwest of the City of Timmins along Highway 11. The Township has a population of 467 (2021 Statistics Canada) with a household count of 278. Its population declined by 13% between 2016 and 2021. 71.9% of the population identifies French as their first language and the median age is 59.6 years of age, while the provincial median age was 41.6. It has a 5-member council, including the mayor, and elections are held at large. The Township currently employs two part-time, contract administrative staff and three full-time public works staff.

On July 2, 2025, the Ministry of Municipal Affairs and Housing received a letter from the Township mayor asking the Minister for immediate assistance and intervention, indicating that the Township was going to cease all municipal services and lay off all municipal employees as of August 1, 2025. The Township was experiencing significant cash flow problems and felt they were unable to meet its financial obligations.

Since that time, Ministry officials have been analyzing the Township’s financial position, meeting with township staff and auditor, and meeting with Infrastructure Ontario (IO) and other ministries to identify medium to long-term options that would best help the Township recover from its financial challenges. Based on preliminary analysis and information as of December 31, 2024, the following summarizes the financial situation.

- The Township had accumulated a general deficit of over $2.6 million (operating and capital). This has resulted in its inability to secure long-term financing to pay for unfunded capital projects and temporarily borrow for current purposes.
- The $2.6M appears to include about $2M in unfunded/unbudgeted capital projects completed since 2022.
- The Township appears to have used its reserves (estimated at $1.4M) and certain deferred revenue (estimated at $659,000) to pay for unbudgeted expenses. The Township has been reluctant to increase its taxes over the years to cover operational deficits and fund the capital projects. It did approve a 26% tax increase in 2024 and a 20% increase in 2025 to help offset this general deficit.

On October 29, 2025, the Minister of Municipal Affairs and Housing ordered a provincial municipal audit of the Township pursuant to section 9 of the Municipal Affairs Act that will include analysis of the Township’s financial position and the establishment of a short, medium and long-term recovery plan.

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Project overview

Project Objectives – *How did we define success?*

The Ministry of Municipal Affairs and Housing (MMAH or the Ministry) has engaged KPMG to analyze the Township of Fauquier-Strickland's financial position and to establish a short, medium, and long-term recovery plan.

This entails reviewing the Township's budget controls and decision-making processes in connection with capital projects and other expenditures between 2020–2025, with a focus on how those decisions contributed to the accumulated deficit, use of reserves/reserves fund and acquiring debt during that period.

We understand this municipal audit will examine and document the following:

1. Analyze the Township's municipal governance and decision-making process related to capital projects, long-term borrowing, the use of reserves, reserve funds, and deferred revenue.
2. Evaluate the Township's financial policies, procedures or processes formally or informally adopted by the Township's council and staff that were used to help guide decision making.
3. Review budget controls and financial management practices, including those in relation to the annual repayment limit and long-term and temporary borrowing for capital projects.

Project Drivers – *What problem are we trying to solve?*

On July 2, 2025, the Ministry received a letter from the Township mayor asking the Minister for immediate assistance and intervention, indicating that the Township was going to cease all municipal services and lay-off all municipal employees as of August 1, 2025. The Township was experiencing significant cash flow problems and felt they were unable to meet its financial obligations.

The Ministry is seeking a third-party analysis to formulate a roadmap to support the Township in recovering its financial position for long-term financial sustainability.

Project Timing

The project has commenced on March 9, 2026, and will be completed by the end of June.

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Workplan

We have adopted a four-stage approach to deliver this project, each focused on the accomplishment of specific, tangible objectives and activities.

Status: **Complete**

Phase 01

Initiate



Project planning and management

March 2026

Status: **Complete**

Phase 02

Assess



Analyze the current state

March to May 2026

Status: **Complete**

Phase 03

Strategize



Synthesize insights from previous phases and identify potential opportunities

May 2026

Status: **Complete**

Phase 04

Report



Develop a final report with findings and recommendations and present as required

June 2026

Continuous and ongoing reporting and communication of results to MMAH

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02

Financial analysis



02.1

FIR financial data analysis

Annual surplus (deficit)

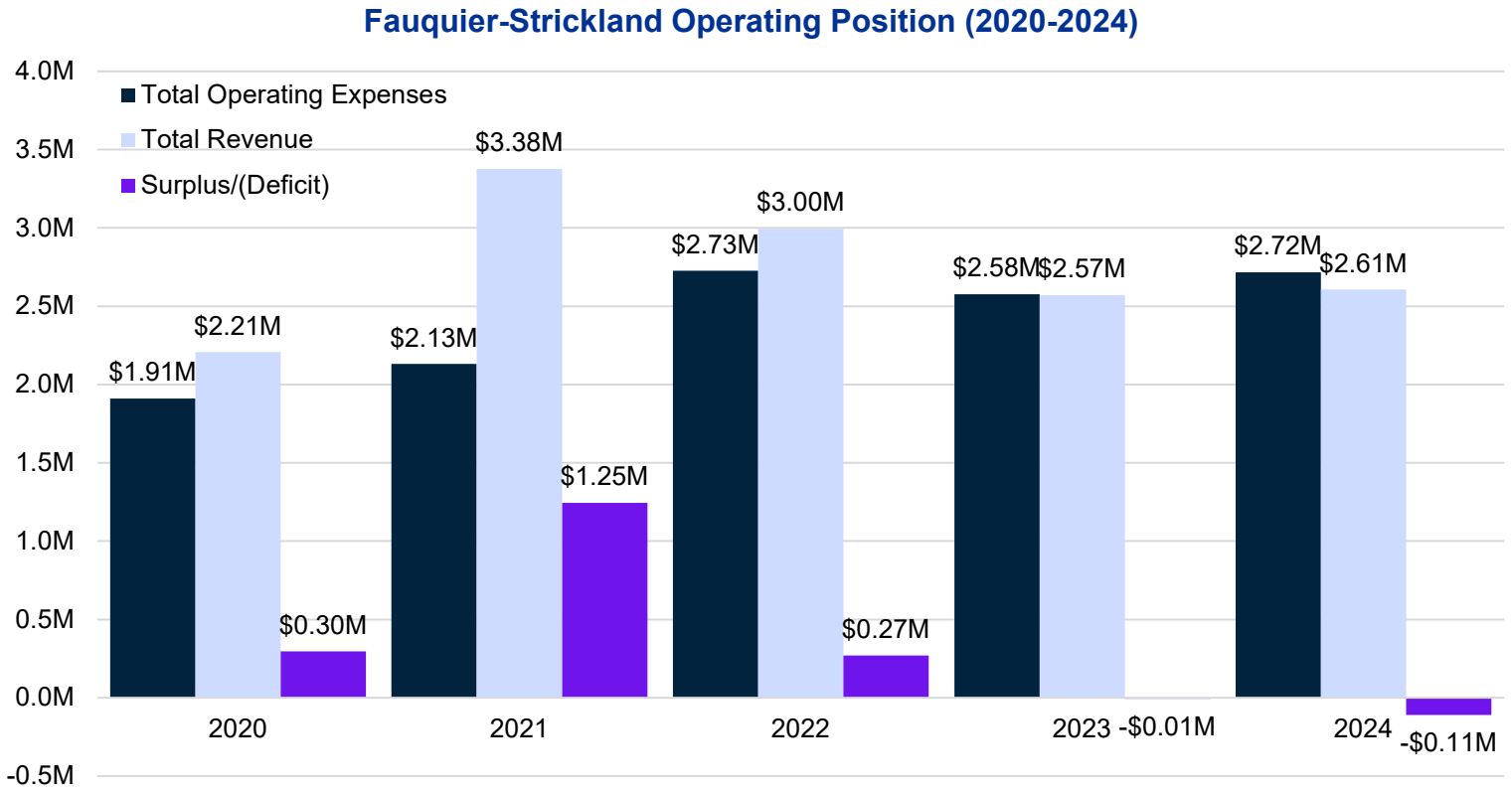
Reported Results (in Millions)

Municipalities in Ontario must prepare budgets in which estimated revenues are equal to estimated expenses, and estimated borrowing proceeds cannot be included as revenue for the year. If we look at the operational expenses excluding amortization and other non-cash items, we can understand if capital acquisitions are requiring the municipality to incur additional debt or to lower reserves.

The Township has seen a downward trend in operating position since 2021 as revenues fell by 23% between 2021 and 2024. While a surplus gives the Township greater flexibility when considering investing in operational upgrades or large capital expenditures, deficits have the reverse impact, forcing reserves or debt to bridge the funding gap.

While revenues have been declining for the past four years, expense growth has remained positive, growing on average 9.9% over the past five years.

A contributing factor to the timing and understanding of the Township's deficit relates to differences between cash-based decision-making and accrual-based financial reporting. While cash balances may have appeared available for use, portions of these funds were restricted, deferred, or tied to specific purposes and therefore not available to support ongoing operations. Under accrual accounting, revenues and expenses are recognized in the period in which they are earned or incurred, which can result in deficits being recognized earlier in financial statements than was apparent through a cash-flow lens or reflected in the FIR. This disconnect increased the risk that underlying structural imbalances were not fully visible until they had materially worsened.



Annual % increase	2020-21	2021-22	2022-23	2023-24	Average
Total Operating **Expense**	11.5%	27.9%	(5.5%)	5.4%	9.9%
Total **Revenues**	53.0%	(11.3%)	(14.2%)	1.4%	7.2%

Source – Municipal Financial Information Returns (total revenue from SLC 10 9910 01, total operating expenses from SLC 40 9910 11)

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Revenue breakdown

Reported Results (in Millions)

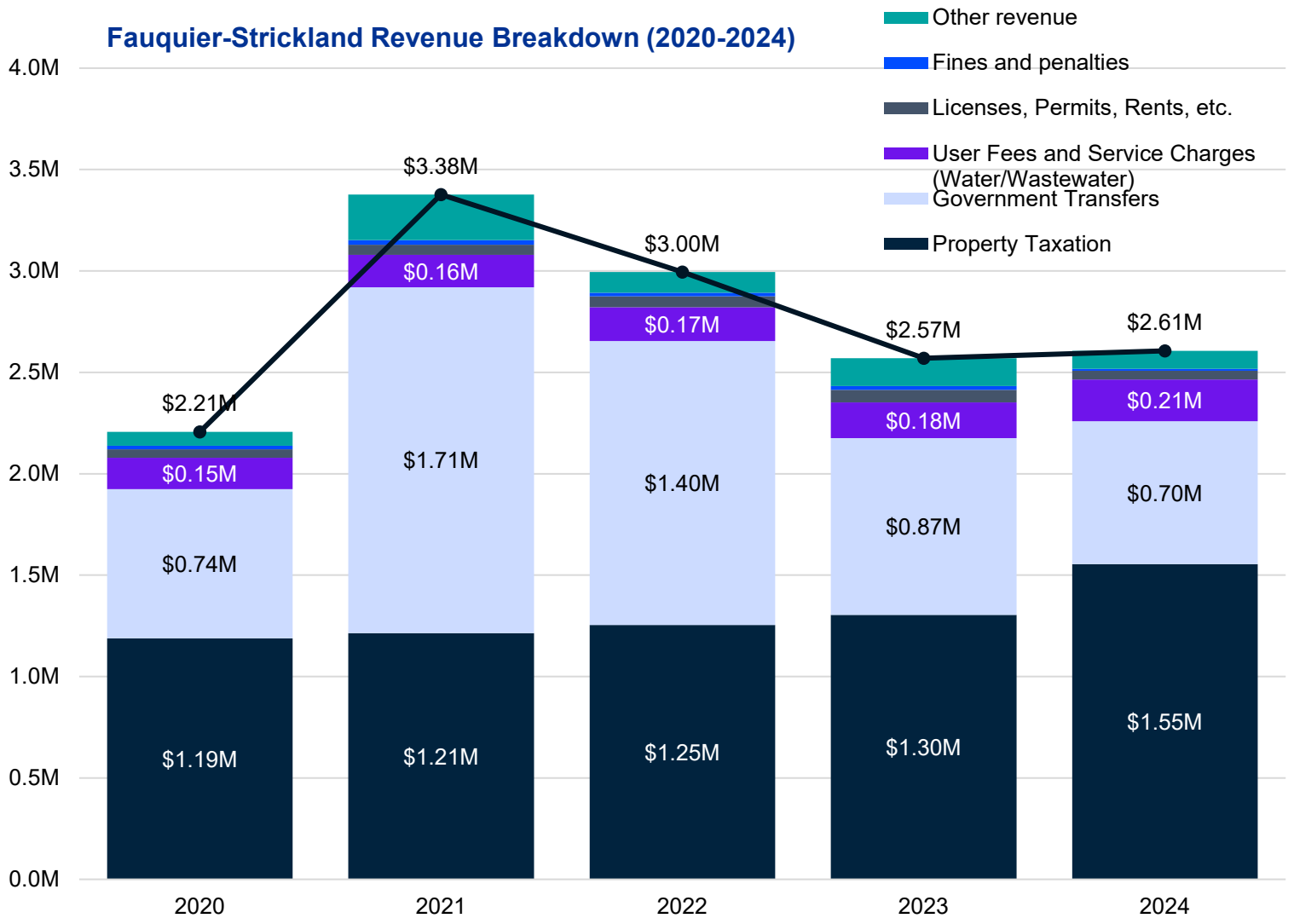
The Township's revenue structure and revenue sources have been relatively consistent. The Township has traditionally relied on property taxation and government transfers to fund municipal services and capital needs.

Limited revenue is earned from user fees, licenses, or fines and penalties.

The spike in government transfers in 2021 and 2022 came from Ontario grants for Tangible Capital Assets, which amassed to $1.7 million for the water treatment plant project.

Council limited property taxation increases between 2020 to 2023; however, in 2024 significant residential property tax rate increases were implemented as a one-time catch up of revenue.

[1]Source – Municipal Financial Information Returns Schedule 10



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Municipal tax levy

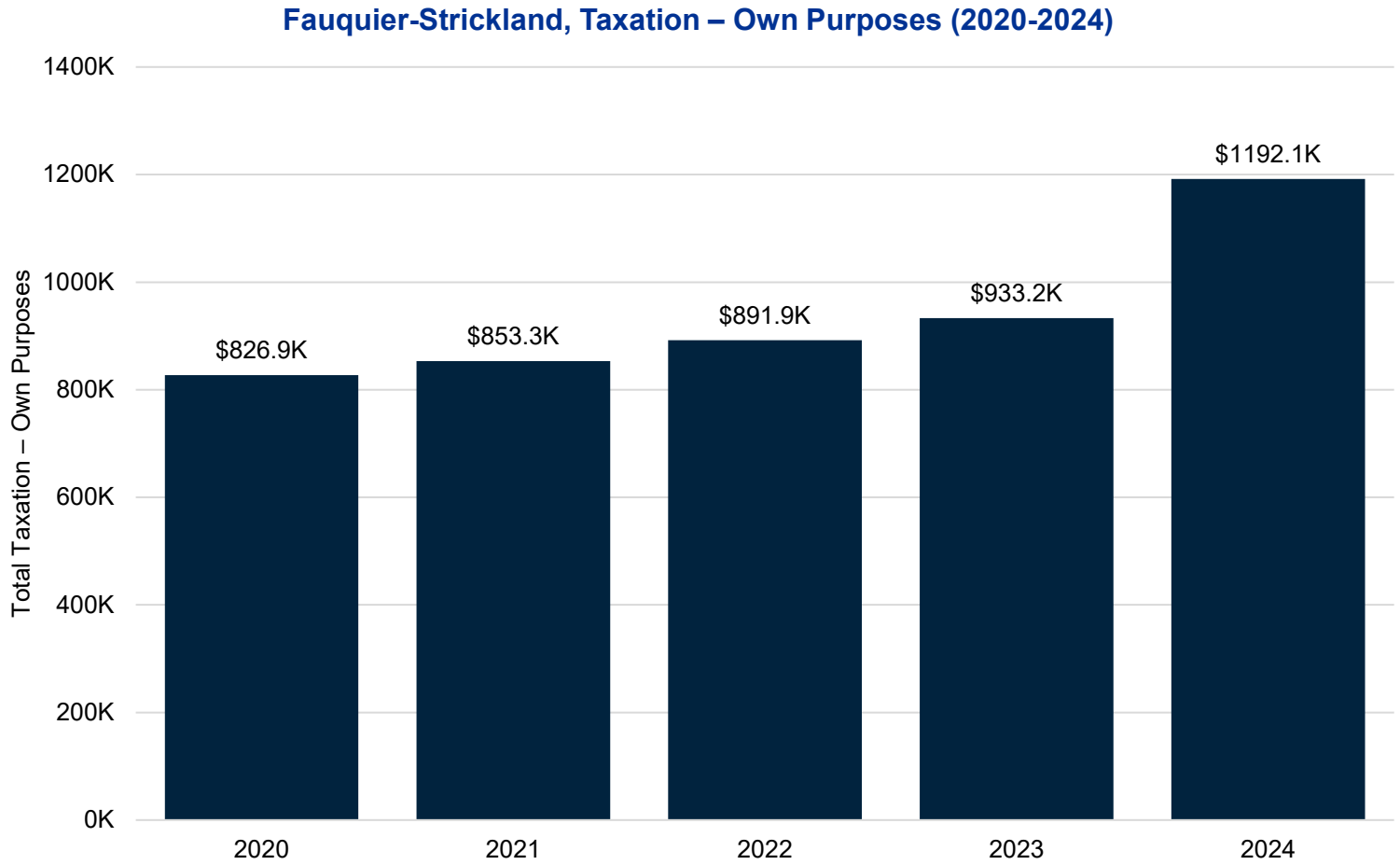
Overview of the Township's Financial Performance: Taxation – Own Purposes

'Taxation - Own purposes' refers to the total revenue raised through municipal property taxes including growth. This is the primary revenue source for municipal government, levied across all property owners (residential, industrial, and resource).

From 2020 to 2024, the Township had an average annual increase of 8.7% in the municipal levy to reflect the increasing cost of delivering local government services. During this time, the Township's increases were largely aligned with inflation, but in 2024, the Township's levy grew by nearly 28% in a single year.

The Ontario Consumer Price Index (CPI) increased on average 3.4% annually between 2020 and 2024[1]. The projected cost to deliver services will continue to rise with inflation.

Year	Change in levy from previous year	Change in ON CPI from previous year
2020	3.7%	0.7%
2021	3.2%	3.5%
2022	4.5%	6.8%
2023	4.6%	3.8%
2024	27.7%	2.4%
Average	8.7%	3.4%



[1]Source – Statistics Canada, Consumer Price Index Ontario, Historical Summary

[2] Source – Municipal Financial Information Returns (SLC 10 0299 01)

Note: Property Taxation (Own Purposes) does not include payments-in-lieu of taxation, which annually account for approximately $360K in revenue in addition to property taxation revenue.

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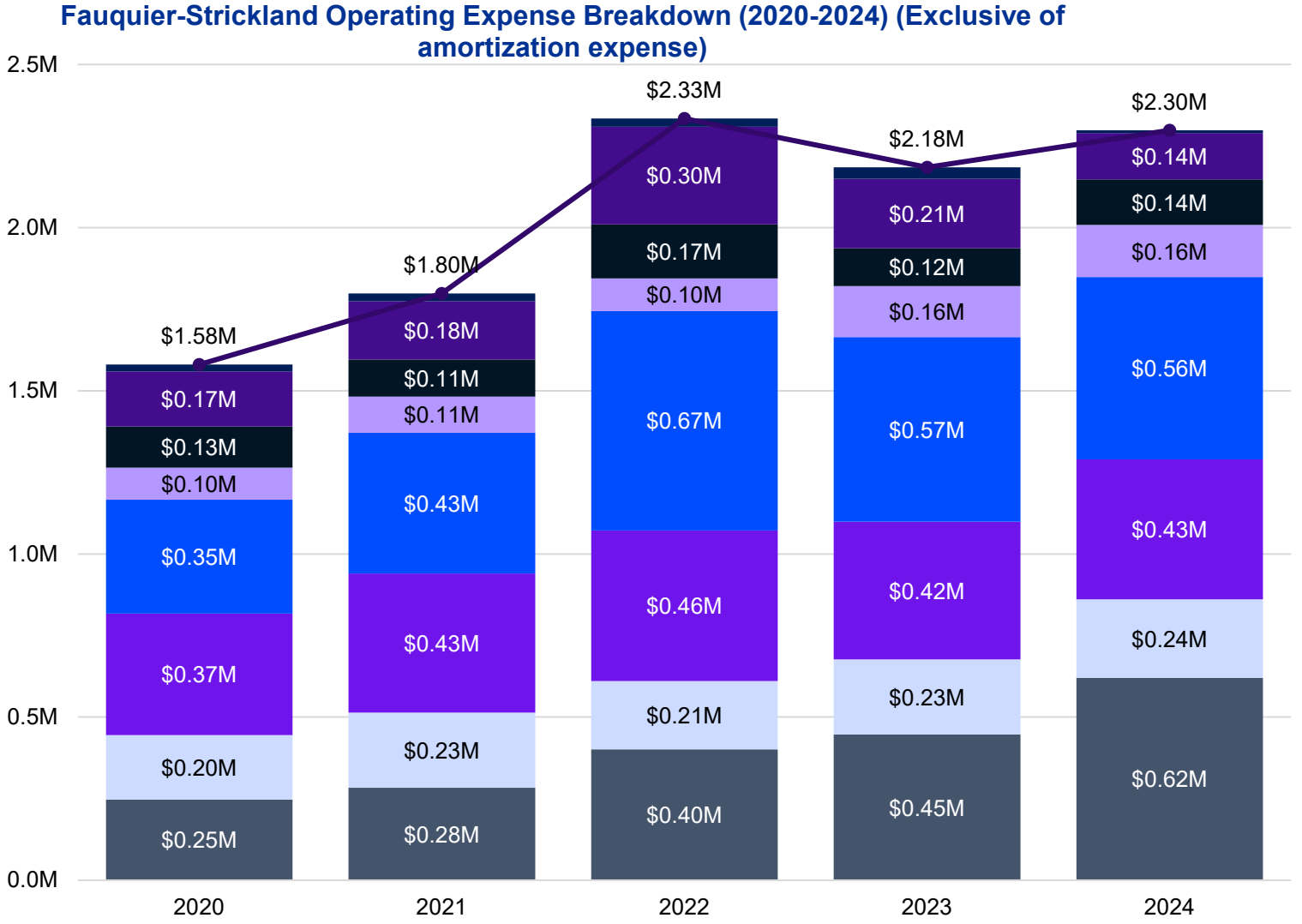
Operating expense breakdown

Reported Results (in Millions)

General government expenses represented the largest rate of growth between 2020 and 2024, nearly tripling over the five years, while other service areas were more stable.

Environmental services expenses grew between 2021 and 2022. Recreation and culture expenses also grew significantly in the same year. Together, these two service areas accounted for most of the jump in total expenses from $1.8M to $2.3M, before expenses stabilized.

[1]Source – Municipal Financial Information Returns Schedule 10



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Operating and capital expenses

Operating and capital expenditures

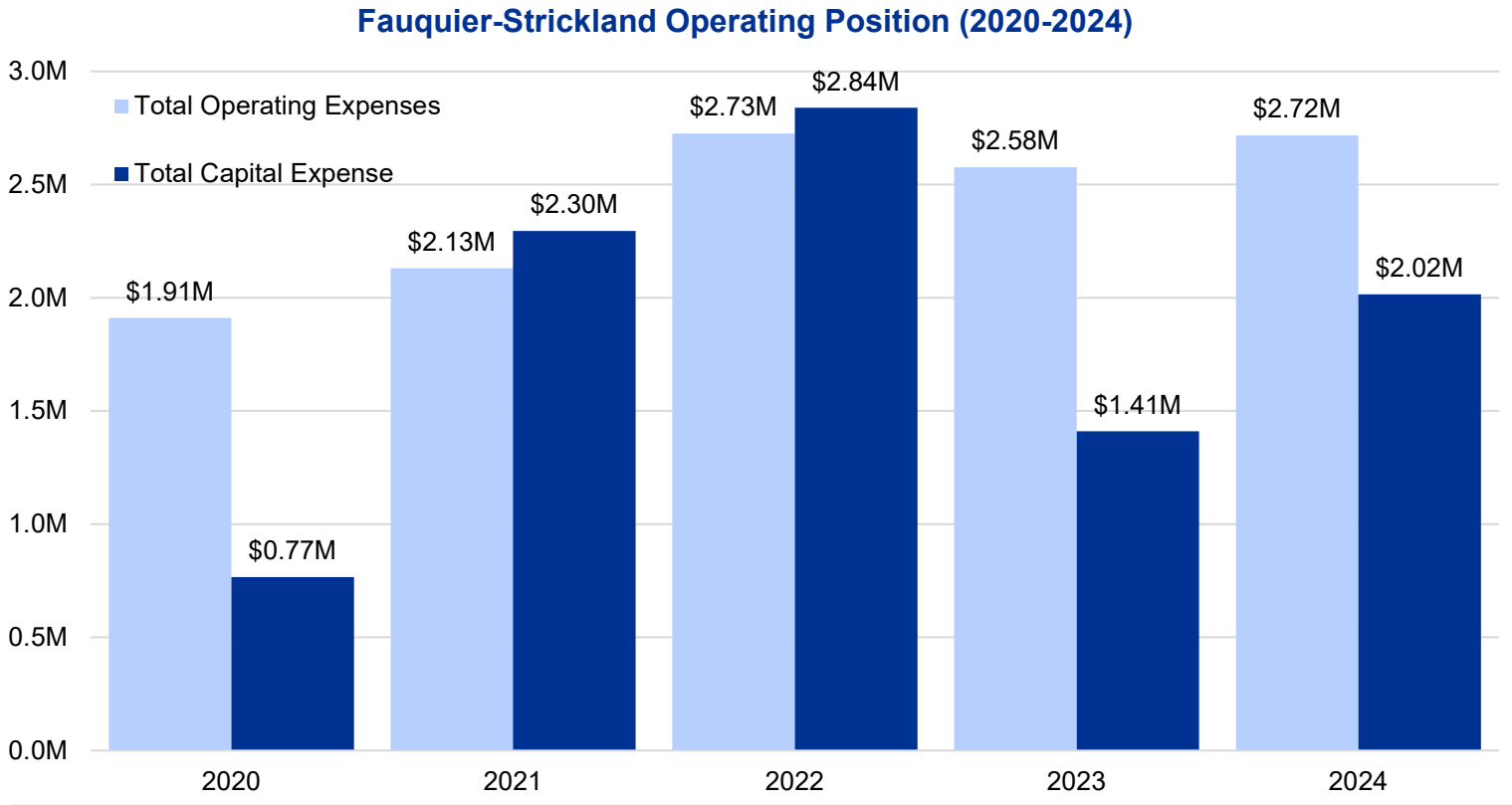
Between 2020 and 2024, the Township's operating expenditures have averaged $2.4M. Over the same period, capital expenditures have averaged $1.9M with concentration of spending during the years of 2021 and 2022.

There were three major capital projects:

1. Medical Centre / Municipal Office
2. Community Centre / Multi-use Complex
3. Water Treatment Plant (WTP)

Further details surrounding these capital projects are reported in Section 03: Capital Projects.

[1]Source: Municipal Financial Information Returns (total capital expenses from SLC 53A 1020 01, total operating expenses from SLC 40 9910 11)



Annual % increase	2020-21	2021-22	2022-23	2023-24	Average
Total **Operating** Expense	11.5%	27.9%	(5.5%)	5.4%	9.9%
Total **Capital** Expense	199.6%	23.7%	(50.3%)	42.9%	54.0%

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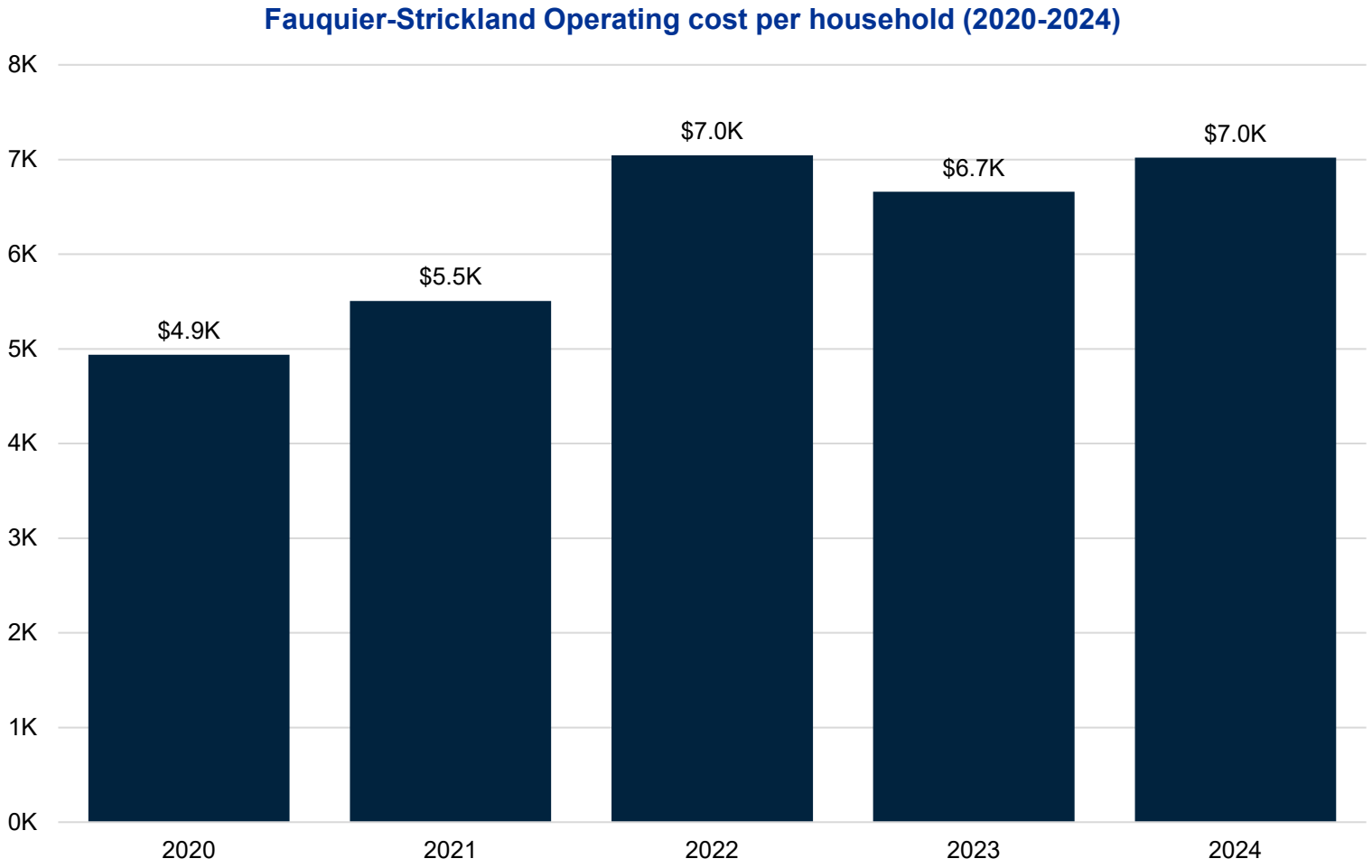
Operating costs

Total Operating Cost Per Household

Total operating cost represents the overall cost to deliver all municipal services to residents and communities.

Operating cost to deliver municipal services is often fixed due to legislative requirements (e.g., road and facility operations and maintenance, water and wastewater services, building permits and inspections, etc.). Delivery of non-mandatory services is often considered the "variable" portion of operating cost; however, it has a direct impact to the quality and level of services residents receive. With a smaller household count, the average cost per household is typically higher for the Township.

Year	Change in operating expenses from previous year	Change in ON CPI from previous year
2020	-	0.7%
2021	11.5%	3.5%
2022	27.9%	6.8%
2023	(5.5%)	3.8%
2024	5.4%	2.4%
Average	9.9%	3.4%



[1]*Source – Statistics Canada, Consumer Price Index Ontario, Historical Summary*

[2] *Source – Municipal Financial Information Returns (households from SLC 02 0040 01, total operating expenses from SLC 40 9910 11)*

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Liabilities

Total Liabilities Per Household – Historical Trend

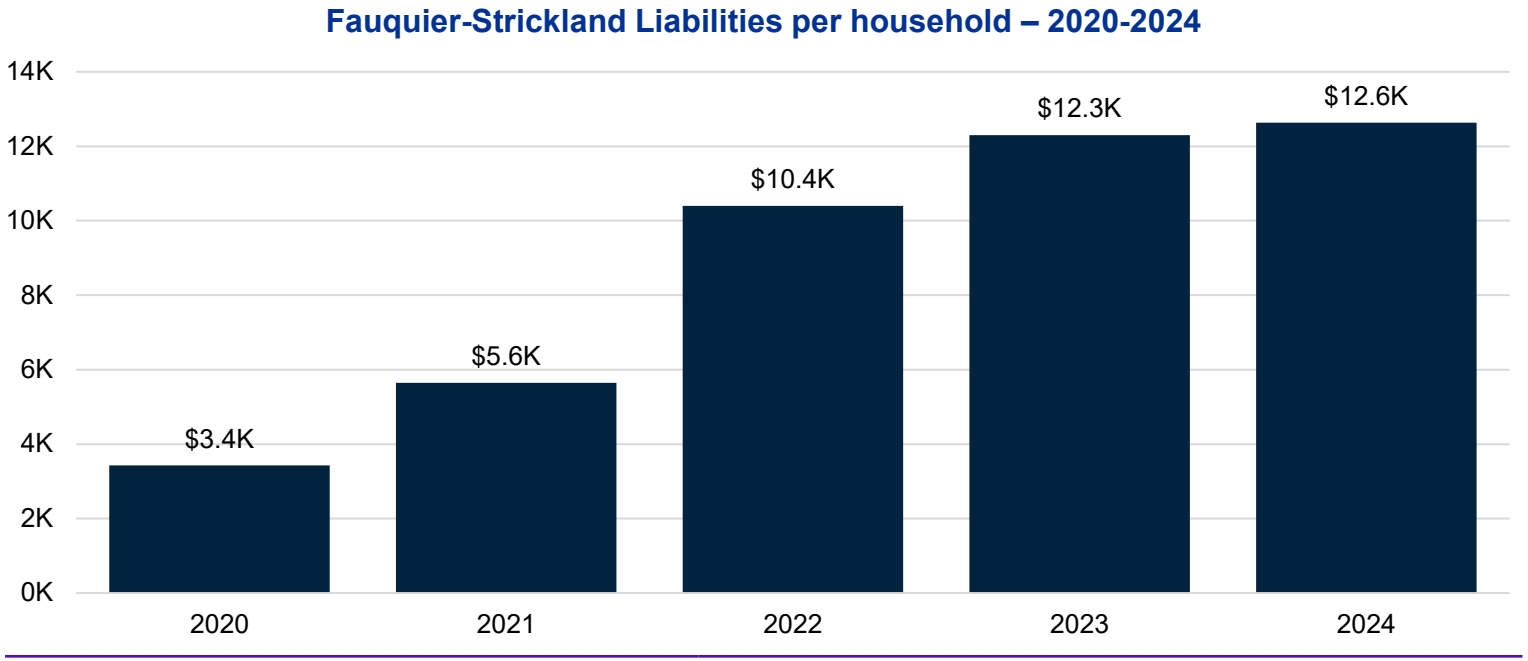
This financial indicator provides an assessment of the Township's ability to assume liability and issue more debt by considering the existing debt and liability load on a per-household basis. High levels of debt and liability may preclude the issuance of additional debt.

Low debt and liability levels indicate that a municipality has more flexibility in the use of debt as a financing tool for future capital projects and resource investments.

The Township has seen an increase in liabilities per household between 2020 and 2024 to support capital project funding (see Chapter 03 Capital Projects for details). The Township's primary source of liabilities is temporary loans at $2.5M or 50% of total liabilities, while long-term liabilities represent only 23% of the total liability share. The $2M borrowing for the medical centre was reported as a temporary loan in 2024. This debt will need to be converted to long-term liabilities.

In 2024, the Township reported approximately $286K in total debt charges (sum of principal and interest payments) and $1.58M net revenues. Including new debt, Fauquier-Strickland is permitted to take on up to $395K of annual debt charges (25% of net revenues). See the next slide for more information.

[1] Source – Municipal Financial Information Returns (households from SLC 02 0040 01, liabilities data from SLC 70)



Liabilities	Total (2024)	Share (2024)
Temporary Loans	$2,451,773	50%
Accounts Payable	551,581	11%
Deferred Revenue	249,015	5%
Long-Term Liabilities	1,103,668	23%
Post Employment Benefits	0	0%
Liability for Asset Retirement Obligations	553,574	11%
Total Liabilities	$4,889,611	

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Debt repayment costs and utilization of ARL

Interpreting the ARL

Ontario's ARL (Annual Repayment Limit) is a two-step limit:

1. The Province sets a maximum annual repayment "ceiling" equal to 25% of net own-source revenues.
2. Then, the municipality's existing annual debt/obligation payments are subtracted to determine the remaining capacity available for new borrowing.

For Fauquier-Strickland, 25% of 2024 net revenues equates to $395K, existing net debt charges are $286K, leaving ~$109K of annual capacity for new debt service (before any adjustments following reporting).

While statutory capacity remains available, the Township's debt service now consumes a substantially larger share of the ARL ceiling (~72% utilized). This reduces financial flexibility and increases sensitivity to interest rates and future operating pressures; any new borrowing would need careful structuring.

Observations

- **Net revenues** were steady, with modest improvement, rising from ~$1.40M to ~$1.58M between 2020 and 2024 (about +13% cumulative growth). Hence, borrowing capacity rose.
- **Statutory ceiling (25% of net revenues)** increased slowly from ~$350K to ~$395K, increasing the Township's maximum allowable repayment envelope.
- Debt charges rose to roughly 2.5x the 5-year average in 2024 ($285.7K compared to $114.6K).

[1] *Source – Municipal Annual Repayment Limits*

	2020	2021	2022	2023	**2024**	2025	Average
Principal *SLC 74 3099 01*	54,711	56,326	58,194	62,381	128,308		71,984
Interest *SLC 74 3099 02*	0	4,849	14,544	36,216	157,408		42,603
Total Debt Charges	54,711	61,175	72,738	98,597	285,716		114,587
Total revenue *SLC 10 9910 01*	2,301,976	2,206,344	3,376,589	2,995,267	2,570,306		2,690,096
Excluded revenue amounts*	901,810	801,530	1,930,782	1,502,673	989,521		1,225,263
Net Revenues	**1,400,166**	**1,404,814**	**1,445,807**	**1,492,594**	**1,580,785**		**1,464,833**
Repayment limit Statutory Repayment Ceiling *25% of Net Revenues*	**350,042**	**351,204**	**361,452**	**373,149**	**395,196**		**366,209**
Debt charges as a percentage of Net Revenues	4%	4%	5%	7%	**18%**		8%
Repayment limit utilization	16%	17%	20%	26%	**72%**		30%
Capacity for new debt obligations* Annual Repayment Limit *Prior year 25% of Net Revenues less net Debt Charges*		295,331	290,029	288,714	274,552	109,480	251,621

Note: Excluded revenues includes grants, land sales, reserve transfers, etc.

Note: Treasurer must update/adjust ARL for debt/obligations authorized after the FIR basis year.

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Reserves and reserve funds

Total reserves – historic trend

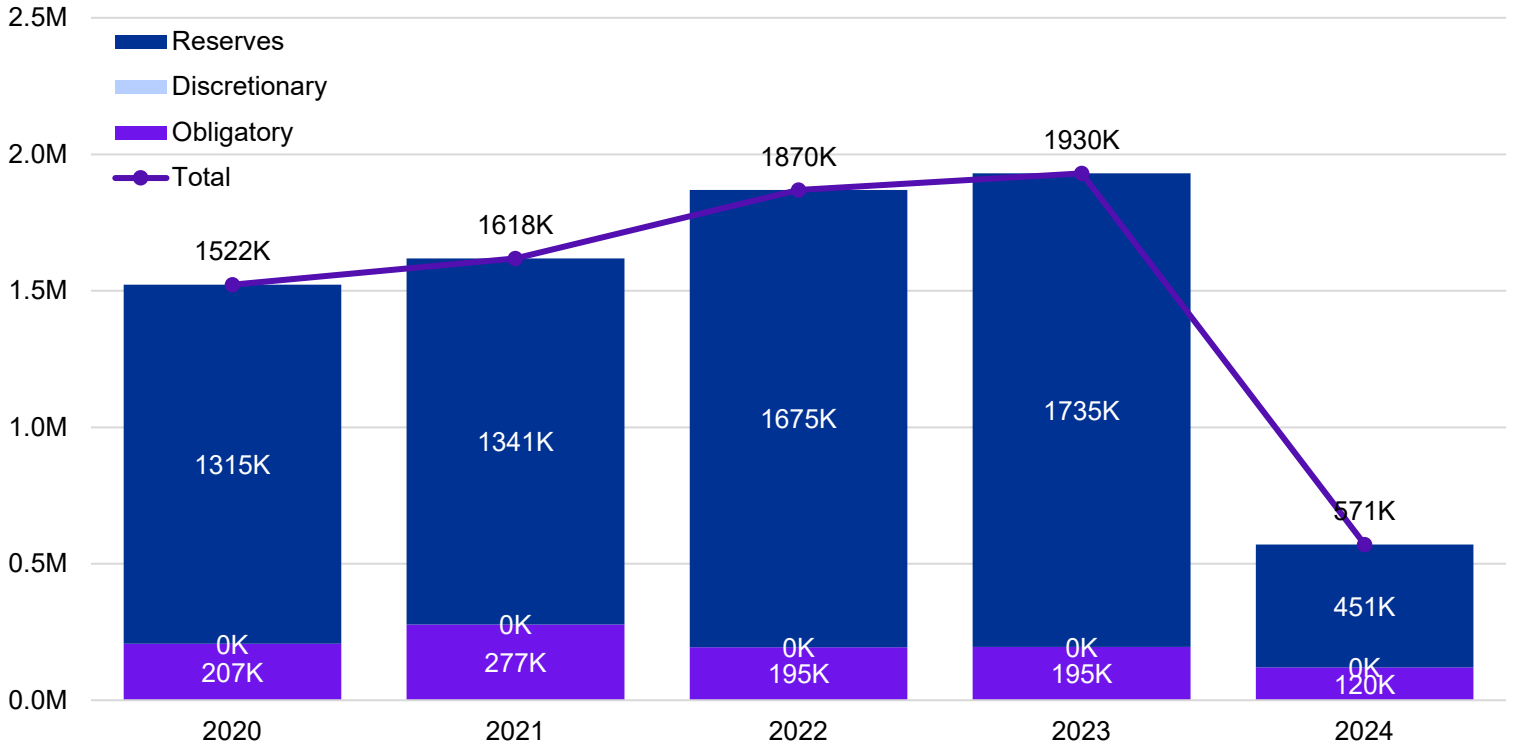
The total reserve position illustrated in this graph indicates both discretionary and obligatory reserves, such as gas tax.

The level of reserves was experiencing a steady increase between 2020 and 2023, growing from $1.5M to $1.9M during this period. Increasing total reserves over time is an indicator that the Township had adapted lifecycle asset management and increased flexibility for financing capital projects. It had also decreased the Township's vulnerability to funding sources outside of its control or influence, both locally and provincially.

However, in 2024 the Township's total reserve position dropped by 74% to just $571K. This drawdown was to reflect both actual reserve use and the correction of previously recorded reserve balances. Prior to 2024, certain reserves were reported in the financial statements but were not fully supported by available cash. As a result, 2024 balances did not represent a single year drawdown, but rather a realignment of reported reserves with actual available funds.

[1] Source – Municipal Financial Information Returns (reserves data from SLC 60 2099 01, SLC 60 2099 02, and SLC 60 2099 03)

Fauquier-Strickland Total reserves and reserve funds (2020-2024)



	Value (2024)	Share (2024)
Obligatory Reserve Funds, Deferred Revenue	120,273	21%
Discretionary Reserve Funds	0	0%
Reserves	450,578	79%
Total	570.851	100%

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Reserves and reserve funds

Reserves and reserve funds

2024 represented a significant shift in the Township's reserve position, due to realignment of reported reserves with actual available funds.

In this year, the Township downward adjusted $1.4M of reserves, lowering the balance from approximately $1.9M to less than $600K. This adjustment was split between:

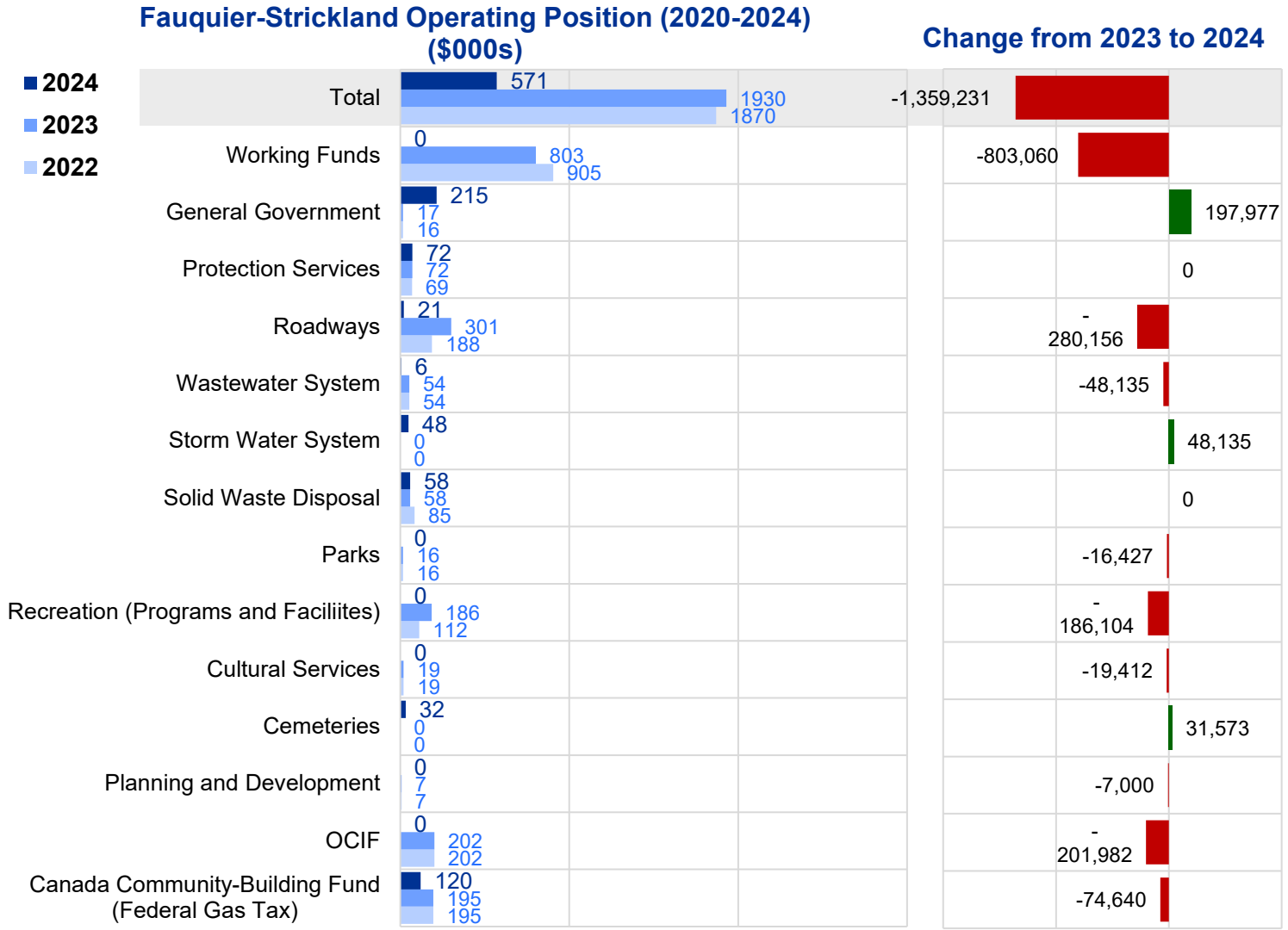
1. Acquisition of tangible capital assets: $971K
2. Current operations: $431K

Meanwhile, 2024 saw no contributions to reserves from operations.

In addition, obligatory reserves were also adjusted despite $30K of additions from the Federal Gas Tax. In 2024, $105K was withdrawn from obligatory reserves for acquisition of tangible capital assets, leaving the closing balance at $120K or 38% lower than the opening balance.

Between 2023 and 2024, only three accounts saw an increase in closing balances: general government, storm water system, and cemeteries while all other accounts were unchanged or the balances were corrected to actual available cash. Most notably, the Township's Working Funds reserve went from over $800K to $0.

[1] Source – Municipal Financial Information Returns (reserves data from SLC 60 2099 01, SLC 60 2099 02, and SLC 60 2099 03)



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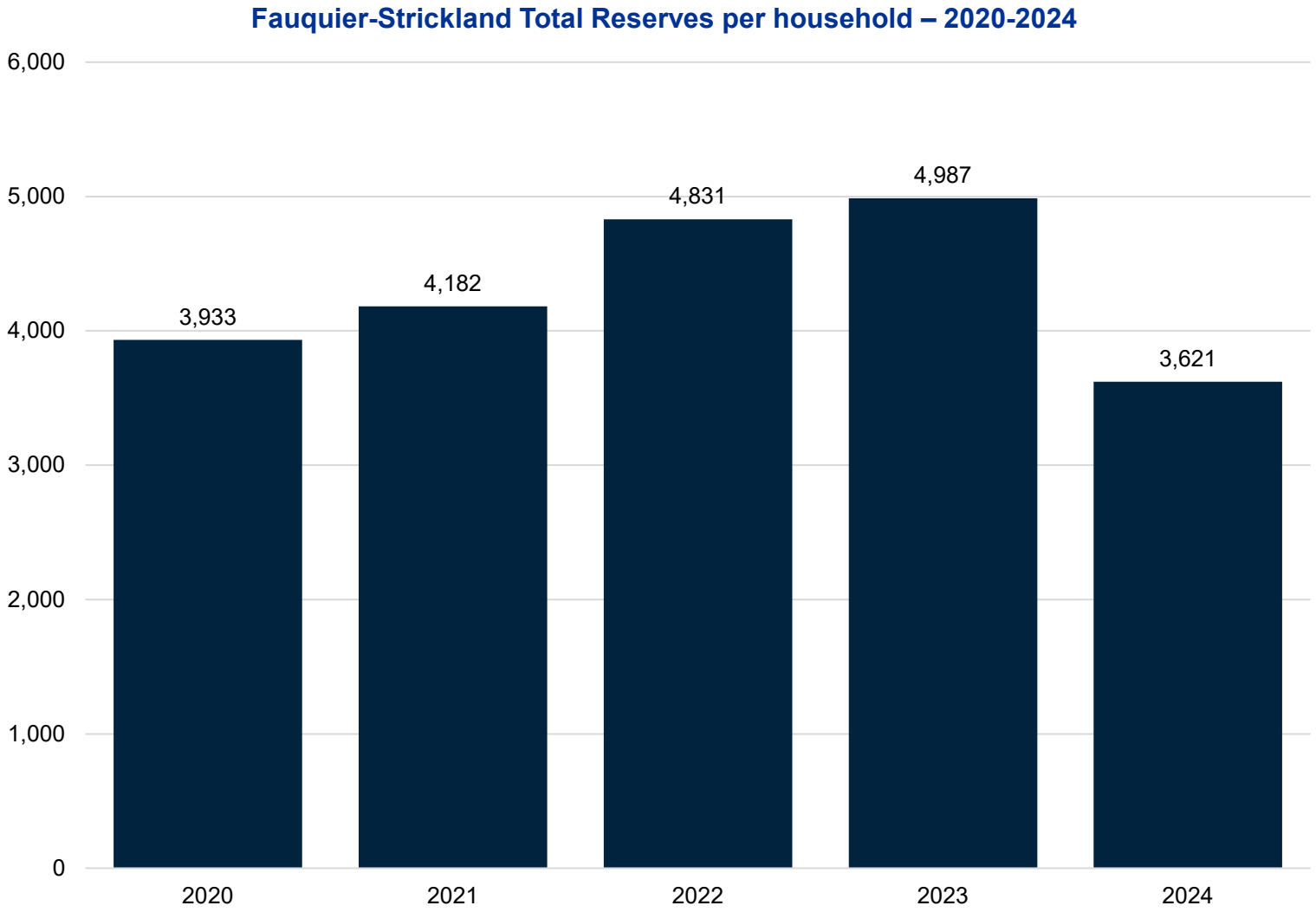
Reserves and reserve funds

Total reserves per household – historic trend

The total reserve position illustrated in this graph indicates discretionary and obligatory reserves, such as gas tax.

The level of reserves increased year over year across the observed time period.

[1] Source – Municipal Financial Information Returns (households from SLC 02 0040 01, reserves data from SLC 60 2099 01, SLC 60 2099 02, and SLC 60 2099 03)



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Tangible capital assets replacement

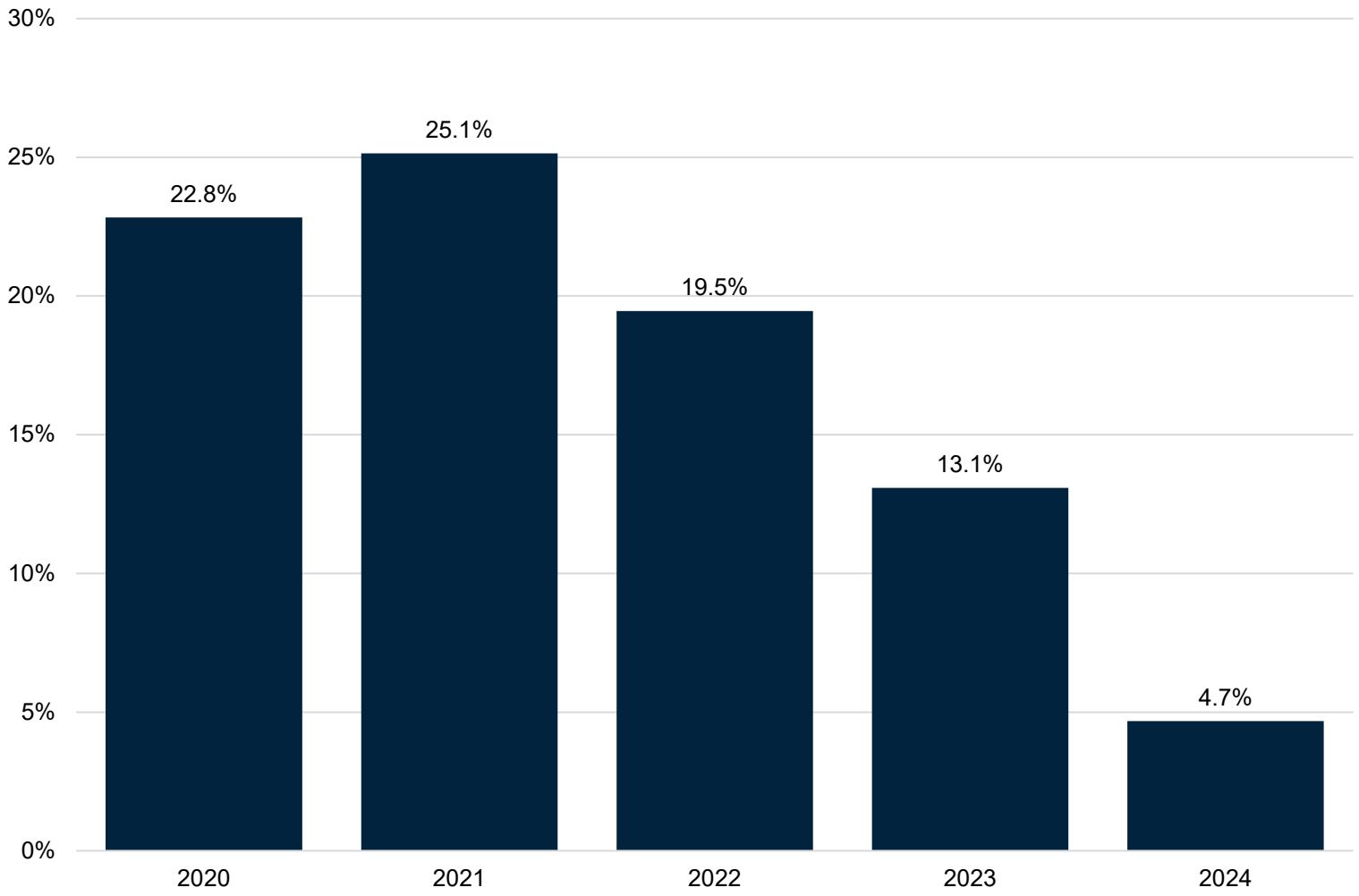
Reserve Position Relative to Tangible Capital Assets

When a municipality's total reserve position (obligatory reserve funds, discretionary reserves and reserves) are expressed as a percentage of its tangible capital assets, it provides an indication of its ability to finance the replacement of its tangible capital assets from internal sources.

The Township's total reserve position relative to its tangible capital assets (4.7%) is well below historical levels following a rapid decline from 25% in 2021 with a depletion of reserves to fund major capital projects. This signals the Township is not in a position to fund all asset needs including asset replacement and acquisition of new assets.

The Township owns and operates $12.2M in tangible capital assets and 8% of the assets are deemed to be in very poor condition. The replacement cost is estimated around $50M.

Source – Municipal Financial Information Returns (reserves data from SLC 60 2099 01, SLC 60 2099 02, and SLC 60 2099 03, tangible capital assets from SLC 51A 9910 11)



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02.2

Financial risk indicators

2024 FIR data was used to calculate the indicators

Financial Risk Indicators: Structural Operating Sustainability

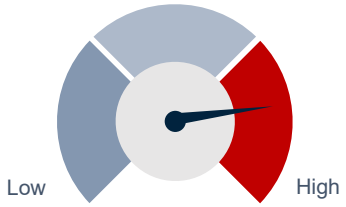
Importance of Structural Operating Sustainability

Structural operating sustainability assesses whether a municipality's recurring, controllable revenues (taxes, user fees, PILTs, stable other own-source revenues) are sufficient to fund recurring operating costs before relying on one-time revenues, reserve drawdowns, deferred payables, or new borrowing. For **small municipalities**, this is especially important because (i) the tax base is narrow, (ii) administrative/service costs are relatively fixed due to minimum legislative/service requirements, and (iii) a single bad year can quickly become a multi-year cash and governance problem if deficits are normalized.

In a financial risk assessment, this group is often the root cause: persistent operating gaps eventually show up as liquidity stress, depleted reserves, rising debt charges, and reduced service reliability.

Overall assessment of

Sustainability Risk



Assessment Rationale

Fauquier-Strickland's **structural operating sustainability risk is high** because the Township reported an **operating deficit** of -4.2% in 2024 and only 70% own-source coverage of operating costs. Both results indicate that **core services are not being reliably funded** by controllable, recurring revenues and therefore require transfers, reserve drawdowns, deferrals, or other non-recurring measures to balance the year.

While the Township reports a high accumulated surplus, this largely reflects accounting balances rather than available cash and does not offset the underlying operating imbalance of a small tax base with limited revenue sources to pay fixed services and administrative costs.

Operating Surplus / (Deficit) Ratio

Measures whether annual revenues are sufficient to cover annual operating expenses in the year. A negative ratio indicates an operating shortfall that must be financed through reserves, delayed payments, one-time revenues, or borrowing.

$$\frac{Surplus(Deficit)}{Total\ Revenue} = \frac{SLC\ 10\ 9910\ 01 - SLC\ 40\ 9910\ 11}{SLC\ 10\ 9910\ 01}$$

$$\frac{2{,}606{,}475 - 2{,}717{,}118}{2{,}606{,}475} = \frac{-110{,}643}{2{,}606{,}475} = -4.2\%$$

Fauquier-Strickland's operating deficit of -4.2% indicates **high risk** that recurring revenues are insufficient to fund ongoing services and operations, requiring reliance on reserves, deferrals, or other one-time measures. This reflects a structural mismatch between revenue capacity and cost pressures.

Based on financial statement actuals, municipalities should be at 0% (break-even) as a minimum, with around +1% to +5% to support reserve contribution and absorb financial volatility.

Accumulated Surplus/(Deficit) as a Percentage of Revenue

Compares the municipality's cumulative financial position (accumulated surplus/deficit) to its annual revenue capacity. It signals whether the municipality has "financial room" from past surpluses or is carrying forward past imbalances that constrain future flexibility.

$$\frac{Accumulated\ Surplus(Deficit)}{Total\ Revenue} = \frac{SLC\ 10\ 9950\ 01}{SLC\ 10\ 9910\ 01}$$

$$\frac{7{,}773{,}357}{2{,}606{,}475} = 298\%$$

At 298% of annual revenue, the Township's reported accumulated surplus appears high on a financial statement basis; however, accumulated surplus does not represent available cash. As a result, a municipality can report a large surplus while still experiencing cash flow pressure or operating deficits. For the Township, the accumulated surplus does not indicate financial flexibility as ongoing operations are not fully supported by recurring revenue.

Own-source Coverage of Operating Costs

Measures what share of operating costs is funded by controllable, recurring own-source revenue versus transfers and more volatile sources. Lower coverage implies higher vulnerability because external or one-time revenues can change, be delayed, or be restricted.

$$\frac{Own\ source\ operating\ revenue}{Total\ operating\ expenses}$$

$$\frac{1{,}902{,}047}{2{,}717{,}118} = 70\%$$

Fauquier-Strickland funds about 70% of operating costs from own-source revenues, which is below typical benchmarks. In practice, small rural municipalities require 85%–90% own-source coverage to sustainably fund core operations, with risk increasing below 75%.

At 70%, the Township's revenue structure limits its ability to respond to cost pressures or funding volatility, increasing reliance on external funding and one-time measures.

Note: Financial Information Return (FIR) references follow the provincial coding structure: Schedule (SLC), entity code, account number, and specific line item (e.g., SLC 10 9910 01). This structure aligns with the FIR reporting framework and allows direct traceability to reported financial data.

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Financial Risk Indicators: Cash & Liquidity Stress

Importance of Structural Operating Sustainability

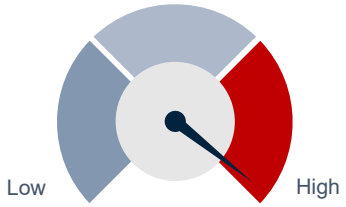
Cash and liquidity stress assesses whether a municipality has sufficient near-term liquid resources to meet payroll, vendors, debt charges, and statutory obligations as they fall due (without relying on payment delays, emergency borrowing, or provincial intervention).

For **small municipalities**, liquidity is often the binding constraint (more so than balance-sheet metrics): even a brief timing gap between receipts and payments can disrupt operations, damage vendor relationships, and trigger service reductions or oversight.

In a risk framework, this group is the "can we keep the lights on next month?" test, often providing the earliest warning signal of acute financial distress.

Overall assessment of

Cash & Liquidity Risk



Assessment Rationale

Fauquier-Strickland faces **very high cash and liquidity risk**, driven by an extremely weak current ratio of 0.34, limited cash runway of approximately two months or less, and elevated payables pressure (24% of operating expenses). This evidence points to acute short-term funding stress rather than a purely technical accounting issue.

For a small municipality with limited borrowing and revenue-timing flexibility, this level of liquidity weakness means normal payment cycles and minor receipt delays can rapidly escalate into service disruption, emergency borrowing, or external intervention.

Current Ratio

Measures short-term liquidity by comparing current financial assets to current liabilities. A ratio below 1.0 indicates the municipality cannot cover near-term obligations from liquid resources and is exposed to cash-flow stress.

$$\frac{Current\ financial\ assets}{Current\ liabilities}$$

$$\frac{SLC\ 70\ 9930\ 01}{SLC\ 70\ 2010\ 01 + SLC\ 70\ 2299\ 01 + SLC\ 702499\ 01}$$

$$\frac{431{,}549}{451{,}773 + 551{,}581 + 249{,}015} = \frac{431{,}549}{1{,}252{,}369} = 0.34$$

At 0.34, Fauquier-Strickland has less than $0.35 of liquid assets for every $1.00 of short-term obligations, indicating **very high liquidity risk**. Day-to-day operations are vulnerable to even minor timing disruptions; reliance on temporary borrowing, provincial advances, or payment deferrals is likely.

Cash & Equivalents Coverage of Monthly Operating Cost

Translates liquidity into "months of runway" by estimating how long cash and near-cash balances could fund average monthly operating expenses if receipts are delayed. This is particularly intuitive and decision-useful for small-municipality councils.

$$\frac{Cash\ \&\ Equivalents}{Monthly\ Operating\ Expense}$$

$$= \frac{SLC\ 70\ 0299\ 01}{(SLC\ 40\ 9910\ 07 - SLC\ 40\ 9910\ 16) \div 12}$$

$$\frac{0}{2{,}298{,}511 \div 12} = \frac{0}{191{,}543}$$

Cash and equivalents should cover at a minimum 2 months of operating expenses, but 3–4 months is a more prudent target for small rural municipalities with volatile receipts. **The Township has reported $0 in cash and cash equivalents since 2022. Negative cash flow started in 2021 where $2.29M in cash was used to acquire tangible capital assets** (SLC 54B 1210 01).

Payables Pressure

Assesses whether operations are being funded by delaying vendor payments, using payables relative to operating costs. Elevated ratios are an early warning sign of liquidity strain, service disruption, and reputational risk.

$$\frac{Accounts\ Payable}{Total\ Operating\ Expenses} = \frac{SLC\ 70\ 2299\ 01}{SLC\ 40\ 9910\ 07 - SLC\ 40\ 9910\ 16}$$

$$\frac{551{,}581}{2{,}298{,}511} = 24.0\%$$

At 24%, the Township is likely using delayed vendor payments as a de facto financing tool, which signals **high liquidity and operational risk**. High payables pressure can lead to strained vendor relationships, service interruptions, and compounding cash stress if credit terms tighten.
Based on KPMG's municipal advisory experience, the Township should reasonably be targeting ≤ 10–12% to be within a healthy range and not exceeding 18%.

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Financial Risk Indicators: Reserve and Financial Flexibility

Importance of Reserve and Financial Flexibility

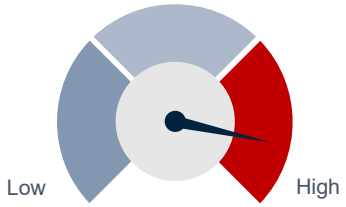
Reserve and financial flexibility measures whether a municipality has usable financial **capacity to respond to shocks, smooth volatility, and fund priorities without immediate tax hikes**, service cuts, or emergency borrowing. In small municipalities, reserves are the primary stabilizer. There are few alternative tools if something goes wrong.

Strong flexibility allows councils to phase-in decisions and manage risk deliberately; weak flexibility forces reactive decision-making and raises the likelihood that short-term pressures turn into long-term structural problems.

In a risk assessment, this category answers a simple question: when something unexpected happens, do we have room to maneuver or are future revenues already spoken for?

Overall assessment of

Flexibility Risk



Assessment Rationale

Fauquier-Strickland's **reserve and financial flexibility risk is high**, driven primarily by the rapid depletion of reserves in 2024 (-240% drawdown) and a large net financial debt position equivalent to 1.7× annual revenue, both of which materially limit the Township's ability to absorb shocks or implement recovery measures without immediate fiscal impacts.

While discretionary reserves remain just under 20% of operating expenses, this balance is now thin relative to volatility and has been weakened by recent drawdowns, reducing resilience at a time when liquidity and operating pressures remain elevated.

Discretionary Reserves as a % of Operating Expenses

Measures how much of annual operations could be supported by unrestricted, council-controlled reserves. This is a core indicator of recovery feasibility and near-term flexibility.

$$\frac{Discretionary\ Reserves\ and\ Reserve\ Funds}{Total\ Operating\ Expenses}$$

$$\frac{SLC\ 60\ 2099\ 02 + SLC\ 60\ 2099\ 03}{SLC\ 40\ 9910\ 07 - SLC\ 40\ 9910\ 16} = \frac{450{,}578}{2{,}298{,}511} = 19.6\%$$

At 19.6%, Fauquier-Strickland sits just below the minimum comfort range, indicating **moderate-to-high risk** flexibility: reserves exist, but the margin for error is thin. There is limited capacity to absorb shocks or fund transition costs without further reserve depletion or immediate fiscal action.

The Township should generally aim to maintain discretionary reserves above 25% of operating expenses, with anything below 20% signaling higher risk.

Reserve Drawdown Rate

Shows whether reserves are being replenished or depleted over time. Rapid drawdowns are a critical red flag for small municipalities because reserves are often the last buffer against cash and service disruption.

$$\frac{Net\ change\ in\ reserve\ balance}{Total\ Reserves\ Closing\ Balance} = \frac{SLC\ 60\ 2099\ - SLC\ 60\ 0299}{SLC\ 60\ 2099}$$

$$\frac{570{,}851 - 1{,}942{,}244}{570{,}851} = -240.2\%$$

The -240% drawdown reflects both actual reserve use and the correction of previously recorded reserve balances. Prior to 2024, certain reserves were reported in the financial statements but were not fully supported by available cash. As a result, the 2024 adjustment does not represent a single year cash depletion of this magnitude, but rather a realignment of reported reserves with actual available funds.

Net Financial Assets (Net Debt) Ratio

Compares net financial assets (or net debt) to annual revenue to indicate whether future revenues are available for new needs or already committed to past spending. Persistent net debt limits flexibility and shifts risk forward.

$$\frac{Net\ Financial\ Assets}{Total\ Revenue} = \frac{SLC\ 70\ 9945\ 01}{SLC\ 10\ 9910\ 01}$$

$$\frac{-4{,}458{,}062}{2{,}606{,}475} = -1.71$$

At -1.71×, Fauquier-Strickland's **future revenues are heavily committed to past decisions**, indicating **high flexibility risk**. This constraint impacts the Township's ability to respond to new needs or finance recovery actions without additional taxation or service trade-offs.

A municipality should generally target positive net financial assets or modest net debt.

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Financial Risk Indicators: Debt & Fixed Commitments

Importance of debt flexibility

Debt and fixed commitments assess how much of a municipality's ongoing revenue is pre-committed to past decisions (most notably debt repayment) before Council can fund services, rebuild reserves, or respond to new needs.

For small municipalities, the practical constraint is not the legal borrowing limit (ARL), but cash affordability and budget rigidity: when debt charges consume a large share of revenues, even modest operating shocks force hard trade-offs.

In a financial risk assessment, this group answers whether the Township still has room to adapt, or whether future budgets are effectively locked in.

Overall assessment of

Rigidity Risk



Assessment Rationale

Fauquier-Strickland's **debt and fixed-commitment risk is moderate to high**, reflecting a combination of elevated debt service (11% of revenue), heavy ARL utilization (72%), and total liabilities approaching 1.9 times annual revenue, all of which materially reduce budget flexibility.

While the Township remains legally within provincial borrowing limits, the practical reality for a small municipality with liquidity constraints is that a significant share of future revenues is already committed, limiting the ability to finance urgent needs, rebuild reserves, or absorb shocks without immediate tax or service impacts.

Debt Service Ratio

Measures the share of annual revenue dedicated to principal and interest payments. Higher ratios indicate reduced budget flexibility and greater exposure to interest-rate and operating pressures.

$$\frac{Principal + Interest}{Total\ Revenue} = \frac{SLC\ 74\ 3099\ 01 + SLC\ 74\ 3099\ 02}{SLC\ 10\ 9910\ 01}$$

$$\frac{128{,}308 + 157{,}408}{2{,}606{,}475} = 11.0\%$$

At 11.0%, Fauquier-Strickland is above the prudent range and into **moderate risk**, meaning more than $0.10 of every dollar of revenue is locked into debt service. This materially reduces room to fund operating pressure or rebuild reserves without raising taxes or cutting services.

To be prudent, a municipality should target a debt service ratio ≤ 8–10% and not exceeding 12%.

ARL Utilization

Shows how much of the Province's statutory Annual Repayment Limit is already consumed by existing obligations. High utilization leaves little room to finance urgent capital without sharp fiscal adjustments.

$$\frac{Debt\ Charges}{ARL\ Limit} = \frac{SLC\ 74\ 3099\ 01 + SLC\ 74\ 3099\ 02}{ARL}$$

$$\frac{128{,}308 + 157{,}408}{395{,}196} = 72\%$$

At 72%, the Township has limited remaining statutory capacity, placing this indicator firmly in **moderate risk** territory. **While legal capacity remains, practical affordability is tight; any new borrowing would crowd out priorities or require immediate fiscal action**.

To have a comfortable level of debt repayment capacity, it is generally advised to maintain an ARL utilization below 50%.

Liabilities to Revenue Ratio

Compares total liabilities to annual revenue, indicating the scale of obligations relative to the Township's revenue base. Higher ratios imply future revenues are increasingly committed to past spending.

$$\frac{Total\ Liabilities}{Total\ Revenue} = \frac{SLC\ 70\ 9940\ 01}{SLC\ 10\ 9910\ 01}$$

$$\frac{4{,}889{,}611}{2{,}606{,}475} = 1.88$$

At 1.88×, Fauquier-Strickland's liabilities exceed annual revenue by a wide margin, indicating **high rigidity risk**. The scale of obligations magnifies exposure to cash stress and constrains recovery options. Municipalities should generally target total liability levels ≤ 1.0× total revenue to minimize exposure to interest rate increases, even if total liability levels do not rise.

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Financial Risk Indicators: Revenue and collection vulnerability

Importance of revenue and collection stability

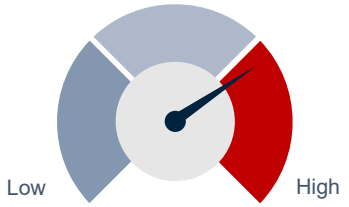
Revenue and collection vulnerability assesses how stable, controllable, and collectible a municipality's revenues are—and how exposed it is to changes beyond its control (e.g., transfer programs, arrears, or a narrow tax base).

For small municipalities, this risk is amplified because a small number of taxpayers, grants, or payment delays can materially affect cash flow.

High vulnerability does not necessarily imply poor management, but it does mean the municipality has limited resilience to shocks and must manage revenue risks proactively to avoid liquidity crises and service disruption.

Overall assessment of

Revenue vulnerability



Assessment Rationale

Fauquier-Strickland's **revenue and collection vulnerability is moderate-to-high**, driven primarily by material reliance on government transfers (27% of total revenue) and elevated tax arrears (11.6%), both of which increase exposure to cash flow disruptions and factors outside the Township's direct control.

While arrears are not yet at critical levels, sustained pressure combined with a small tax base heightens risk, particularly in the absence of a quantified tax-concentration indicator.

For a small municipality with limited financial buffers, these conditions reduce revenue predictability and amplify the impact of even modest shocks.

Government transfer reliance

Measures the proportion of total revenue derived from senior-government transfers. Higher reliance increases exposure to program changes, timing delays, and funding restrictions.

$$\frac{Government\ transfers}{Total\ Revenue} = \frac{SLC\ 10\ 0699\ 01 + SLC\ 10\ 0899\ 01}{SLC\ 10\ 9910\ 01}$$

$$\frac{445{,}200 + 259{,}228}{2{,}606{,}475} = 27.0\%$$

At 27%, Fauquier-Strickland's operating model is materially reliant on external transfers, placing this indicator in **high vulnerability** territory. Timing delays, eligibility changes, or policy shifts can quickly translate into cash stress or operating gaps.

Smaller municipalities should generally target ≤ 20–22%, understanding that equalization-style funding from upper government plays a necessary and standard role in funding operations.

Tax Arrears Ratio

Measures uncollected taxes relative to total annual taxes levied, capturing both collection effectiveness and taxpayer stress. Elevated arrears directly worsen liquidity for small municipalities.

$$\frac{Taxes\ Receivable, End\ of\ Year}{Total\ taxes\ levied} = \frac{SLC\ 72\ 0290\ 09}{SLC\ 26\ 9199\ 03}$$

$$\frac{167{,}022}{1{,}443{,}585} = 11.6\%$$

At 11.6%, the Township sits in the **moderate vulnerability** range. Arrears are elevated enough to pressure cash flow but not yet at crisis levels. Continued monitoring and targeted collection actions are important to prevent arrears from compounding liquidity stress.

Municipalities should generally target an arrears ratio ≤ 8–10% but not exceeding 15%.

Pipeline Taxation Concentration

Assesses how dependent municipal revenues are on pipeline tax accounts. High concentration exposes the municipality to outsized risk from a single appeal, closure, or reassessment.

$$\frac{Pipeline\ levy}{Total\ municipal\ levy} = \frac{SLC\ 22A\ 0710\ 15}{SLC\ 22A\ 9201\ 15}$$

$$\frac{797{,}862}{1{,}443{,}585} = 55.3\%$$

At 55.3% pipeline levy concentration, the Township is **highly vulnerable** to revenue risk. In small municipalities, one or two large properties can represent a disproportionate share of municipal levy; loss or reassessment of a single account can materially impact revenue.

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02.3

Taxable assessment and property taxes

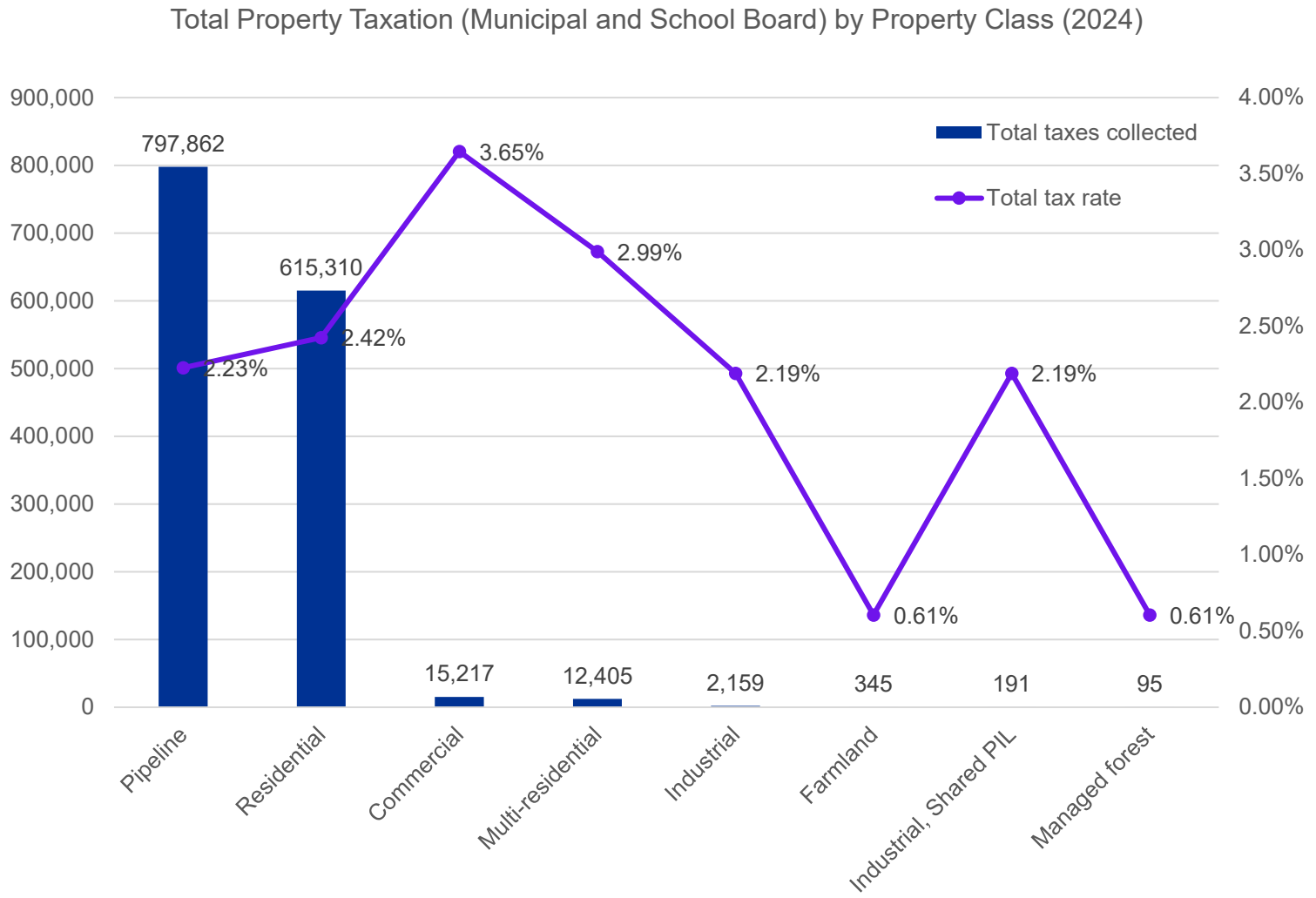
FIR taxable assessment and taxes collected

Main sources of property tax revenue

The largest share of property taxes levied is collected from the pipeline tax class. This property class generated nearly $800K in property tax revenue in 2024, larger than all other property classes combined.

The second-largest property class was residential, which generated $615K in property tax revenue.

[1] Source – Municipal Financial Information Returns Schedule 22A (Municipal and School Board Taxation, General Purpose Levy Information)



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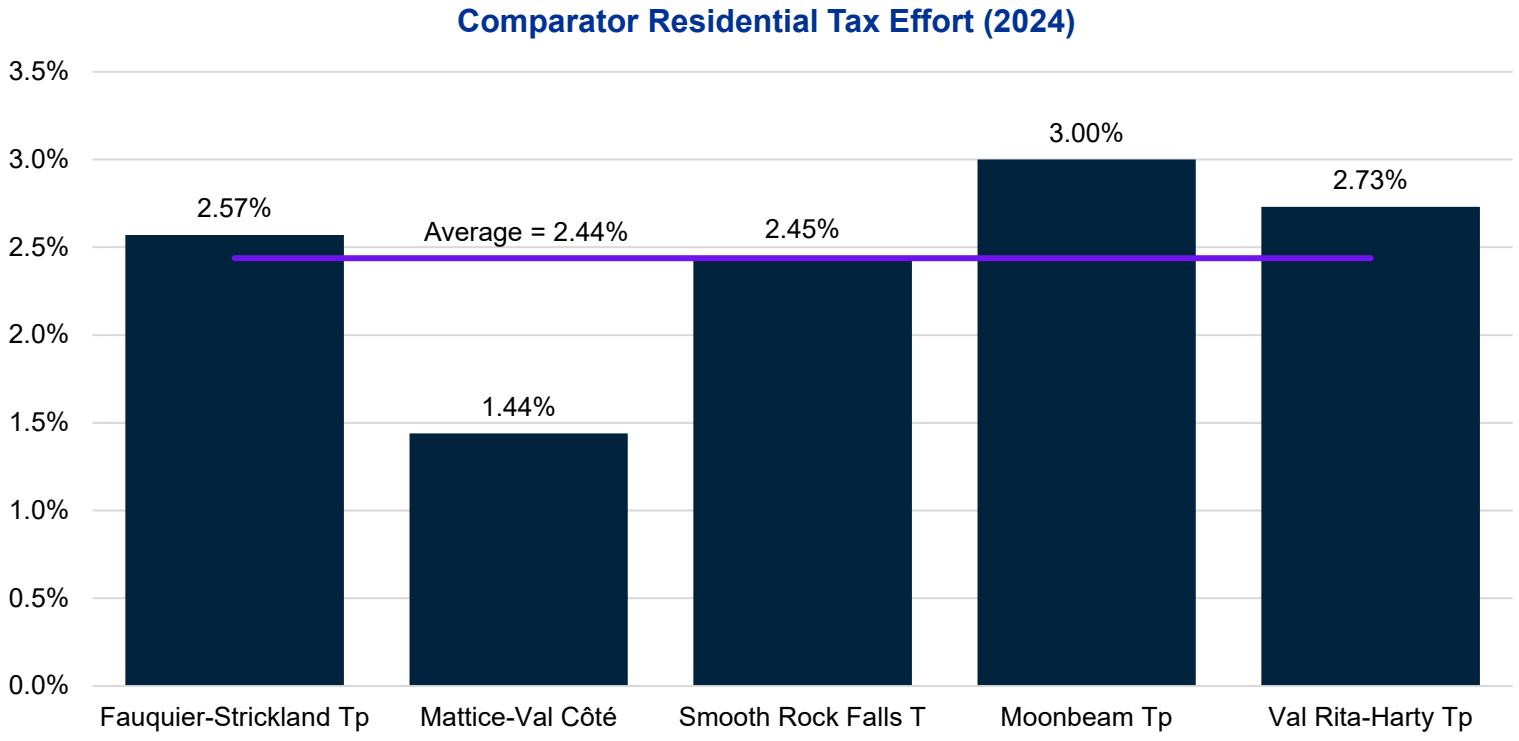
Benchmarking residential tax effort

Fauquier-Strickland's residential tax effort is modestly above peers

Residential tax effort measures the proportion of household income required to pay residential property taxes. It is calculated as average residential property taxes per household divided by the median household income. It provides an indication of tax affordability and taxpayer capacity across municipalities.

Fauquier-Strickland's residential tax effort is 2.57%, slightly above the peer average of 2.44%, placing it in the mid-to-upper range among comparators. While the average residential property taxes per household are moderate at $1,520, the Township has the lowest median household income in the peer group, resulting in a relatively higher affordability burden on residents.

However, this comparison should be interpreted with caution because a portion of the Township's property tax levy is currently used to subsidize water and wastewater services. In 2024, water and wastewater operations had an annual shortfall of approximately $180K, increasing to approximately $390K when internal municipal facility billings are excluded. As a result, a portion of the residential tax burden shown in this benchmark represents costs that would typically be recovered through utility rates rather than the general tax levy. If the Township were to transfer water and wastewater services toward full cost recovery, this could reduce the current tax-supported subsidy and create additional capacity within the tax levy to address other municipal funding priorities.



	Fauquier-Strickland Tp	Mattice-Val Côté Tp	Smooth Rock Falls T	Moonbeam Tp	Val Rita-Harty Tp
Total residential property taxes (incl. multi-residential, shared PILs)	588,243	449,297	1,096,891	2,075,298	720,381
Average residential property taxes per household	1,520	1,195	1,583	2,702	2,210
Median total income of household in 2020 ($)	59,200	83,000	64,500	90,000	81,000

[1] *Source – Municipal Financial Information Returns Schedule 22A (Municipal and School Board Taxation, General Purpose Levy Information)*

[2] *Source – Stats Canada 2021 Census data*

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Water/Sewer Fee Structure and Cost Recovery

Property taxes have subsidized water/wastewater services by $123K per year

Annual water revenue (including internal transfer for municipal facilities) has fallen short of expenses each year (aside from 2021).

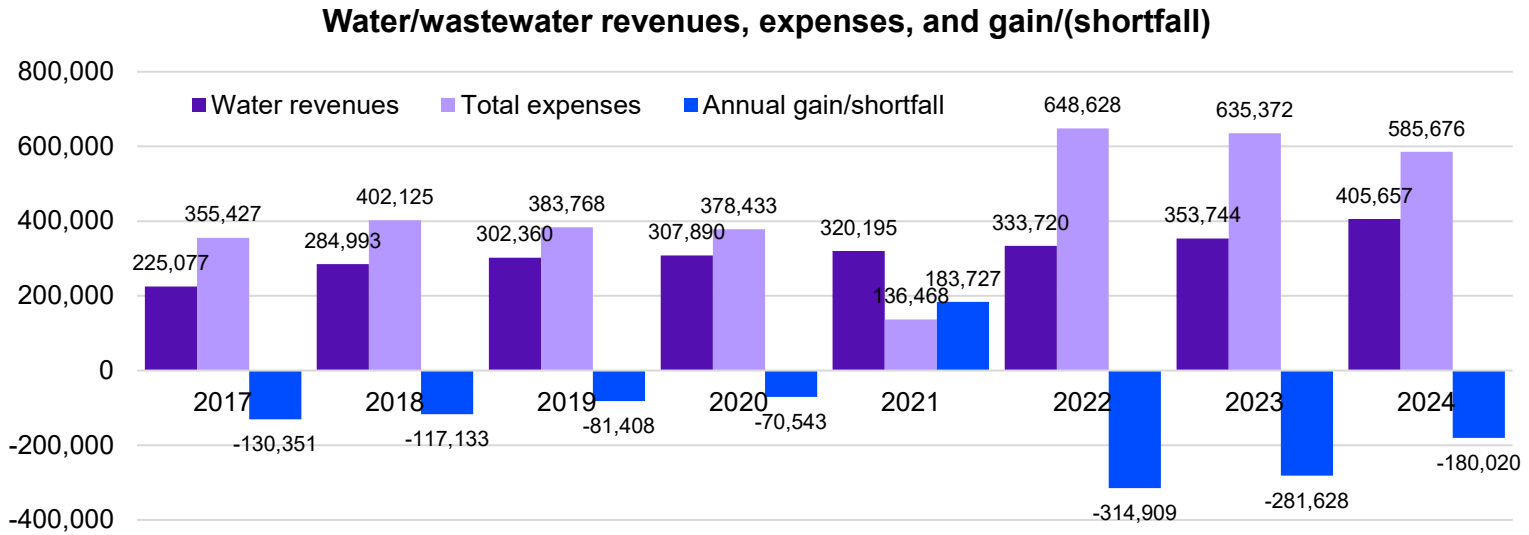
Meanwhile, expenses jumped to over $600K in 2022, materially growing the shortfall to $315K in that year. Based on a Council report in June 2025, expenses have increased by nearly 55% over the period prior to construction of the new plant. The increase was driven by:

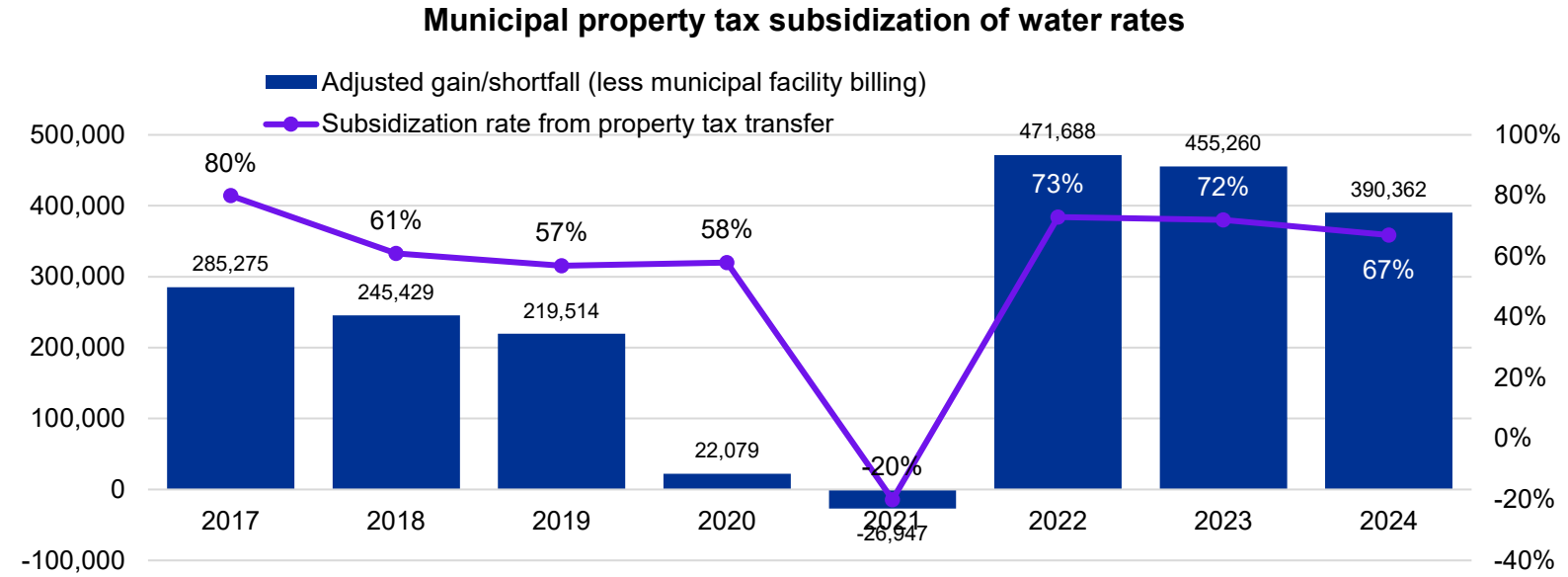
- Rising chemical costs
- Debt servicing costs for the loan used to fund the new plant construction.
- Utility costs rose by 35% and 195% for hydro and heating respectively.

Excluding internal revenue transfers for municipal facility water/wastewater expenses, property taxes have subsidized water/wastewater services by $439K per year since the construction of the new plant.

To achieve cost neutrality in the next five years, the Township anticipated increasing water rates by 17% in 2025 followed by 7% annual increases for the following four years.

Source: Council agenda 03 June 2025





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02.4

Overall financial assessment

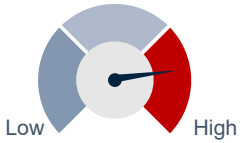
Overall assessment of financial condition

Conclusion

The Township of Fauquier-Strickland is experiencing elevated financial risk, driven by structural operating deficits, acute liquidity constraints, and significantly reduced financial flexibility following a condensed period of capital investment. While the Township remains legally compliant with provincial borrowing limits and reports a positive accumulated surplus on an accrual basis, its current financial condition is fragile, particularly from a cash-flow and day-to-day operational perspective. Without deliberate corrective action, these pressures materially increase the risk of service disruption, emergency borrowing, or further provincial intervention.

Taken together, the indicators point to a municipality that is solvent, but financially fragile. The Township's recent financial stress reflects structural weaknesses in operating sustainability, cash management, reserve discipline, and capital funding practices, rather than a single isolated decision. Immediate stabilization focused on liquidity management, restoring operating balance, and rebuilding reserves will be necessary to regain financial resilience and support longer-term recovery.

Sustainability Risk



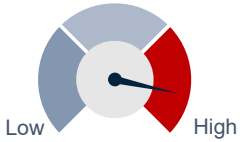
The Township's financial position has weakened and is no longer self-sustaining. In 2024, it faced a 4.2% operating deficit, with own-source revenues covering only 70% of costs, leading to reliance on transfers, reserves, or borrowing. Despite a strong accumulated surplus, ongoing structural deficits pose sustainability risks.

Cash & Liquidity Risk



The Township faces severe liquidity issues, with a current ratio of about 0.34 showing insufficient assets to cover short-term liabilities. Limited cash and delayed vendor payments, which cover around 24% of annual expenses, create cash-flow stress that could lead to service disruptions or emergency funding needs. Liquidity, rather than solvency, is the main challenge to the Township's short-term financial stability.

Flexibility Risk



In 2024, the Township reported a significant reduction in reserve balances; however, this change reflects both actual reserve use and adjustments to prior reserve accounting, not a single year cash drawdown. Discretionary reserves remain low (below 20% of operating expenses) limiting financial flexibility. With net debt at -1.7 times annual revenue, the Township faces challenges in handling shocks or funding recovery without raising taxes or cutting services. Using reserves as financing instead of stabilization is unsustainable long-term.

Rigidity Risk



In 2024, debt payments made up about 11% of municipal revenue, with borrowing nearing 72% of its limit. Despite staying within legal limits, limited cash flow and reserves restrict adding more debt, making future budgets tighter and less flexible to new financial demands.

Revenue vulnerability



Revenue vulnerability is moderate to high, with 27% from government transfers and 11.6% tax arrears, limiting cash flow and increasing financial risks due to a narrow tax base.

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03

Capital Projects



Overview of facilities

The Township owns and maintains several buildings to deliver citizen-facing services.

Pre-2020:

- The old medical building (1) at 27 Grzela Road was originally built as a nun convent. The main floor was converted to a medical office, the second floor became rental units, and the basement became space for community group use. Healthcare services were delivered out of the main floor.
- The Township's administrative office and library operated in the basement of the Community Centre (2) at 25 Grzela Road. The main floor of the Community Centre was used for community group gatherings.
- The new Sportplex (3) provides space for recreation use, and the outdoor rink (4) provides the opportunity for skating, curling, and hockey-related activities. The Township does not directly deliver recreation programs. The facility is staffed by a part-time staff for health and safety purposes.

2020-2024:

- The old medical building (1) was considered non-compliant to deliver healthcare services by CSC Kapuskasing. In addition, the Township discovered mold in the basement of the Community Centre (2). In response, the Township built the new Municipal Office / Medical Centre (5) at 20 Doyon Street. During this period,
  - Mold remediation and renovation work was done in the basement of the Community Centre (2) based on renovation plans to move the municipal office and library back in the basement.
  - The main floor of the Community Centre was renovated to allow for multi-use flex space to temporarily serve both library services and community groups.

2025 to current state:

- The library was moved to the new Sportsplex (3).
- The Community Centre (2) was repurposed to a single purpose facility to host community events. The basement of the Community Centre is now used as storage space.

Map of Fauquier-Strickland Facilities



Note: The Municipal Public Works Garage is not pictured.

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Project 1: Municipal Building / Medical Centre

Background

The Municipal Building / Medical Centre project was a **$2.2 million**, multi-year capital initiative (2022-2023) to build a multi-use facility to deliver municipal administration and primary health care services in Fauquier-Strickland.

Project Drivers

1. The **Medical Centre** project was initiated to address noncompliance issues raised by Centre de santé communautaire de Kapuskasing (CSC Kapuskasing) of the Township's former medical facility. The old facility did not meet accessibility and modern healthcare facilities standards (e.g., washbasins in each examination room). Council deemed local healthcare services essential for the local aging population.
2. Concurrently, the Township discovered black mold in the old municipal office in the basement of the Community Centre and needed to find alternative **municipal office space**.
3. Both facility needs were combined into the construction of one new building.



Timeline

2020: Discovery of mold

In May 2020, after municipal staff experienced chronic health issues, airborne contaminants (mold) were discovered in the municipal office (the basement of the Community Centre). The building was immediately evacuated and closed-off. A temporary workplace solution was assembled in the Sportsplex facility.

May 2022: Procurement and tendering

A competitive tender process was conducted. A total of five tender submissions were presented to Council for consideration. Tender amounts ranged from $1.68M to $2.34M.

Parallel Architecture also provided advice on the future location of the municipal office.

2023: Construction and cost management

January 2023 staff reported (AIR-23-001) extra construction cost of $54K.

September 2023 construction complete. Staff asked Council direction of the old medical building. Three options were presented: 1) renovate into rental property; 2) approach CDSSAB to create geared-to-income housing; 3) sell the property. Council directed to conduct a public survey for consideration.

October 2023 signed lease agreement with CSC Kapuskasing rent $2,500/month.

November 2023, public survey results favored to sell the property.

2020 | 2021 | 2022 | 2023 | 2024 - 2025

2020: Transfer of Health Services to CSC Kapuskasing

In 2020, CSC Kapuskasing assumed responsibility to deliver healthcare in Fauquier-Strickland and informed the Township that the old medical building did not meet accessibility and medical facilities standards. The Township explored renovations, relocation to another building, or to build a new modern, fit-for-purpose medical building. The Township opted for a new-built facility.

2021: Exploration of facility solutions

The Township explored the municipal office, library, and medical service space needs.

- *January 2021, discussed renovating the old medical centre as municipal offices.*
- *July 2021, discussed preliminary plans for the Community Centre basement renovation.*
- *Construction approval and commission of architectural design plans for the new medical centre. Final design plan by Parallel Architecture was advanced in November 2021.*

June 2022: Tender assessment and financial impact analysis

Staff report (AIR-22-039) examined the financial impact of proceeding with a new build based on the 2022 Annual Repayment Limit. Two options were presented:

Option 1: New medical centre only with the lowest bid of $1.68M.

Option 2: New medical centre with municipal offices; at the time of the report, no tender cost estimates were received, and ARL calculations were performed using a $2m maximum amount.

Staff also reported that the existing medical building required $800K to renovate the facility. Staff advised to sell this building to lower the borrowing amount.

Council passed resolution 22-163 to award new medical centre construction contract to lowest bidder for $1.68M and directed to add square footage to the new build with municipal offices and council chambers. Total approved construction cost of $1.97M. Council approved borrowing of $2M with OILC.

2024 to present: Loan repayment, budget adjustments

Construction loan converted to debenture. May 2024, Council considers converting the old medical building into a multi-residential rental.

August 2024, Council discussed deficit raised by financial statement auditors. October 2024 proposed budget adjustments. A budget report from Hybla Consulting discussed the deficit and advised borrowing from reserves (about $567,500 to be repaid at $113,500 per year) to fund capital cost.

July 2025 staff reported water damage in the new medical building. Repairs under warranty.

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Project 1: Municipal Building / Medical Centre

Township's capital expenses and funding reconciliation (unaudited)

General ledger account	2022	2023	Total
1-4-1223-7010 Town Hall		$561,750	$561,750
1-4-5120-7010 Medical Clinic	$1,058,841		$1,058,841
1-4-5121-7010 New Medical Centre		$554,737	$554,737
Total capital expenses	**$1,058,841**	**$1,116,488**	**$2,175,329**
OILC loan			**($2,000,000)**
Unfunded gap – Municipal Building / Medical Centre			**$175,329**
In 2024, **$900,000** were transferred from reserve accounts to bridge the unfunded gap between the Medical Centre and the Community Centre. The following deferred revenue was also used to bridge the gap.			
1-2-0202-7215 Deferred Revenue: Reserve Medical Centre			$16,136
1-2-0202-7112 Deferred Revenue: Gas Tax (for various 2024 items)			$104,535

Source: 1) Municipal – Medical Centre Building recap (unaudited); 2) 2024 Reserves-Deferred Revenues-Equity Continuity Schedule (unaudited)

Key observations

1. The Township believed it is **essential to provide the community with direct access to healthcare services through the supply of a municipal facility**. However, limited cost-recovery or financial support from CSC Kapuskasing was explored.
2. A **scope change** occurred after the new medical facility's architectural design had been approved and construction had already been tendered. Following Council's decision, the Township proceeded with the expanded square footage option, and tender pricing was subsequently updated. This change in scope weakened overall cost control.
   a) Council approved 100% financing with no "down payment" by borrowing $2.0M from OILC. Cash flow and liquidity impacts were not considered as part of Council's ARL discussion.
   b) The Community Centre mold remediation and basement renovation costs were not considered in conjunction with the new medical building construction cost.
   c) Cost escalation during construction increased cost pressures. Additional capital expenses were recorded to a total cost of $2.18M resulting in an unfunded gap of $175K (approximately 9% of the original $1.97M budgeted amount).
   d) Deferred Revenue (Reserve Medical Centre) and other reserve accounts were drawn down to $0 in 2024 to bridge the gap.
3. **Indecisiveness** to sell the old medical building added operating burden.
   a) The upper floor was rented out at $13K annually. However, the rental revenue did not fully cover the building maintenance cost.
   b) Council considered converting the main floor of the building into accommodation / short-term rental property.
   c) The basement is provided at no cost to the La Ruche community group.
4. Beginning in fall 2024, staff advised Council of growing financial pressures and ongoing cash flow deficits. These issues were revisited during the June 3, 2025 Council meeting in the context of the 2025 budget. The Township has traditionally contributed to regional health services, including the Porcupine Health Unit and the North Centennial Manor long-term care facility. In addition, annual debt servicing costs of approximately $59K for the new medical centre placed further strain on operating cash flow and limiting fiscal flexibility.

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Project 2: Community Centre

Background

The Community Centre project was a $1.15 million, multi-year project focused on mold remediation and modernization of the building.

Project Drivers

This project originated as an emergency health and safety response after municipal staff experienced symptoms linked to poor air quality in the basement work area. Environmental testing confirmed elevated mold spores stemming from repeated flooding and deferred maintenance. The Township evacuated the building and undertook full basement remediation.

Subsequent scope expansion included space reconfiguration to accommodate the library and address accessibility constraints, leveraging grant funding where available. The main floor of the building was also updated to serve as temporary library space.



Timeline

2020

May 2020: Discovery of mold

After municipal staff experienced chronic health issues, airborne contaminants (mold) were discovered in the municipal office located in the basement of the Community Centre. The building was immediately evacuated and closed-off. A temporary workplace solution was assembled in the Sportsplex facility.

September – November 2020: Mold remediation

AGI Enviro Clean Ltd. was hired to remediate mold in the Community Centre basement. Mold was also discovered in the Sportsplex facility that was being used as a temporary municipal office. Total invoiced cost for mold remediation approximated around $304K to treat both buildings.

A separate staff report (AIR-20-074, Oct 2020) discussed structural deficiencies found in the Community Center.

2021

January 2021: Discussion of new library space

The library was also operating out of the Community Centre basement, and was temporarily relocated to the main hall of the Community Centre. In January 2021, Council decided to renovate the Community Centre basement (AIR-21-003) for the library.

May – December 2021: Basement renovation plans

In May 2021, the Township obtained $100K in accessibility funding. In July 2021, $19K of accessibility funding was used to install ramp and glass doors for library services. Barry H. Martin was retained to prepare basement renovation plans for tender. Invoiced cost totaled around $34K.

In September 2021, the Township received $100K ICIP funding to retrofit the municipal office space in the basement (bylaw 2021-44). Staff report (AIR-21-061) noted tender results, and Council awarded contract to P&J Gelinas Enterprise Inc. for $797K.

In December 2021, per Council request, staff presented (AIR-21-071) sketches of renovating the Sportsplex as permanent municipal office space with an estimated renovation cost of $70K utilizing the ICIP funding.

2022

February 2022: Community Hub

Staff report (AIR-22-014) noted Council direction to retain Barry H. Martin to design plans to convert the main hall of the Community Centre to be used as a community hub. Staff report (AIR-22-015) requested Council direction of the municipal office location.

April 2022: Main hall renovation and library service agreement update

Staff presented several reports to Council.

- *AIR-22-036 Council agreed to Library's request to add library staff to the Township's payroll and pension and benefit packages. Payments were drawn from the Township's bank account. The service agreement was updated.*
- *AIR-22-032 noted expense of $38K to install sliding glass doors in the Community Centre for temporary library space. Based on tender results, contracted P&J Gelinas Enterprise Inc. for $151K to renovate the main floor.*
- *AIR-22-035 sought approval of additional $11K for the same vendor to perform additional work for the library's children area.*

June 2022: Exterior renovation

Received $200K NOHFC funding approval to replace existing shingles and siding.

In July 2022, retained P&J Gelinas Enterprise Inc. for $80K to replace shingles and $142K for siding.

2023 – 2025

Feb 2025: Library relocation

DMS-2025-008 discussed financial deficit and recommended moving library to the Sportsplex since the building has been underutilized. This was due to conflicts of sharing space with community groups in the Community Centre.

Mar – Dec 2025: Reporting financial challenges

DMS-2025-021 reported failure to obtain another loan and the Township was looking at a 300% levy increase.

DMS-2025-022 discussed the medical centre's $2M debt impact to FIR debt indicator. Reported that Township was in negative cash position.

DMS-2025-023 noted Library payroll and expenses no longer be paid through the Township's bank account.

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Project 2: Community Centre

Township's capital expenses and funding reconciliation (unaudited)

Capital project	2019	2020	2021	2022	2023	Total
1-4-7161-7010 Multi-service Complex	$16,205	$84,619	$268,626			**$369,450**
1-4-7171-7010 Community Centre		$247,409	$103,638	$313,308	$114,702	**$779,058**
Total capital expenses	**$16,205**	**$332,028**	**$372,264**	**$313,308**	**$114,702**	**$1,148,508**
NOHFC					($189,556)	($189,556)
Accessibility funding		($7,475)	($34,239)	($60,635)		($102,350)
Insurance claim			($71,175)			($71,175)
Total funding sources	-	($7,475)	($105,414)	($60,635)	($189,556)	**($363,080)**
Unfunded gap	**$16,205**	**$324,553**	**$266,850**	**$252,673**	**($74,854)**	**$785,428**

In 2024, **$900,000** were transferred from reserve accounts to bridge the unfunded gap between the Medical Centre and the Community Centre. $588,445 withdrawn from the Reserve Capital account, and eight additional reserve accounts were drawn down to $0.

Per Council agenda packages, Township spent $797K for basement renovation and an additional $456K to update the exterior and the main floor of the Community Centre – total $1,253K. Difference from above is $105K likely due to difference in contracted/estimated cost and actual invoiced cost.

The Township inadvertently excluded the $100K ICIP funding in its funding reconciliation. The unfunded gap is updated to $685K in the Township's latest 2026 funding reconciliation records.

Source: 1) Community Centre – Multi Use Hub recap (unaudited); 2) 2024 Reserves-Deferred Revenues-Equity Continuity Schedule (unaudited)

Key observations

1. **Deferred maintenance** was the underlying driver of the capital expenditure. The Community Centre basement had experienced multiple flooding incidents in the past; however, the response was limited to drying the space with fans rather than addressing the root causes. Over time, this approach contributed to mold growth, ultimately necessitating unbudgeted, urgent repairs. This reactive spending disrupted planned capital priorities and the sequencing of financial resources, contributing to broader liquidity constraints.
2. Per Council agenda packages, the Township paid AGI Enviro Clean Ltd. approximately $304K for mold remediation work.
3. **The scope of the project was unclear and changing,** which led to fragmented decision-making and weakened cost control. **The Township had no consensus on the library or municipal office location.**
   a) The library was temporarily relocated to the main floor of the Community Centre, and accessibility funding was spent to install ramps and glass doors for library services.
   b) Barry H. Martin was retained for approximately $34K to prepare basement renovation plans for tender with the assumption that the library and municipal office were to move back to the basement. Renovation contract was awarded to P&J Gelinas Enterprise Inc. for $797K.
   c) Subsequently, Barry H. Martin was retained to design plans to convert the main floor to a "community hub" and $38K was spent to install sliding glass doors for multi-purpose use. P&J Gelinas Enterprise Inc. was contracted for $151K to renovate the main floor. Approval for additional $11K was asked for the same vendor to perform additional work for the library's children area.
   d) P&J Gelinas Enterprise Inc. was retained again for $80K to replace shingles and $142K for siding.
   e) In 2025, based on community request, staff recommended to relocate the library to the new Sportsplex. The "community hub" concept failed due to conflict of use between community groups and the library. The Community Centre was converted back to a single purpose facility, and the basement became a storage space.
   f) Additional vendors, such as JL Richards were paid to conduct facility space studies.

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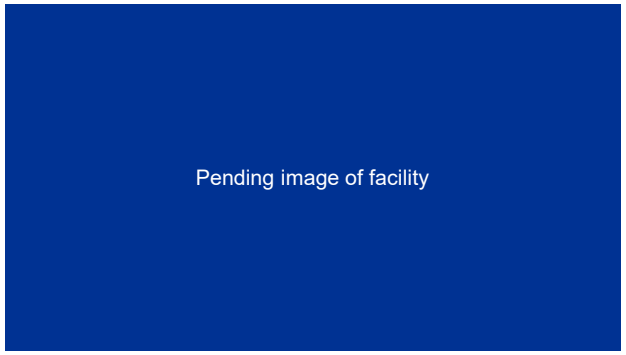
Project 3: Water Treatment Plant (WTP)

Background

The Water Treatment Plant upgrade project was an essential project for the Township to expand capacity and to update compliance.

Project Drivers

Aging infrastructure and **system capacity limitation** (undersized plant with frequent overtime operation) necessitated the project where the Township sought funding and financing support from the Province.



Timeline

2016: SCF funding secured

A former CAO applied for funding under SCF (Small Communities Fund) to replace the water treatment system. The funding was approved but the tender was not released, and the project did not commence.

September 2020: Tender documents approval

AECOM retained to support the tender process. Tender documents for the WTP was presented to Council for approval.

January-May 2021: Project initiation

Jan 2021, AECOM submitted a tender evaluation memo. Four bids were submitted with estimated cost ranging from $3.4M to $4.2M. AECOM recommended award to ProPipe Construction Inc.

Feb 2021, Council accepted AECOM recommendation for $3.4M.

May 2021, AIR-21-048, discussed the Township's need for a loan to cover its portion of the project cost and ARL impact. Loan application of $950K was submitted to IO. Council passed motion to authorized temporary borrowing from OILC, and long-term debenture to finance the capital work.



2017-2019: Council deliberation

Despite securing funding, the water treatment plant project was not initiated.

During this time, Council debated the project scope. The Province continued to inquire Fauquier-Strickland regarding the use of the approved funding.

October 2020: Filter issue and emergency generator maintenance

A Water and Wastewater Operations report claimed the plant was running well but capital work remained active. An erratic filter issue and emergency generator maintenance were cited among a list of proposed 2020 capital expenditures.

June 2021 – 2022: Construction

The WTP project was underway. Milestone timelines were delayed due to Covid.

In October 2022, Bylaw 2022-69 was passed to authorize the borrowing upon amortizing debentures for the WTP project.

2023: Commissioning / switch-over

A 1-week water hauling period was planned during the plant switch-over which was extended to one month due to testing issues, resulting in additional unplanned cost.

2024-present: Utility rate structure debate

On-going discussions of the water and sewer rate structure and debate of rate increases to reduce the gap of covering water and sewer operations and capital needs.

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Project 3: Water Treatment Plant (WTP)

Township's capital expenses and funding reconciliation (unaudited)

Capital project	2018	2019	2020	2021	2022	2023	Total
1-4-4243-7010 Water treatment plant	$13,653	$25,593	$214,679	$1,842,130	$1,235,701	$44,200	$3,375,956
Total capital expenses							**$3,375,956**
OILC Loan				**($724,702)**		**($225,298)**	**($950,000)**
OCIF				**($54,652)**			**($54,652)**
1-3-0405-5180 SCF Funding	**($15,433)**	**($24,814)**	**($143,119)**	**($1,117,428)**	**($456,363)**		**($1,757,157)**
Total funding	**($15,433)**	**($24,814)**	**($143,119)**	**($1,896,782)**	**($456,363)**	**($225,298)**	**($2,761,809)**
Unfunded gap	**($1,780)**	**$779**	**$71,560**	**($54,652)**	**$779,338**	**($181,098)**	**$614,147**
NORDS funding							($324,657)
Unfunded after NORDS							**$289,490**
From 1-2-0202-7205 Reserves OCIF funded							($201,982)
From 1-2-0202-7112 Deferred Revenue - OCIF funded							($87,508)
Total unfunded							**$0**

Source: 1) Water Treatment Plant project recap (unaudited)

Key observations

1. **Delayed use of approved funds** for over three years, allowing project costs to grow with inflation. When the project initiated in 2020, the Township encountered significant cost escalation due to the Covid pandemic.
2. Overall, the project was funded through the three levels of government: municipal (via debt), provincial (via OCIF and NORDS), and federal (via the SCF funding).
   - **a)** **Ontario Infrastructure and Lands Corporation (OILC)** loan of $950K with interest rate of 4.81% per annum and maturity in November 2042 (20-year debenture) borrowed on November 1, 2022. Monthly payments of $6,170.30 (240 periods)
   - **b)** **OCIF (Ontario Community Infrastructure Fund)** of $54,652 applied directly against WTP costs in 2021.
   - **c)** **SCF funding (Small Communities Fund)** was spread across 2018 to 2022 totaling $1,757,157.
   - d) NORDS funding $324,657.
   - e) The remaining unfunded balance comes from unrestricted OCIF funding that was in the Township's reserves ($201,982) and deferred revenue ($87,508).
3. Payment of this project has added significant financial pressure to the Township. **Debt capacity** (available annual repayment room) was reduced for other needs, and **reserves and deferred revenue were used** to close the funding gap.
4. Water and sewer operations have historically **not been self-funded by utility users** and relied on the general tax base indirectly through higher utility rates towards municipal facilities and directly from the general tax levy to bridge the funding gap. See page 31 for additional information of the water and sewer rate structure.

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Summary of capital projects

The three capital projects outlined in this section amassed $6.7 million in capital spending between 2018 and 2023 - $5.1 million was financed through debt and upper-government funds; the remaining $1.6 million was paid through reserves and deferred revenue accounts. Construction concentrated between 2020 and 2023, tying up significant financial resources in a short span of time for a small municipality and posing cash flow challenges as evidenced in its bank statements.

Project	Total project cost	Debt	Provincial funding	Unfunded gap
1. Municipal Building / Medical Centre	$2,175,329	$2,000,000	-	$175,329
2. Community Centre	$1,148,508	-	$363,080	$785,428
3. Water Treatment Plant	$3,375,956	$950,000	$1,811,809	$614,147
Total	**$6,699,793**	**$2,950,000**	**$2,174,889**	**$1,574,904**
Use of NORDS reserve and deferred revenue funds				$324,657
Use of OCIF, Gas Tax and Medical Centre deferred revenue funds				$208,179
Use of OCIF reserves				$201,982
Use of reserve accounts				$900,000
Emergency drawdowns and accounting adjustments in 2024				**$1,634,818**
2024 Reserves-Deferred Revenue-Equity Continuity Schedule:				
Reserves and deferred revenues used to fund historical capital projects/deficit				$1,463,385
Reserves and deferred revenues used to fund 2024 current year items				$104,535
Total				**$1,567,920**
Difference between Township's Capital Projects Recap vs. Continuity Schedule				**$66,898**

Bank Statement	Bank Balance
2020, December 31 bank reconciliation	$118,476
2021, December 31 bank reconciliation	$129,858
2022, December 31 bank reconciliation	($166,600)
2023, December 31 bank statement	($319,471)
2024, June 30 bank statement	($424,909)
2024, December 31 bank statement	($358,084)
2025, June 30 bank statement	($134,479)
2025, December 31 bank statement	$277,237

Capital budgets observations

Historically, the annual capital budgets would list the upcoming projects for the next fiscal year and the estimated costs without identification of funding sources. Prioritization of projects were often based on immediate needs. This practice has led to reactive asset management and less rigor and visibility in managing cash flow.

The Township started to identify funding sources in the 2026 capital budget.

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Overview of other capital maintenance needs

The Township owns and maintains the following additional facilities to deliver municipal services.

- Fauquier Fire Hall and Public Works Garage at 30 Grzela Road
- Strickland Fire Hall at 800 Cloutier Road has been closed down as the building was uninsurable. Staff have recommended during the February 11, 2025 Council meeting (report DMS-2025-008) to sell the fire hall.
- During the same meeting, staff recommended to sever the old Sportsplex at the corner of Bilanger Street and Decarie Avenue. On April 8, 2025, Council directed staff to gain estimates for options to sell the property. The property has not been sold yet.
- A OILC 10-year debenture of $615,064 at 3.09% interest rate was approved in 2018 to pay for the construction of the new Sportsplex and adjoining outdoor ice rink and water distribution system upgrade. The library was relocated to this new Sportsplex since the building has been underutilized
- Watersnake Lake Public Beach – an unsupervised public beach with a public boat launch
- Maintenance of public cemeteries

Other capital requirements identified by Township staff include:

- Replacement of equipment and fleet assets, including fire tanker trucks, public works pickup trucks, a bulldozer, backhoe, and plow trucks, with the majority of vehicles exceeding 25 years in age.
- Expansion of the landfill site, which is near end-of-life capacity. The 2024 audited financial statements, note 11 discussed the accrual of $228K in asset retirement obligation. The Township performed a landfill expansion study in 2025, but have not completed a financial plan for this asset. The Township is still in process completing the O. Reg. 588/17 Asset Management Plan requirements that were due July 1, 2025.
- Replacement of aging water and sewer distribution infrastructure.
- Ongoing bridge rehabilitation and road maintenance needs.

The Township's 2024 Asset Management Plan (AMP) identifies a **$38.1M asset portfolio** across roads, bridges, storm network, facilities, fleet, equipment, land improvements, and water/wastewater systems. However, the analysis was conducted at a **portfolio level**, with limited asset-specific detail, and **only 42% of assets were supported by condition assessments**. Solid waste assets were not separately identified in the 2024 AMP. The metrics for annual capital infrastructure deficit, recommended timeframe for eliminating annual infrastructure deficit, and actual reinvestment rate were noted as "TBD" in the AMP with a footnote saying, "per O. Reg. 588/17, the Township will be completing (2024-2025) a 10-year financial strategy for its asset portfolio in the coming months."





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Observations of capital management practices

Deferring capital maintenance and stagnating reserves left the Township financially vulnerable to unplanned capital needs.



Financial strain reflects a *cumulative* reserve shortfall and clustering of capital projects in a short period of time.

Council believed the three capital projects reviewed by KPMG were all essential projects to service the community and to address health and safety concerns. However, the Township was already financially vulnerable when the capital projects were initiated during the same period.

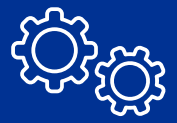
- Reserves were low relative to the Township's asset base and spending needs. As costs escalated, the Township had to draw down a significant share of reserves to bridge funding caps across capital projects.
- Deferred maintenance and delayed upgrades increased risk to "emergency" work. Known issues - flooding at the Community Centre and capacity constraints at the Water Treatment Plant – were not addressed early, in part to minimize annual tax increases, resulting in more costly and urgent interventions later.
- Projects were concentrated within a short timeframe, placing pressure on the Township's liquidity.



Funding plans were often incomplete at the time of commitment, leaving material unfunded balances to be covered through debt, reserves, and the general tax levy.

Across the three projects explored in this section, the projects totaled $6.7 million. The Township received $2.2 million from upper-level government funds, representing 36% of the total cost. The Township took on $2.9 million in debt and drew down $1.6 million in reserves to bridge the funding gap.

- Cash flow was not strategically managed – the matching of project funds to project costs was not fully aligned, which led to reallocating operating cash to pay contractors and reliance of line of credit.
- Council established a reserve and reserve fund policy where replenishment/repayment approaches are based on the annual budget. The policy does not set minimum target balances for each reserve fund and there are no repayment guidelines leading to inconsistent reserve management practices.



Lack of fit-for-purpose planning and project scope changes weakened cost control.

The Community Centre, municipal office, library, and medical clinic facility needs had overlapping scope and competing project drivers, such as accessibility, space needs, and health and safety.

- During concept development, Council entertained multiple options and project scopes were changed to satisfy various stakeholder expectations, contributing to delays and cost overruns.
- The Township appeared to lack professional project management capacity to monitor vendor performance – additional cost was incurred to "correct" work.

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04

Financial policies



Standard municipal finance policy inventory

The table below summarizes the status of the Township's key financial policies based on documentation review and findings from the Ministry's February 2024 *Fauquier-Strickland Administrative and Financial Policies, Practices and Procedures Review Report* (the "Ministry Report").

Policy	Details	Status as of June 2026
Sale and disposition of land policy	Mandated policy: The Municipal Act, 2001 s270(1)1, requires the municipality to adopt and maintain a policy governing the sale and other disposition of land. This policy should clearly define approved methods of disposition (e.g., open market, tender, negotiated), minimum appraisal/valuation expectations, and transparency controls to ensure land transactions are defensible, consistent, and publicly accountable.	Exists and adopted in October 2020 but was deemed outdated by the Ministry Report. The municipality was recommended to update/amend the policy and submit it for Ministry review. The policy has not yet been updated.
Procurement of goods and services	Mandated policy: The Municipal Act, 2001 s270(1)3, requires the municipality to adopt and maintain a procurement policy for goods and services. In practice, the policy should be aligned with AODA procurement requirements by incorporating accessibility design/criteria/features into purchasing (unless not practicable), and should set clear competitive thresholds, non-competitive exceptions, documentation standards, and contract award authorities to ensure fairness, value-for-money, and compliance.	Procurement bylaw (2023-40) was adopted by Council, and the Ministry Report considered the bylaw comprehensive and consistent with policies adopted by municipalities of similar size. The Township has not updated this procurement bylaw since the Ministry Report. Additional improvements could be made to strengthen capital project delivery. See Recommendations and implementation plan section for more details.
Investment policy	Mandated policy: Ontario Regulation 438/97 s.7 requires Council to adopt a Statement of Investment Policies and Goals before investing under the regulation's eligible investments framework, and it also prescribes related investment reporting expectations. The policy should set clear objectives (safety, liquidity, return), allowable instruments, diversification/limits, and reporting cadence so the Treasurer can demonstrate prudence, compliance, and transparency in treasury management.	The Ministry Report recommended the Township to adopt an Investment Policy. Council has not adopted an investment policy.
Strategic Asset Management Policy	Mandated policy: O. Reg. 588/17 s.3 requires every municipality to prepare a Strategic Asset Management Policy, including how the asset management plan informs the budget and long-term financial plans, and how the municipality will pursue continuous improvement. This policy should explicitly link levels of service, lifecycle investments, and climate risk considerations to financial planning so Council decisions on capital, reserves, and service levels are demonstrably evidence-based and sustainable.	An asset management plan was adopted in 2024 to meet the July 1, 2024 O. Reg. 588/17 requirements covering current levels of service for core and non-core assets at the portfolio level; however, the plan had data maturity limitations where asset condition data were missing, and several financial metrics were incomplete. Solid waste assets were not separately identified. The Township is still in process updating the AMP to meet the July 1, 2025 O. Reg. 588/17 requirements.

Source: Fauquier-Strickland Administrative Financial Policies, Practices, and Procedures Review Report, February 2024 (the "Ministry Report")

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Standard municipal finance policy inventory

Policy	Details	Status as of June 2026
Reserve and reserve fund policy	Leading practice: While not a "shall adopt" policy province-wide, a formal reserves/reserve fund policy is strongly recommended because the Municipal Act provides authority to establish reserve funds and municipalities must manage annual financing needs in a disciplined way. A strong policy sets target ranges, contribution/draw rules, and governance for stabilization and capital reserves to reduce volatility, protect liquidity, and make long-term funding decisions consistent and defensible.	Reserve and reserve fund policy bylaw (2022-27) exists; however, further enhancements could be made to strengthen reserve management controls. See Recommendations and implementation plan section for more details.
Debt and financial obligations policy	Leading practice: Ontario Regulation 403/02 requires us to calculate and use the Province's debt and financial obligation limits, including an updated limit before authorizing certain debt/obligations. It does not generally require adoption of a formal debt management policy, except in special provisions (e.g., York Region). Nonetheless, adopting a debt management policy is strongly recommended to ensure consistent governance, affordability testing, and reporting.	The Township has not formally adopted a debt management policy or a long-term borrowing policy. The Annual Repayment Limit has been the primary document used to guide borrowing decisions. Council has adopted several Temporary Borrowing bylaws (for example, bylaw 2022-34) to meet operating expenditures needed for capital works.
Long-range financial plan policy	Leading practice: A long-range financial plan policy is strongly recommended because the asset management regulation explicitly requires municipalities to integrate asset planning into the budget and long-term financial plans, and effective municipal finance guidance emphasizes long-term planning as a core discipline. The policy should define planning horizon (e.g., 10+ years), scenario testing, refresh cycle, and how it ties to reserves, debt affordability, and capital prioritization to ensure sustainability and avoid reactive budget decisions.	The Township currently does not have a long-term financial plan. The Township is working on updating its AMP to meet the July 1, 2025 O. Reg. 588/17 requirements. Once the AMP is completed, the Township will complete a 10-year financial plan to forecast asset expenditure needs and manage the infrastructure funding gap.
User fees by-law and policy	Leading practice: The Municipal Act provides broad authority to impose fees and charges for services/activities and use of municipal property, and a user fees/cost recovery policy is the tool that ensures these charges are set consistently and defensibly. The policy should establish when to pursue full/partial cost recovery, how to calculate and index fees, and how exemptions/subsidies are approved so tax levy impacts and cross-subsidization are transparent and intentional.	User fees (bylaw 2021-59) have been updated annually since 2023, through bylaws 2023-20, 2024-03, 2025-08, and 2026-24, establishing fees for administrative, planning, operational, fire, landfill and waste disposal, cemetery, recreational, and facility rental services. The Township does not have a user fee policy; but has adopted a municipal facility rental policy.
Budget policy	Discretionary: Council must prepare and adopt an annual budget (for local municipalities under the Municipal Act), and the Act also provides an optional framework for multi-year budgets with specific requirements if adopted. A formal budget policy is therefore strongly recommended to translate these legislative requirements into a consistent local process (timelines, roles, balanced budget approach, treatment of one-time revenues, reserve transfers, and variance reporting) that improves predictability, transparency, and control.	There is a budget process; however, the Township does not have a formal budget policy. (Note: As of April 2026, the Township adopted a formal budget policy.)

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05

Recommendations & implementation plan



Root causes of financial challenges

Overall, the Township has a culture of "not raising taxes" for residents with no long-term financial strategies to finance capital needs and municipal operations. Financial policies are often either outdated or absent.

A. Financial Management Practices

Budgeting practices: The Township budgets annually for routine operations and immediate capital needs, without a multi-year financial planning lens. Capital budgets did not identify funding sources, resulting in a reliance on provincial funds and use of cash from the general levy to pay for capital projects. Debt was used without long-term financial planning.

Tax and utility rate setting: The Township has prioritized minimizing annual tax increases to residents without a defined strategy to fund major infrastructure, building repairs, or community assets. Water and wastewater services are not self-sustaining and rely on the general tax base to address funding gaps. Historically, residential tax rates and utility rates have been artificially suppressed to maintain the appearance of affordability.

Cash flow management: While quarterly budget variance and monthly accounts payables reports were presented to Council, the Township lacked robust cash flow analysis. Accrual versus cash accounting was not well understood by Council and staff. The Township was making capital decisions using "accrual signals as cash signals" to determine affordability. Revenue and financial surpluses reported in the financial statements and the ARL were interpreted as available cash. The Township was running negative bank balances between 2022 to 2025.

Reserve management: Reserves were not strategically built up to support major capital projects. Multiple reserve accounts designated for other purposes were depleted to fund these projects.

B. Asset Management and Capital Planning

Deferred maintenance: Preventive maintenance and lifecycle asset management to maintain the Township's buildings, equipment, and fleet have been deferred. Maintenance activities were reactive and were driven by "urgency," leading to unplanned expenditures. The Township currently does not have a long-term financial plan to support a 10-year financial strategy for its assets and to meet the July 1, 2025 O. Reg. 588/17 requirements.

Capital planning gaps: Project scopes and budgets for the Community Centre and the Medical Centre were not well-defined or controlled with scope revisions made to accommodate stakeholder interests.

Delays in advancing the water treatment plant project have increased construction costs due to inflation and required an under-capacity system to operate beyond its limits, resulting in additional cost to meet the Township's water needs.

Project management and cost control: The Township lacks in-house project management capacity to effectively oversee capital projects. Project cost accounting was not consistently applied to track approved budgets against actual costs as work progressed.

Vendor management: Contractors were not consistently held accountable for meeting agreed milestones or ensuring quality of work prior to invoice payment.

C. Organizational Capacity

Staffing model: The Township operates a lean staffing model to control costs. The workforce includes the Director of Municipal Services/Clerk/Treasurer, two public works staff, one seasonal clerk, and two part-time library staff. Specialized needs are addressed through third-party vendors and consultants.

- Shared service agreements were established with neighboring jurisdictions to provide waste management and building services.

Financial management capacity: Financial management responsibilities are concentrated in a single individual, limiting capacity and increasing risk.

- Segregation of duties is minimal with the Treasurer performing all transactional, analytical, and financial reporting responsibilities.
- The Treasurer also assumes the role as the Clerk in preparing Council agenda packages and recording of meeting minutes.
- The Director of Municipal Services oversees all municipal operations. While the Township has not called this position the Chief Administrative Officer (CAO), the position performs the same duties as a CAO as defined under the *Municipal Act, 2001*. The Director of Municipal Services also assumes the roles of Clerk and Treasurer.

These competing priorities constrain the Township's ability to perform thorough financial analysis and due diligence at a level expected in more resource-equipped municipalities.

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Recommendations (1/3)

Steps to improve financial position and practices

To address the root causes of Fauquier-Strickland's financial challenges, KPMG has identified the following opportunities. Based on the Township's limited internal capacity, opportunities have been prioritized based on urgency including:

1. **Short-term (up to 2 years):** Actions required to stabilize the Township's financial position and mitigate urgent risks (liquidity, cash flow, governance). These should be implemented immediately and are foundational to enabling all other improvements.
2. **Medium-term (2 to 5 years):** Actions that build structure, discipline, and resilience once immediate risks are addressed. These initiatives typically require planning, policy development, or additional capacity.
3. **Long-term (beyond 5 years):** Actions focused on sustaining financial health and improving strategic positioning over time. These are ongoing or multi-year initiatives that strengthen the tax base, asset sustainability, and long-term financial planning capacity.

Root causes and challenges	Recommendation	Proposed timeline
A. Financial Management Practices		
Financial policies	**Update financial policies** to address gaps identified in the MMAH review and strengthen accountability for financial stewardship. See pages 52 and 53 for additional details.	Short-term
Budgeting practices	Strengthen budgeting practices to ensure decisions are based on affordability, funding availability, and multi-year financial impact. • **Develop a consolidated debt and obligations schedule** and establish Council-approved thresholds for indebtedness and debt servicing. Define clear guidelines for use of debt (e.g., minimum project size, maximum debt levels relative to own-source revenue, and debt servicing limits). • Introduce a **multi-year financial lens** into the annual budgeting process – all budget items (operating and capital) should identify **funding sources** and financial impacts. Align budget approvals with **available reserves, cash flow, and borrowing capacity.**	Short-term
Tax and utility rate setting	**Strengthen grant management and targeted economic development** to stabilize and diversify the Township's revenue base. The Township should establish dedicated grant coordination and economic development capacity (either through a shared service arrangement, contracted support, or limited in-house role) to proactively identify, apply for, and manage external funding opportunities and to support modest, realistic economic development initiatives aligned with the Township's scale. **Review the Township's assessment base** to identify gaps and improve revenue accuracy, including: • Additions, omissions, and error corrections to the roll are done efficiently and timely • Consider assessment practices and tax policy changes that benefit the Township interests. **Align rate decisions with long-term financial plan once the AMP is completed.**	Medium-term Long-term Long-term
Cash flow management	Strengthen cash flow planning and monitoring to improve liquidity management and support informed financial decision-making. • Maintain a 12-month rolling cash flow forecast to proactively manage cash inflows and outflows, inform reserve usage, and support borrowing and investment decisions. • Maintain minimum cash balances (e.g., 1-3 months of operating expenditures) to ensure sufficient liquidity for daily operations and unplanned needs. • Introduce **standardized monthly/quarterly financial reporting** to Council and use cash flow insights to inform spending, reserve usage, and borrowing decisions.	Short-term

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Recommendations (2/3)

Steps to improve financial position and practices

Root causes and challenges	Recommendation	Proposed timeline
A. Financial Management Practices		
Reserve management	Establish a structured reserve framework to support asset funding and reduce reliance on ad hoc or unsupported reserve use • Establish **minimum reserve targets and replenishment strategy** for each reserve and reserve fund, supported by a structured repayment plan (e.g., increased annual contributions until targets are achieved) for any drawdowns or interfund borrowing. Align reserve use with **capital priorities** identified in the AMP. • Track and report **reserve continuity** with opening, use, and remaining balances. Consider using separate bank accounts for reserve funds to support reserve continuity schedule tracking and reporting. **Develop an investment strategy**. Determine minimum available balance for all reserves and reserve funds and invest excess funds while ensuring compliance with requirements of restricted funds.	Short-term Long-term
B. Asset Management and Capital Planning		
Deferred maintenance **Capital planning gaps**	**Complete the 2025 AMP update and develop a 10-year financial plan** that identifies priority projects, lifecycle requirements, and funding strategies for each capital project, including long-term taxation impacts (e.g., debt servicing costs, reserve contributions, operating costs). • Ensure all capital projects are supported by clear scope, cost estimates, and defined funding sources. • Initiate or defer capital projects based on financial capacity and risk priority.	Medium-term
Project management and cost control	Introduce basic **project governance controls** to improve cost discipline and reduce risk of overruns. • Require **project business cases** prior to approval. • Implement **change order approval controls.** • Track **actual vs. budget costs** during project delivery. • Ensure contractor invoices are linked to **milestones and deliverables** prior to payments.	Short-term
Vendor management	**Update the procurement policy** to strengthen contractor / vendor management. • Introduce **vendor performance monitoring** to ensure vendors are delivering in accordance with contract scope, pricing, and deliverables. • Align procurement decisions with **budget and capital planning priorities**. No “unfunded” purchases or capital projects.	Short-term

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Recommendations (3/3)

Steps to improve financial position and practices

Root causes and challenges	Recommendation	Proposed timeline
C. Organizational Capacity		
Staffing model	Recognizing the Township's resource constraint, **adopt a hybrid capacity model** via shared service agreements or professional service providers to support financial management practices and implementation of recommendations. • **Build capital and asset management capacity** by expanding shared service arrangements with another municipality to hire a professional to support capital planning, project management, and asset management needs. • Implement **compensating controls** (e.g., second-level review by Council or third-party resource) to oversee key processes and transactions. Potential oversight areas could include cash flow forecasting, financial policy development and update, reserve interfund borrowing, major cash outflows. Segregate the Treasurer role from the Director of Municipal Services/Clerk role by retaining a **fractional Treasurer on a contract or through an outsourced model** to provide finance and accounting services. • The Treasurer should hold a post-secondary degree in accounting or finance; CPA designation a strong preferred asset. • Hire a permanent Director of Municipal Services/Clerk position that serves in leadership capacity similar to a Chief Administrative Officer.	Medium-term Long-term
Financial management capacity	Introduce a **standard financial dashboard** (cash, reserves, debt, payables, financial indicators) to improve transparency, consistency, and accountability in reporting and decision-making. **Provide targeted training** for Council and staff on municipal finance, including cash flow, accrual accounting, and asset management.	Short-term Short-term

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Financial policies recommendations

Policies, Procedures, and By-laws:

- **Policies** should set out *high level* principles, objectives, and governance frameworks approved by Council. They define “what” and “why”.
- **Procedures** (or operational guidelines) detail the “how”. They include step-by-step processes, roles, and controls for staff to implement policies. Procedures are typically approved by management, not Council.
- **By-laws** are a law passed by municipal Council under its legislative authority (e.g., Municipal Act). It is legally binding within the municipality.

Governance best practices:

- **Role of Council**: Council should focus on high-level, strategic policies that set direction, objectives, and boundaries. Operational details and procedures should be delegated to staff and documented as SOPs (Standard Operating Procedures).
- **Policy versus procedure**: Policies should answer “what” and “why” (goals, principles, boundaries), while SOPs should answer “how” (steps, responsibilities, tools).
- **Review cycle**: All policies should have a mandatory review cycle (e.g., every 3-5 years) to ensure ongoing relevance and compliance.
- **Performance targets and measuring**: Policies should include KPIs, benchmarks, and regular reporting to encourage compliance and continuous improvement.

Strong financial management requires not just policies, but **integration across liquidity, reserves, capital planning, and debt decisions**, supported by forward-looking cash flow analysis.

Integrated financial framework

Asset Management Plan (AMP), capital planning, reserves, investments, and debt decisions operate as a **single, coordinated system**, with each informing the other where asset requirements drive funding decisions, funding gaps inform financing strategies, and all decisions are grounded in maintaining sufficient cash flow and liquidity.

Cash flow and funding alignment

All financial decisions (capital, reserves, debt, investments) are grounded in a rolling 12-month cash flow forecast, ensuring liquidity is maintained at all times. Infrastructure needs identified in the AMP are linked to capital budgets, reserve contributions and debt strategy.

Governance and reporting

Council receives consistent, integrated reporting of cash coverage, reserve levels, operating and infrastructure funding gaps, and debt capacity, enabling transparent, disciplined oversight of financial performance and risks.

Financial resilience

Financial planning takes a multi-year, forward-looking approach to evaluating trade-offs between service levels, taxes, and compliance, enabling proactive decision-making that supports long-term affordability and financial sustainability.

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Financial policies recommendations

The following table summarizes recommended policy enhancements to strengthen financial governance, improve liquidity management, and ensure borrowing decisions are aligned with long-term financial sustainability.

Financial Policy	Recommendation
Sale and disposition of land policy	Update the policy to address the Ministry Report recommendations.
Procurement of goods and services	The procurement bylaw could be further enhanced to support capital project delivery. Suggested areas to add: • Pre-procurement gate: Before proceeding with procurement, capital projects above a certain threshold should have a Council approved business case with defined scope documented, cost estimates (e.g., Class C/D), and funding sources confirmed. • In addition to lowest-bid approach, consider alternative procurement options for large complex projects, such as pre-qualification of contractors, design-bid-build or best-value decision frameworks. • Strengthen change order and contract management controls by documenting cause and reporting to Council. • Quarterly reporting on project delivery and contractor performance on schedule adherence, cost performance (change orders), quality of work, and compliance (e.g., health and safety).
Investment policy	Adopt an Investment Policy with liquidity first approach, including clear segmentation of operating, short-term, and long-term funds aligned to cash flow needs. • Implement a rolling 12-month cash flow forecast and minimum cash buffer to prevent liquidity shortfalls. • Introduce investment controls (limits on eligible instruments) and reporting to Council on liquidity and investment performance.
Strategic Asset Management Policy	Complete AMP within the next three months to meet the July 1, 2025 O. Reg. 588/17 requirements.
Reserve and reserve fund policy	Further enhancements could be made to strengthen reserve management controls. Suggested areas include: • Introduce minimum reserve balance targets, expressed as a percentage of operating expenditures, a defined funding requirement, or based on AMP lifecycle requirements. **Reserve balances should be supported by available cash funds**, and contributions should prioritize working capital, obligatory, and asset lifecycle reserves. • Formalize replenishment strategy through defined repayment timelines, annual contribution schedule, and funding sources. • Interfund borrowing should be clearly disclosed as planned or unplanning with any borrowing supported by mandatory repayment schedule and cash flow forecasts demonstrating repayment capacity.
Debt and financial obligations policy	Establish a formal policy to guide borrowing decisions that is aligned with financial capacity and long-term priorities, reducing reliance on ad hoc use of annual repayment limits.
Long-range financial plan policy	Complete AMP with a 10-year financial strategy to forecast asset expenditure needs and infrastructure funding gap.
User fees by-law and policy	Continue to regularly review and update the User Fee bylaw and ensure that it documents all the service items that require user payment. A user fee study should be done to assess cost-recovery levels. In addition, the Township should adopt a user fee policy to guide cost-recovery targets, exemptions, and fee reduction criteria.

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Implementation plan

Given the Township's liquidity pressure, limited internal staff capacity, and history of unfunded capital commitments, implementation should be sequenced over three years to first stabilize cash flow and decision controls, then rebuild reserve and debt discipline, and finally embed integrated long-term financial and capital planning practices.

Implementation principles

The following five principles should govern Council decisions: protect liquidity, focus on fundamentals, require funded capital, use selective capacity support, and keep budget, reserve, debt, capital, and service approvals disciplined.

1 Stabilize first

Protect liquidity, control commitments, and avoid new unfunded obligations.

- Protect day-to-day liquidity before pursuing broader improvements.
- Control new commitments until cash and obligations are visible.
- Escalate decisions when cash falls below liquidity thresholds (e.g., below minimum cash balances).

2 Fundamentals

Focus on basic cash forecasting, reserve discipline, debt affordability, capital planning, and Council reporting.

- Build rolling cash forecasting before major spending choices.
- Strengthen reserve, debt, capital, and Council reporting routines.
- Use simple templates that staff can maintain after launch and repeat.

3 Funded capital

No unfunded capital commitments.

- Require defined scope and confirmed funding for each project.
- Test cash flow, operating, debt, and reserve implications.
- Defer discretionary work when affordability is not demonstrated.

4 Selective capacity support

Given the Township's limited number of staff, use selective capacity support.

- Use external or shared support where internal capacity is thin.
- Target finance, asset management, and project-control gaps.
- Avoid processes too complex for the Township to sustain with current capacity.

5 Council discipline

Council discipline is critical for implementation success.

- Adopt the plan as the formal financial recovery roadmap.
- Use it to guide budgets, capital, reserves, debt, and services.
- Require progress reporting so financial risks surface before Council decisions.

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Year 1: Stabilize liquidity and enforce financial discipline

The Township has initiated some liquidity measures. Year 1 objective is to continue to build on these measures by strengthening visibility over cash flow and financial obligations and introducing foundational controls to prevent further financial strain from unfunded commitments and poor decision visibility.

Priority	Key actions	Expected output
1. Strengthen cash flow management and financial reporting	• Implement a **12-month rolling cash flow forecast** (monthly update) • Establish **minimum cash thresholds** (1–3 months of operating) • Introduce **standardized monthly/quarterly reporting to Council** (cash, reserves, payables, debt)	Monthly **financial dashboard** used in Council decisions to improve visibility over liquidity and obligations
2. Strengthen budgeting practices with affordability and funding discipline	• Develop a **consolidated debt and obligations schedule** • Require all budget items to identify **funding sources and financial impacts** • Introduce a **multi-year lens into the annual budget** • Align approvals with cash flow, reserves, and borrowing capacity	Budget decisions based on confirmed funding and affordability and reduced reliance on unplanned debt or cash drawdowns
3. Establish a verified financial baseline	• Reconcile cash, reserves, deferred revenues, and debt • Develop a **reserve continuity schedule** • Identify gaps between **reported balances and actual liquidity**	Reliable financial baseline for decision-making with clear understanding of true financial position
4. Deliver Council and staff training	Deliver targeted, practical training to Council and staff focused on interpreting financial and asset information, distinguishing cash versus accrual concepts, understanding reserve and debt constraints, and applying affordability and funding lens in decision-making.	Council/staff financial literacy sessions

SUCCESS MEASURES

- Management operates with clear, ongoing visibility into cash position and near-term obligations
- Spending and capital approvals are grounded in confirmed funding and defined financial impacts
- Reported reserves, debt, and liabilities are reliable and reconciled to actual cash availability
- Council oversight reflects consistent consideration of financial risk and affordability

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Year 2: Build core governance and financial management controls

Objective is to transition from reactive financial management to structured governance by implementing foundational policies and controls that support informed decision-making and accountability.

Priority	Key actions	Expected output
5. Implement foundation controls for capital, procurement, and project costs	• Require **project business cases** (scope, cost, funding) • Implement **change order review process** • Track **project costs against approved budgets**	**No approval of unfunded or poorly defined projects** Updated procurement bylaw that strengthens capital project delivery practices
6. Update financial policies	• Define **reserve purpose, targets, and use rules** • Establish **reserve replenishment approach** • Introduce **debt affordability criteria** based on repayment capacity and linkage to capital priorities	Reserve policy and debt policy adopted by Council, including improved discipline in reserve use and borrowing decisions
7. Maintain capacity through hybrid staffing model	Maintain external/shared support for: • AMP updates • Financial planning • Financial policy refinement • Develop and maintain financial tools and reporting templates • Continue compensating controls for governance (second-level reviews)	Sustainable delivery of financial management

SUCCESS MEASURES

- Financial policies establish clear rules for reserve use, borrowing, and financial decision-making
- Capital and procurement decisions are supported by consistent governance controls
- External/shared resources effectively supplement internal capacity
- Council receives consistent financial information to support decision-making

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Year 3: Complete asset management and capital planning framework

Objective is to establish a structured framework for asset management, capital planning, and infrastructure funding decisions.

Priority	Key actions	Expected output
8. Complete AMP and develop a prioritized capital plan	• Complete AMP and meet O. Reg. 588/17 compliance requirements that identifies asset condition, risks, lifecycle needs • Develop **10-year financial plan with funding approach**. Link capital priorities to risk and service needs.	Council-adopted AMP with prioritized, fundable capital plan
9. Align capital, budget, and funding decisions	• Integrate capital plan into the annual budget process • Phase capital projects based on available funding capacity and avoid reliance on unplanned reserves or reactive borrowing • Begin linking decisions to long-term financial outlook	Capital plan that is prioritized and financially realistic with improved alignment between infrastructure needs and funding

SUCCESS MEASURES

- AMP is completed and compliant with O.Reg. 588/17 requirements
- Capital priorities are linked to risk, service needs, and funding capacity
- Infrastructure investment decisions reflect affordability and long-term sustainability
- Capital planning is integrated into the budget process

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Year 4: Strengthen revenue and financial sustainability

Objective is to improve the Township's revenue resilience and strengthen funding capacity to support long-term service delivery and infrastructure needs.

Priority	Key actions	Expected output
10. Strengthen revenue and funding strategy	• Establish grant coordination approach (external/shared support) • Identify targeted funding opportunities • Begin development of tax/utility rate strategy aligned to AMP	Increased external funding opportunities Updated tax/utility rate strategy for sustainable revenue planning
11. Implement structured tax and utility rate strategy	• Align tax and utility decisions with asset funding needs and operating requirements • Address **historical rate suppression** • Improve **cost recovery for water/wastewater**	More predictable and sustainable revenue structure Reduced reliance on general levy for capital funding

SUCCESS MEASURES

- Tax and utility rate decisions are linked to infrastructure and operating needs
- External funding opportunities are actively pursued and managed
- Water and wastewater services move toward improved cost recovery
- Revenue planning becomes more predictable and sustainable

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Year 5: Integrate and sustain long-term financial management

Embed long-term financial planning practices and maintain disciplined decision-making to support ongoing financial sustainability.

Priority	Key actions	Expected output
12. Develop a long-range financial plan	• Integrate operating budgets, capital plan, reserves, and debt • Develop **multi-year projections** (revenues, costs, capital needs) • Analyze **funding gaps and trade-offs**	**Long-range financial plan aligned to AMP** Improved forward-looking decision-making
13. Review and strengthen revenue base	• Conduct **assessment base review** to identify and correct omissions/errors and improve data accuracy • Identify opportunities to strengthen tax base and support modest economic growth	Improved revenue accuracy and stability Stronger long-term financial position
14. Separate the Treasurer role	Evaluate long-term options to further separate finance and administrative responsibilities, including shared-service, outsourced, fractional, or permanent staffing models, based on the Township's financial capacity and operational needs. • Retain a fractional Treasurer on a contract or through an outsourced model to provide finance and accounting services. The Treasurer should hold a post-secondary degree in accounting or finance; CPA designation a strong preferred asset. • Hire a separate permanent Director of Municipal Services/Clerk position	Stronger segregation of duties and sustainable delivery of financial management

SUCCESS MEASURES

- Financial planning is integrated across operating, capital, reserves, debt, and asset management
- Revenue and expenditure decisions are guided by a long-range financial plan
- Service levels and infrastructure commitments are aligned with financial capacity
- Governance and financial management responsibilities are supported by an appropriate staffing and oversight model

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06

Appendix



Documents reviewed & staff interviews

#	Documents provided by the Township
1	2020 – 2025 Council Meeting Agendas and Minutes, policies, and bylaws published on https://fauquierstrickland.civicweb.net/filepro/documents/
2	Closed Council Session Meeting Minutes (August, September, October, November, December 2020, May 2022)
3	Sept 8, 2020 Agenda Item Report - AIR-20-058 - CAO Clerk Treasurer
4	2020-2024 Vadim Trial Balances, 2025 Sage Trail Balance
5	2020-2024 Bank GL Details
6	2020-2024 Audited Financial Statements
7	December 2020-2022 Bank Reconciliations and Bank Statements (December 2023-2025, June 2024-2025)
8	By-Law 2022-27 Reserve and Reserve Fund Policy
9	2022-2024 Reserves-Deferred Revenues - Equity Continuity Schedule
10	Accumulated Deficit 2020-2024 Capital Impact and Deficit Management Plan
11	Community Centre-Multi Use Hub (Recap Costs and Funding Sources)
12	Municipal - Medical Centre Building (Recap Costs and Funding Sources)
13	Water Treatment Plant Project (Recap Costs and Funding Sources)
14	Water-Sewer Rates and Revenues 2024-2025
15	IO $2M Financing Agreement for New Medical Clinic and Municipal Office
16	IO $950K Debenture Bylaw for Water Treatment Plant upgrades
17	IO $615K Debenture for Outdoor Skating Rink and Sportsplex and Water Distribution System upgrade
18	KPMG Combined Audit Planning and Findings Report for Fiscal Year-End 2023
19	KPMG Combined Audit Planning and Findings Report for Fiscal Year-End 2024
20	RBC Snowplow Capital Lease Agreement
21	Bylaw 2019-34 Amending Agreement with the New Building Canada Fund
22	Amending Agreements No. 2 and No. 3 to a TPA for the New Building Canada Fund – Small Communities Fund
23	Ministry of Agriculture, Food, and Rural Affairs, SCF-0062 - Fauquier Water Treatment Plant Upgrades, Claims Summary
24	SCF Funding Log

Interviews
The following Township personnel were interviewed: • Mayor • One Councillor • Director of Municipal Services/Clerk/Treasurer • Former Township staff

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Leading practices references

- Municipal Asset Management Planning (Ontario) Establishes the purpose and expectations of AMP under **O. Reg. 588/17**, including lifecycle planning and long-term decision-making.
- O. Reg. 588/17 – Asset Management Planning for Municipal Infrastructure Defines required elements such as levels of service, lifecycle costing, and financial strategy.
- Ontario Municipal Financial Planning Resources Provides guidance on long-term financial planning, reserves, debt, and fiscal sustainability.
- MFOA Asset Management Resources
- Association of Municipalities of Ontario (AMO) Asset Management Research & Reports – Canada Community-Building Fund
- Government Finance Officers Association (GFOA) – North American Standard, GFOA Best Practices
    - GFOA Sample Investment Policy
- Municipal Reserve Funds in Ontario – Open Council Highlights the role of reserves in managing cash flow volatility, funding capital, supporting financial stability
- Examples of municipal Reserve and Reserve Fund Policies:
    - Chatham-Kent Reserves and Reserve Funds Policy
    - City of Waterloo Reserves and Reserve Fund Policy

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