

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

CORPORATION OF THE TOWNSHIP OF ESSA

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CORPORATION OF THE TOWNSHIP OF ESSA

For The Year Ended December 31, 2019

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Essa are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Township maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Township's assets are appropriately accounted for and adequately safeguarded.

The Township's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Township's financial statements for issuance to the members of the Corporation of the Township of Essa. Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Township. Baker Tilly KDN LLP has full and free access to Council.

Mayor

Treasurer

April 21, 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Essa

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Essa and its local boards (the Township), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 23, 2021

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED STATEMENT OF FINANCIAL POSITION At December 31, 2019

	2019 \$	2018 \$ (Restated- Note 2)
FINANCIAL ASSETS		
Cash	33,083,382	33,892,850
Taxes receivable	2,278,337	2,137,569
Accounts receivable	3,234,010	2,657,797
TOTAL FINANCIAL ASSETS	38,595,729	38,688,216
LIABILITIES		
Accounts payable and accrued liabilities	5,232,535	5,083,077
Accounts payable - developers	645,000	645,000
Deferred revenue - obligatory reserve fund (note 4)	20,997,416	21,481,627
Deferred revenue - other	138,660	132,102
Long term debt (note 5)	3,687,544	4,344,078
Employee future benefits payable (note 3)	720,004	750,665
TOTAL LIABILITIES	31,421,159	32,436,549
NET FINANCIAL ASSETS	7,174,570	6,251,667
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	122,258,433	119,485,947
Prepaid expenses	12,665	7,930
TOTAL NON-FINANCIAL ASSETS	122,271,098	119,493,877
ACCUMULATED SURPLUS (note 7)	129,445,668	125,745,544

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
 For the Year Ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$ (Restated - Note 2)
	(Unaudited)		
REVENUES			
Property taxation	10,193,050	10,260,590	9,788,677
User charges	4,108,239	5,364,442	4,951,581
Government of Canada	17,850	-	9,477
Province of Ontario	1,081,547	2,285,619	2,098,953
Other municipalities	128,500	173,903	164,957
Penalties and interest on taxes	260,000	286,909	270,348
Investment income	250,350	498,276	278,634
Donations	50,501	54,689	28,295
Contributed tangible capital assets	-	91,042	-
Sale of assets	2,000	16,421	5,355
Developer contributions earned (note 4)	2,868,120	1,642,346	542,597
Federal gas tax earned (note 4)	463,174	1,147,217	-
TOTAL REVENUES	19,423,331	21,821,454	18,138,874
EXPENSES			
General government	1,638,833	1,653,657	1,435,390
Protection services	4,865,994	4,733,360	4,718,417
Transportation services	4,843,045	4,994,619	4,914,657
Water and sanitary sewer services	3,510,136	3,819,587	3,883,975
Recreation and cultural services	2,711,909	2,587,151	2,692,080
Planning and development	535,290	332,956	409,349
TOTAL EXPENSES	18,105,207	18,121,330	18,053,868
ANNUAL SURPLUS	<u>1,318,124</u>	3,700,124	85,006
ACCUMULATED SURPLUS - beginning of year		125,745,544	125,660,538
ACCUMULATED SURPLUS - end of year		129,445,668	125,745,544

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2019

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$ (Restated - Note 2)
ANNUAL SURPLUS	1,318,124	3,700,124	85,006
Amortization of tangible capital assets	4,049,724	4,077,692	4,049,724
Purchase of tangible capital assets	(5,301,370)	(6,858,740)	(3,801,105)
Loss/(gain) on disposal of tangible capital assets	-	64,710	(313,977)
Proceeds on sale of tangible capital assets	-	34,894	472,183
Contributed tangible capital assets	-	(91,042)	-
Change in prepaid expenses	-	(4,735)	7,166
INCREASE IN NET FINANCIAL ASSETS	66,478	922,903	498,997
NET FINANCIAL ASSETS - beginning of year	6,251,667	6,251,667	5,752,670
NET FINANCIAL ASSETS - end of year	6,318,145	7,174,570	6,251,667

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended December 31, 2019

	2019 \$	2018 \$ (Restated - Note 2)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	3,700,124	85,006
Items not involving cash		
Amortization of tangible capital assets	4,077,692	4,049,724
Loss/(gain) on disposal of tangible capital assets	64,710	(313,977)
Contributed tangible capital assets	(91,042)	-
Change in employee future benefits payable	(30,661)	(23,755)
Change in non-cash assets and liabilities		
Taxes receivable	(140,768)	15,780
Accounts receivable	(576,213)	(1,151,762)
Prepaid expenses	(4,735)	7,166
Accounts payable and accrued liabilities	149,458	(1,096,848)
Deferred revenue - obligatory reserve fund	(484,211)	739,427
Deferred revenue - other	6,558	(50,582)
Net change in cash from operating activities	6,670,912	2,260,179
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(6,858,740)	(3,801,105)
Proceeds on disposal of tangible capital assets	34,894	472,183
Net change in cash from capital activities	(6,823,846)	(3,328,922)
FINANCING ACTIVITIES		
Debt principal repayments	(656,534)	(635,856)
NET CHANGE IN CASH	(809,468)	(1,704,599)
CASH - beginning of year	33,892,850	35,597,449
CASH - end of year	33,083,382	33,892,850

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2019

The Township of Essa is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned and controlled by the Township. These consolidated financial statements include:

- Essa Public Library Board
- Angus Business Improvement Area Board

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) Tangible Capital Assets

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

Land improvements	15 to 30 years
Buildings	25 to 60 years
Equipment	5 to 50 years
Vehicles	10 to 25 years
Roads and bridges	7 to 75 years
Water and sanitary sewer systems	20 to 80 years
Storm sewers	20 to 80 years

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

Assets under construction are not amortized until they are put into service.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Taxation

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township's Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Township is required to collect on behalf of the County and School Boards. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Government Funding

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

Other Revenue

User charges are recognized as revenue in the year the goods and services are provided, with the exception of building permits that are recognized when the permits are issued.

Investment income is recorded when earned.

Development charges and Federal Gas Tax are recognized in the period in which the related expenditures are recorded.

(d) Non-Financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Township because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(f) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(g) Use of Estimates

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Township's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements or changes in such estimates in future periods could be significant. The Township's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates;
- The values of employee future benefit obligations and the amount of employee future benefits charged to earnings depend on certain economic assumptions; and
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.

2. PRIOR PERIOD ADJUSTMENT

In 2018, a specific grant for a water capital project from the Province of Ontario in the amount of \$592,654 was not set up as receivable. As a result, the 2018 comparative figures have been restated to include this grant. Accounts receivable has been increased from \$2,065,143 to \$2,657,797. Province of Ontario revenue has been increased from \$1,506,299 to \$2,098,953 which also resulted in a change in the annual surplus from a deficit of \$507,648 to a surplus of \$85,006. The reserve for water and sewer increased by \$592,654 to \$4,914,341 at December 31, 2018.

3. EMPLOYEE FUTURE AMOUNTS PAYABLE

The Township provides certain employee benefits which will require funding in future periods as follows:

	2019	2018
	\$	\$
Extended health care benefits	532,940	556,134
Vacation pay entitlement	187,064	194,531
	720,004	750,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

4. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are summarized below:

	2019	2018
	\$	\$
Development charges	19,251,527	19,859,360
Parkland	426,434	413,702
Willoughby road and bridge charges	52	51
Federal gas tax	1,319,403	1,208,514
	20,997,416	21,481,627

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2019	2018
	\$	\$
Balance - beginning of year	21,481,627	20,742,200
Add amounts received:		
Development charges received	783,350	296,242
Federal gas tax received	1,240,830	589,402
Parkland fees	7,500	16,000
Interest	273,672	380,380
	2,305,352	1,282,024
Less transfer to operations:		
Development charges earned	1,642,346	542,597
Federal gas tax earned	1,147,217	-
	2,789,563	542,597
Balance - end of year	20,997,416	21,481,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

5. LONG TERM DEBT

(a) The balance of long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2019	2018
	\$	\$
Ontario Municipal Economic Infrastructure Financing Authority Debenture, matures December 2, 2019, repayable in blended semiannual payments of \$167,252, bears interest at 2.62% per annum. Borrowed for water systems.	-	328,044
Ontario Strategic Infrastructure Financing Authority Debenture, matures February 2, 2031, repayable in blended semiannual payments of \$173,452, bears interest at 4.78% per annum. Borrowed for sanitary sewer systems.	3,041,843	3,236,349
Ontario Infrastructure Projects Corporation Debenture, matures May 1, 2024, repayable in blended semiannual payments of \$76,284, bears interest at 2.49% per annum. Borrowed for water systems.	645,701	779,685
	3,687,544	4,344,078

(b) The long term debt in (a) issued in the name of the Township have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. The long term debt principal and interest payments for water systems will be recovered from a combination of water user charges and water development charges. The long term debt principal and interest payments for sanitary sewer systems will be recovered from sewer development charges.

(c) Interest paid during the year on long term debt amounted to \$177,446 (2018 - \$198,124).

(d) The long term debt reported in (a) of this note is repayable as follows:

	Principal	Interest	Total
	\$	\$	\$
2020	341,255	158,220	499,475
2021	354,559	144,916	499,475
2022	368,427	131,048	499,475
2023	382,884	116,591	499,475
2024	321,671	101,520	423,191
	1,768,796	652,295	2,421,091
2025 to 2029	1,422,305	312,229	1,734,534
2030 and subsequent years	496,443	23,917	520,360
	3,687,544	988,441	4,675,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

6. TANGIBLE CAPITAL ASSETS

The net book value of the Township's tangible capital assets are:

	2019	2018
	\$	\$
General		
Land	19,091,791	19,091,791
Land improvements	2,895,871	2,808,639
Buildings	14,354,054	14,585,112
Equipment	11,165,233	10,953,979
Vehicles	3,655,773	2,890,182
Infrastructure		
Roads and bridges	28,964,181	29,739,555
Water and sanitary sewer systems	24,347,736	24,745,610
Storm sewers	8,889,877	9,117,224
	113,364,516	113,932,092
Assets under construction	8,893,917	5,553,855
	122,258,433	119,485,947

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2018 - \$Nil) and no interest capitalized (2018 - \$Nil).

Land is further broken down between general capital assets \$5,929,977 (2018 - \$5,929,977) and infrastructure (linear) assets \$13,161,814 (2018 - \$13,161,814).

Land improvements is further broken down between general capital assets \$1,715,531 (2018 - \$1,617,123) and infrastructure (linear) assets \$1,180,340 (2018 - \$1,191,516).

	2019	2018
	\$	\$
General government	1,283,512	1,312,922
Protection services	3,205,461	2,457,755
Transportation services	47,609,577	45,664,916
Environmental services	56,408,305	56,199,292
Recreation and cultural services	13,728,198	13,851,062
Planning and development	23,380	-
	122,258,433	119,485,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

7. ACCUMULATED SURPLUS

(a) Accumulated surplus consists of the following:

	2019	2018 (Restated)
	\$	\$
Surplus/(Deficit)		
Township	(4,246)	-
Unfunded employee future benefits	(720,004)	(750,665)
	(724,250)	(750,665)
Invested In Capital Assets		
Tangible capital assets - net book value	122,258,433	119,485,947
Long term debt	(3,687,544)	(4,344,078)
	118,570,889	115,141,869
Surplus	117,846,639	114,391,204
Reserves		
Working funds	1,673,321	1,673,321
Contingencies	37,372	37,372
Acquisition of capital assets	1,947,406	1,263,220
Operations	109,903	109,903
Water and sewer - see (b) below	4,537,902	4,914,341
Future enforcement of Building Code Act - see (c) below	983,351	1,030,837
Special projects	2,131,164	2,131,164
Total Reserves	11,420,419	11,160,158
Reserve Funds		
Water and sewer services	159,409	157,418
Angus Business Improvement Area	19,201	36,764
Total Reserve Funds	178,610	194,182
	129,445,668	125,745,544

(b) In 2015, the Township approved a transfer of \$2,073,400 from the reserve for water and sewer infrastructure to fund the erosion control on the Nottawasaga River through by-law 2015-34. The by-law provides that this amount will be repaid over 15 years plus interest at the prevailing reserve interest rate which was 1.25% at the time of the by-law, and be funded from taxation. In relation to the reserve loan of \$2,073,400, the Township contributed \$138,227 in loan principal and \$20,734 in interest to the water and sewer reserve in 2019. The balance of the loan owing to the reserve at December 31, 2019 is \$1,262,026 (2018 - \$1,658,720).

(c) This reserve represents the building department accumulated surplus to be used to fund enforcement of the Building Code Act and future inspections relating to building permits issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

8. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF SIMCOE

During 2019, requisitions were made by the County of Simcoe and School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
Property taxes	5,860,800	7,989,987
Taxation from other governments	751,744	1,352,615
	6,612,544	9,342,602
Amounts requisitioned and remitted	6,612,544	9,342,602

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

9. PENSION AGREEMENTS

Certain employees of the Township are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2019 Annual Report disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

The Township's required contributions to OMERS in 2019 were \$273,833 (2018 - \$258,038).

10. COMMITMENT

The Township along with two neighbouring municipalities negotiated a joint policing contract with the Minister of Community Safety and Correctional Services for the provision of police services by the Ontario Provincial Police (OPP), effective July 1, 2015 to June 30, 2020. The Township's cost for policing is based on a per capita amount plus a per call charge. The 2019 Township OPP costs were \$2,916,607 (2018- \$2,907,621). The remaining costs under this contract are expected to decrease until June 30, 2020. The joint policing contract was extended for another 3 year term with similar terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

11. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
Salaries and benefits	4,885,949	4,762,800	4,829,074
Interest charges	220,648	177,446	198,124
Materials	3,940,303	3,878,892	4,555,708
Contracted services	4,792,491	4,924,455	4,531,746
Rents and financial	20,775	44,489	29,251
External transfers	195,317	190,846	174,218
Amortization	4,049,724	4,077,692	4,049,724
Loss (gain) on disposal of tangible capital assets	-	64,710	(313,977)
	18,105,207	18,121,330	18,053,868

12. BUDGET FIGURES

The budget, approved by the Township, for 2019 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

13. CREDIT FACILITY AGREEMENT

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$2,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate less 0.75% per annum. Council authorized the temporary borrowing limit by By-law 2019-15. At December 31, 2019 there was no balance outstanding (2018 - \$Nil).

14. CONTINGENT LIABILITIES

The Township, in the course of its operations, has been named in several lawsuits, the outcome of which is indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

15. SEGMENTED INFORMATION

The Township of Essa is a municipal government organization that provides a range of services to its residents. Township services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services.

Protection Services

Protection services include police, fire, conservation authority and protective inspection and control.

Transportation Services

The activities of the transportation function include construction and maintenance of the Township's roads and bridges, winter control and street lighting.

Water and Sanitary Sewer Systems

This function is responsible for providing water and sanitary sewer services to certain areas of the Township.

Other Environmental Services

This function includes storm sewer systems and related facilities; the County of Simcoe provides waste disposal and recycling services.

Recreation and Cultural Services

The recreation and cultural services function provides parks, indoor and outdoor recreational facilities and programs and library services.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the Township.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social impact.

During 2020, the Township has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporarily closed most facilities for walk-in access;
- Penalties and interest on taxes were deferred;
- Working from home requirements were set up temporarily for those able to do so;
- Reduced revenues from user charges;
- Additional costs for enhanced facility cleaning and purchase of personal protective equipment; and
- Additional costs for retrofitting offices and facilities in preparation for reopening to the public.

The Township plans to mitigate any additional operating costs with cost savings in other budget areas and tight controls over operating expenses.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities in subsequent years and may have a significant impact on future operations.

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2019

	General					Infrastructure			Assets Under Construction	Totals
	Land	Land improvements	Buildings	Equipment	Vehicles	Roads and bridges	Water and sanitary sewer systems	Storm sewers		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	19,091,791	4,188,922	26,714,873	22,145,265	6,110,684	64,991,453	31,323,047	12,291,606	5,553,855	192,411,496
Add: additions during the year	-	228,719	427,273	1,006,269	1,202,531	744,928	-	-	3,340,062	6,949,782
Less: disposals during the year	-	51,954	-	61,635	216,131	-	-	-	-	329,720
Balance, end of year	19,091,791	4,365,687	27,142,146	23,089,899	7,097,084	65,736,381	31,323,047	12,291,606	8,893,917	199,031,558
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,380,283	12,129,761	11,191,286	3,220,502	35,251,898	6,577,437	3,174,382	-	72,925,549
Add: additions during the year	-	141,487	658,331	781,270	351,081	1,520,302	397,874	227,347	-	4,077,692
Less: disposals during the year	-	51,954	-	47,890	130,272	-	-	-	-	230,116
Balance, end of year	-	1,469,816	12,788,092	11,924,666	3,441,311	36,772,200	6,975,311	3,401,729	-	76,773,125
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	19,091,791	2,895,871	14,354,054	11,165,233	3,655,773	28,964,181	24,347,736	8,889,877	8,893,917	122,258,433

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2019

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sanitary Sewer Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues							
Property taxation	212,469	4,636,283	3,128,388	-	1,792,060	491,390	10,260,590
User charges	157,608	367,244	204,297	3,814,572	733,013	87,708	5,364,442
Government transfers - operating	1,743,314	-	-	-	25,297	-	1,768,611
Government transfers - capital	-	-	507,741	-	9,267	-	517,008
Other municipalities	-	173,903	-	-	-	-	173,903
Penalties and interest on taxes	286,909	-	-	-	-	-	286,909
Investment income	496,285	-	-	1,991	-	-	498,276
Donations	5,000	3,636	-	-	46,053	-	54,689
Contributed tangible capital assets	-	-	-	91,042	-	-	91,042
Sale of assets	16,421	-	-	-	-	-	16,421
Developer contributions earned	-	-	1,084,751	475,562	82,033	-	1,642,346
Federal gas tax earned	-	-	1,147,217	-	-	-	1,147,217
Total revenues	2,918,006	5,181,066	6,072,394	4,383,167	2,687,723	579,098	21,821,454
Expenses							
Salaries and benefits	1,046,882	935,005	1,205,012	159,975	1,173,927	241,999	4,762,800
Interest charges	-	-	-	177,446	-	-	177,446
Materials	363,504	362,751	1,560,731	847,529	674,056	70,321	3,878,892
Contracted services	167,606	3,000,066	271,901	1,266,107	198,400	20,375	4,924,455
Rents and financial	35,724	-	51	4,504	4,210	-	44,489
External transfers	10,530	180,316	-	-	-	-	190,846
Amortization	29,411	229,599	1,931,582	1,364,026	522,813	261	4,077,692
Loss (gain) on disposal of tangible capital assets	-	25,623	25,342	-	13,745	-	64,710
Total expenses	1,653,657	4,733,360	4,994,619	3,819,587	2,587,151	332,956	18,121,330
Net surplus	1,264,349	447,706	1,077,775	563,580	100,572	246,142	3,700,124

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2018 (Restated - Note 2)

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sanitary Sewer Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues							
Property taxation	-	4,432,624	3,147,897	-	1,668,355	539,801	9,788,677
User charges	211,225	283,730	241,203	3,419,917	737,794	57,712	4,951,581
Government transfers - operating	1,052,979	4,074	-	-	33,089	631	1,090,773
Government transfers - capital	-	-	371,824	620,207	25,626	-	1,017,657
Other municipalities	-	164,957	-	-	-	-	164,957
Penalties and interest on taxes	270,348	-	-	-	-	-	270,348
Investment income	275,286	-	-	2,813	-	535	278,634
Donations	8,636	1,600	-	-	18,059	-	28,295
Sale of assets	5,355	-	-	-	-	-	5,355
Developer contributions earned	-	-	-	465,562	77,035	-	542,597
Total revenues	1,823,829	4,886,985	3,760,924	4,508,499	2,559,958	598,679	18,138,874
Expenses							
Salaries and benefits	865,624	997,831	1,142,354	180,481	1,390,518	252,266	4,829,074
Interest charges	-	-	-	198,124	-	-	198,124
Materials	327,112	396,857	1,692,050	1,153,437	906,799	79,453	4,555,708
Contracted services	172,531	2,958,754	161,619	985,250	175,962	77,630	4,531,746
Rents and financial	26,361	-	-	1,538	1,352	-	29,251
External transfers	14,420	159,798	-	-	-	-	174,218
Amortization	31,342	205,177	1,914,483	1,365,145	533,577	-	4,049,724
Loss (gain) on disposal of tangible capital assets	(2,000)	-	4,151	-	(316,128)	-	(313,977)
Total expenses	1,435,390	4,718,417	4,914,657	3,883,975	2,692,080	409,349	18,053,868
Net surplus/(deficit)	388,439	168,568	(1,153,733)	624,524	(132,122)	189,330	85,006

CORPORATION OF THE TOWNSHIP OF ESSA

ESSA PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of the Essa Public Library Board, the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Essa

Qualified Opinion

We have audited the financial statements of the Essa Public Library Board of the Corporation of the Township of Essa (the Board), which comprise the statement of financial position as at December 31, 2019, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

In common with many Public Library Boards, the Board derives revenue from user fees, fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board. Therefore, we were not able to determine whether any adjustments might be necessary to user fees, fundraising and donations revenue, annual surplus/(deficit), assets and accumulated surplus.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

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

ASSURANCE • TAX • ADVISORY

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 23, 2021

CORPORATION OF THE TOWNSHIP OF ESSA



**ESSA PUBLIC LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2019**

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash	51,786	26,113
Accounts receivable	-	227
TOTAL FINANCIAL ASSETS	51,786	26,340
LIABILITIES		
Accounts payable	2,500	2,500
Due to Township of Essa (note 5)	43,223	18,266
TOTAL LIABILITIES	45,723	20,766
NET FINANCIAL ASSETS	6,063	5,574
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	586,759	576,142
Prepaid expenses	11,694	5,564
TOTAL NON-FINANCIAL ASSETS	598,453	581,706
ACCUMULATED SURPLUS (note 3)	604,516	587,280

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA



ESSA PUBLIC LIBRARY BOARD STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2019

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
REVENUES			
Contribution from Township of Essa	712,101	708,101	656,879
Province of Ontario	26,147	25,297	26,147
Government of Canada	7,850	-	6,942
User fees, fundraising and donations	80,575	96,604	57,641
TOTAL REVENUES	826,673	830,002	747,609
EXPENSES			
Salaries and benefits	518,383	549,094	498,656
Utilities	26,200	27,806	26,573
Subscriptions and periodicals	1,740	1,844	2,543
Insurance and audit	6,425	6,066	6,967
Computer support and supplies	19,950	15,315	18,177
Facility costs	47,400	45,381	49,609
Office	49,750	42,435	13,252
Fundraising costs	2,000	2,255	2,245
Amortization	112,070	96,961	112,070
Other operating costs	22,025	22,027	19,675
Contract services	2,100	3,582	3,456
TOTAL EXPENSES	808,043	812,766	753,223
ANNUAL SURPLUS/(DEFICIT)	<u>18,630</u>	17,236	(5,614)
ACCUMULATED SURPLUS - beginning of year		587,280	592,894
ACCUMULATED SURPLUS - end of year		604,516	587,280

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA



**ESSA PUBLIC LIBRARY BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2019**

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
ANNUAL SURPLUS/(DEFICIT)	18,630	17,236	(5,614)
Amortization of tangible capital assets	112,070	96,961	112,070
Acquisition of tangible capital assets	(130,700)	(107,578)	(98,971)
Change in prepaid expenses	-	(6,130)	6,130
CHANGE IN NET FINANCIAL ASSETS/(NET DEBT)	-	489	13,615
NET FINANCIAL ASSETS/(NET DEBT) - beginning of year	5,574	5,574	(8,041)
NET FINANCIAL ASSETS - end of year	5,574	6,063	5,574

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA



**ESSA PUBLIC LIBRARY BOARD
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

	2019	2018
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	17,236	(5,614)
Items not involving cash		
Amortization of tangible capital assets	96,961	112,070
Change in non-cash assets and liabilities		
Accounts receivable	227	(227)
Due from Township of Essa	-	12,156
Prepaid expenses	(6,130)	6,130
Due to Township of Essa	24,957	18,266
Deferred revenue	-	(18,221)
Net change in cash from operating activities	133,251	124,560
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(107,578)	(98,971)
NET CHANGE IN CASH	25,673	25,589
CASH - beginning of year	26,113	524
CASH - end of year	51,786	26,113

The accompanying notes are an integral part of these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

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

User fees are recognized as revenue in the year the goods and services are provided.

Donations and fundraising revenue are recognized when the amounts are received.

Contributions from the Township of Essa are recognized as approved by the Township.

(b) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Board's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Board's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

(c) Tangible Capital Assets

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

Furniture and equipment	5 to 40 years
Books	7 to 10 years

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

(d) Deferred Revenue

Deferred revenue represents grants which have been collected but for which the related costs have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the expenditures are incurred.

**ESSA PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Non-Financial Assets

Tangible capital assets and other non-financial assets are accounted for as assets by the Board because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Board unless they are sold.

(f) Reserves

Certain amounts, as approved by the Board, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

(g) Inter-Entity Transactions

The Essa Public Library Board is a Board of the Township of Essa and is consolidated with the Township's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Township.

2. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

	Furniture and equipment \$	Books \$	2019 Totals \$	2018 Totals \$
COST				
Balance, beginning of year	345,859	634,804	980,663	1,015,771
Add: additions during the year	12,744	94,834	107,578	98,971
Less: disposals during the year	11,327	-	11,327	134,079
Balance, end of year	347,276	729,638	1,076,914	980,663
ACCUMULATED AMORTIZATION				
Balance, beginning of year	142,416	262,105	404,521	426,530
Add: additions during the year	26,536	70,425	96,961	112,070
Less: disposals during the year	11,327	-	11,327	134,079
Balance, end of year	157,625	332,530	490,155	404,521
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	189,651	397,108	586,759	576,142

ESSA PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2019	2018
	\$	\$
Invested In Capital Assets		
Tangible capital assets - net book value	586,759	576,142
Surplus	586,759	576,142
Reserves		
Angus branch	10,272	3,653
Sell the Shelf	7,485	7,485
Total Reserves	17,757	11,138
	604,516	587,280

4. BUDGET FIGURES

The operating budget, approved by the Board, for 2019 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

5. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Township of Essa.

As part of the budgeting process, the Township approves a contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus.

Details of the related party expense transactions are as follows:

	2019	2018
	\$	\$
Allocated costs:		
Treasurer wages	4,400	4,300
Insurance	2,100	2,932
	6,500	7,232

In addition, the Township provides rental of buildings to the Board at no cost.

All balances with the Township of Essa have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

6. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Board's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Board's operations. The extent of the impact of this outbreak and related containment measures on the Board's operations cannot be reliably estimated at this time.

**CORPORATION OF THE TOWNSHIP OF ESSA
ANGUS BUSINESS IMPROVEMENT AREA BOARD
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

INDEPENDENT AUDITOR'S REPORT

To the Members of the Angus Business Improvement Area Board, the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Essa

Opinion

We have audited the financial statements of the Angus Business Improvement Area Board of the Corporation of the Township of Essa (the Board), which comprise the statement of financial position as at December 31, 2019, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 23, 2021

CORPORATION OF THE TOWNSHIP OF ESSA



**ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2019**

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Due from Township of Essa (note 5)	19,201	36,764
NET FINANCIAL ASSETS	19,201	36,764
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	23,380	-
ACCUMULATED SURPLUS (note 4)	42,581	36,764

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA



**ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2019**

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
REVENUES			
Taxation	26,709	28,124	28,723
Investment income	-	-	535
TOTAL REVENUES	26,709	28,124	29,258
EXPENSES			
Decorations	2,500	2,080	5,129
Landscaping	15,000	16,053	14,479
Amortization	-	261	-
Tax write offs	-	-	397
Professional fees	1,500	1,500	1,526
Memberships	7,709	2,413	1,876
TOTAL EXPENSES	26,709	22,307	23,407
ANNUAL SURPLUS	-	5,817	5,851
ACCUMULATED SURPLUS - beginning of year		36,764	30,913
ACCUMULATED SURPLUS - end of year		42,581	36,764

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA



**ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2019**

	Budget 2019 \$ (Unaudited)	Actual 2019 \$	Actual 2018 \$
ANNUAL SURPLUS	-	5,817	5,851
Amortization of tangible capital assets	-	261	-
Acquisition of tangible capital assets	(24,500)	(23,641)	-
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(24,500)	(17,563)	5,851
NET FINANCIAL ASSETS - beginning of year	36,764	36,764	30,913
NET FINANCIAL ASSETS - end of year	12,264	19,201	36,764

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA**ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

	2019	2018
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	5,817	5,851
Items not involving cash		
Amortization of tangible capital assets	261	-
Change in non-cash assets and liabilities		
Due from Township of Essa	17,563	(5,851)
Net change in cash from operating activities	23,641	-
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(23,641)	-
NET CHANGE IN CASH	-	-
CASH - beginning of year	-	-
CASH - end of year	-	-

The accompanying notes are an integral part of these financial statements

**ANGUS BUSINESS IMPROVEMENT AREA BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Recognition of Revenue and Expenses

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions of events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township's Council establishes the BIA special area tax rate annually, incorporating amounts to be raised for BIA services. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are reported in the financial statements when amounts can be reasonably determined.

Investment income is recognized as earned.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Board's best information and judgment. Actual results could differ from these estimates.

(c) Tangible Capital Assets

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

Land improvements	20 years
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Assets under construction are not amortized until they are put into service.

(d) Reserve Funds

Certain amounts, as approved by the Board, are set aside in reserve funds for future operating and capital purposes. Transfers to and/or from reserve funds are an adjustment to the respective fund when approved.

**ANGUS BUSINESS IMPROVEMENT AREA BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Inter-Entity Transactions

The Angus Business Improvement Area Board is a Board of the Township of Essa and is consolidated with the Township's financial statements.

Allocated costs and recovery of costs are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Unallocated costs are measured at the carrying amount, which is the amount recorded in the records of the Township.

2. TANGIBLE CAPITAL ASSETS

The net book value of the Board's tangible capital assets are:

	Land Improvements \$	Assets Under Construction \$	2019 Totals \$	2018 Totals \$
COST				
Balance, beginning of year	-	-	-	-
Add: additions during the year	5,222	18,419	23,641	-
Balance, end of year	5,222	18,419	23,641	-
ACCUMULATED AMORTIZATION				
Balance, beginning of year	-	-	-	-
Add: additions during the year	261	-	261	-
Balance, end of year	261	-	261	-
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,961	18,419	23,380	-

3. BUDGET FIGURES

The operating budget, approved by the Board, for 2019 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

**ANGUS BUSINESS IMPROVEMENT AREA BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

4. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2019	2018
	\$	\$
Invested In Capital Assets		
Tangible capital assets - net book value	23,380	-
Reserve Fund		
Operations	19,201	36,764
	42,581	36,764

5. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Township of Essa.

As part of the budgeting process, the Township approves a contribution to the Board which is identified on the Statement of Operations and Accumulated Surplus.

The contribution is based on an additional tax levy on the businesses within the geographical boundaries of 5th Line of Essa. The Township bills the tax levy and contributes this tax levy adjusted for any applicable supplementary tax billing or tax write-off annually to the organization.

	2019	2018
	\$	\$
Allocated costs:		
Professional fees	1,500	1,526
	1,500	1,526

In addition, the Township provides accounting and administrative services to the Board at no cost.

All balances with the Township of Essa have been identified on the Statement of Financial Position. Due from (to) balances are unsecured, without interest and have no terms of repayment.

6. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Board's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Board's operations. The extent of the impact of this outbreak and related containment measures on the Board's operations cannot be reliably estimated at this time.