

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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CORPORATION OF THE TOWNSHIP OF ESSA

For The Year Ended December 31, 2020

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.

A handwritten signature in black ink, appearing to be 'Deborah H.', written over a horizontal line.

Mayor

A handwritten signature in black ink, appearing to be 'Alicha', written over a horizontal line.

Treasurer

January 19, 2022

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, 2020, 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, 2020, 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
January 26, 2022

CORPORATION OF THE TOWNSHIP OF ESSA**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
At December 31, 2020

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash	37,683,784	33,083,382
Taxes receivable	2,691,999	2,278,337
Accounts receivable	3,634,657	3,234,010
TOTAL FINANCIAL ASSETS	44,010,440	38,595,729
LIABILITIES		
Accounts payable and accrued liabilities	5,919,539	5,232,535
Accounts payable - developers	645,000	645,000
Deferred revenue - obligatory reserve fund (note 5)	23,864,602	20,997,416
Deferred revenue - other	357,320	138,660
Long term debt (note 6)	3,346,290	3,687,544
Employee future benefits payable (note 4)	620,142	720,004
TOTAL LIABILITIES	34,752,893	31,421,159
NET FINANCIAL ASSETS	9,257,547	7,174,570
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	120,575,479	122,258,433
Prepaid expenses	46,077	12,665
TOTAL NON-FINANCIAL ASSETS	120,621,556	122,271,098
ACCUMULATED SURPLUS (note 8)	129,879,103	129,445,668

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2020

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
REVENUES			
Property taxation	11,031,150	11,037,952	10,260,590
User charges	4,349,870	4,833,382	5,364,442
Government of Canada	5,448	50,720	-
Province of Ontario	2,120,797	1,896,626	2,285,619
Other municipalities	95,000	32,163	173,903
Penalties and interest on taxes	275,000	213,478	286,909
Investment income	400,000	167,979	498,276
Donations	51,300	51,089	54,689
Donated tangible capital assets	-	-	91,042
Sale of assets and other	5,000	39,545	16,421
Developer contributions earned (note 5)	3,118,812	757,424	1,642,346
Federal gas tax earned (note 5)	724,500	-	1,147,217
TOTAL REVENUES	22,176,877	19,080,358	21,821,454
EXPENSES			
General government	1,834,757	1,669,319	1,653,657
Protection services	5,080,847	5,123,360	4,733,360
Transportation services	4,937,550	4,849,525	4,994,619
Environmental services	3,754,569	4,052,903	3,819,587
Recreation and cultural services	2,773,719	2,594,415	2,587,151
Planning and development	693,887	357,401	332,956
TOTAL EXPENSES	19,075,329	18,646,923	18,121,330
ANNUAL SURPLUS	<u>3,101,548</u>	433,435	3,700,124
ACCUMULATED SURPLUS - beginning of year		129,445,668	125,745,544
ACCUMULATED SURPLUS - end of year		129,879,103	129,445,668

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, 2020

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
ANNUAL SURPLUS	3,101,548	433,435	3,700,124
Amortization of tangible capital assets	4,077,693	4,293,095	4,077,692
Purchase of tangible capital assets	(5,301,370)	(2,883,828)	(6,858,740)
Loss on disposal of tangible capital assets	-	262,146	64,710
Proceeds on sale of tangible capital assets	-	11,541	34,894
Contributed tangible capital assets	-	-	(91,042)
Change in prepaid expenses	-	(33,412)	(4,735)
INCREASE IN NET FINANCIAL ASSETS	1,877,871	2,082,977	922,903
NET FINANCIAL ASSETS - beginning of year	7,174,570	7,174,570	6,251,667
NET FINANCIAL ASSETS - end of year	9,052,441	9,257,547	7,174,570

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, 2020

	2020	2019
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	433,435	3,700,124
Items not involving cash		
Amortization of tangible capital assets	4,293,095	4,077,692
Loss on disposal of tangible capital assets	262,146	64,710
Contributed tangible capital assets	-	(91,042)
Change in employee future benefits payable	(99,862)	(30,661)
Change in non-cash assets and liabilities		
Taxes receivable	(413,662)	(140,768)
Accounts receivable	(400,647)	(576,213)
Prepaid expenses	(33,412)	(4,735)
Accounts payable and accrued liabilities	687,004	149,458
Deferred revenue - obligatory reserve fund	2,867,186	(484,211)
Deferred revenue - other	218,660	6,558
Net change in cash from operating activities	7,813,943	6,670,912
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(2,883,828)	(6,858,740)
Proceeds on disposal of tangible capital assets	11,541	34,894
Net change in cash from capital activities	(2,872,287)	(6,823,846)
FINANCING ACTIVITIES		
Debt principal repayments	(341,254)	(656,534)
NET CHANGE IN CASH	4,600,402	(809,468)
CASH - beginning of year	33,083,382	33,892,850
CASH - end of year	37,683,784	33,083,382

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. 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 of tangible capital assets are based on estimates of useful life and residual values;
- The values of employee future benefit obligations and the amount of employee future benefits charged to earnings depend on certain actuarial 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. BUDGET FIGURES

The budget, approved by the Township, for 2020 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.

3. 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, 2020 there was no balance outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

4. EMPLOYEE FUTURE BENEFITS PAYABLE

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

	2020	2019
	\$	\$
Extended health care benefits	473,400	532,940
Vacation pay entitlement	146,742	187,064
	<u>620,142</u>	<u>720,004</u>

Township employees can accumulate vacation entitlements that can be carried over to the following year.

The Township sponsors benefit plans to pay costs of extended health, vision benefits and dental for eligible employees after they retire. All benefits are provided upon retirement and continue for a maximum period of 5 years based on years of service, but not beyond the age of 65, at which time the benefits cease. In the event of the death of a former eligible employee, the benefit coverage continues to the surviving spouse to the earlier of 12 months, the spouse reaches age 65 or remarriage. Employees who retire on or after January 1, 2015 with at least 20 years of service are eligible to continue coverage to age 65 once the employer paid benefits have expired, provided the retiree pays 100% of the premium. The plans are not funded by the Township until paid.

The actuarial valuation as at December 31, 2020 was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates and employee turnover and mortality. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group, which was 10 years. The assumptions used reflect management's best estimate. The main actuarial assumptions employed for the valuation are as follows:

Expected inflation rate	2.2%
Future health care premiums rates - first year 2020	7.66%
and decreasing each year to ultimate rate in 2041 of	4.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

5. 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:

	2020	2019
	\$	\$
Development charges	21,463,035	19,251,527
Parkland	430,379	426,434
Willoughby road and bridge charges	52	52
Federal gas tax	1,971,136	1,319,403
	23,864,602	20,997,416

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

	2020	2019
	\$	\$
Balance - beginning of year	20,997,416	21,481,627
Add amounts received:		
Development charges received	2,778,630	783,350
Federal gas tax received	639,579	1,240,830
Parkland fees	-	7,500
Interest	206,401	273,672
	3,624,610	2,305,352
Less transfer to operations:		
Development charges earned	757,424	1,642,346
Federal gas tax earned	-	1,147,217
	757,424	2,789,563
Balance - end of year	23,864,602	20,997,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

6. LONG TERM DEBT

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

	2020	2019
	\$	\$
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.	2,837,929	3,041,843
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.	508,361	645,701
	<u>3,346,290</u>	<u>3,687,544</u>

- (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 \$158,220 (2019 - \$177,446).

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

	Principal	Interest	Total
	\$	\$	\$
2021	354,559	144,916	499,475
2022	368,427	131,048	499,475
2023	382,884	116,591	499,475
2024	321,672	101,520	423,192
2025	258,240	88,667	346,907
	<u>1,685,782</u>	<u>582,742</u>	<u>2,268,524</u>
<u>2026 and subsequent years</u>	<u>1,660,508</u>	<u>247,479</u>	<u>1,907,987</u>
	<u>3,346,290</u>	<u>830,221</u>	<u>4,176,511</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

7. TANGIBLE CAPITAL ASSETS

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

	2020	2019
	\$	\$
General		
Land	19,091,791	19,091,791
Land improvements	2,993,153	2,895,871
Buildings	14,598,217	14,354,054
Equipment	15,562,153	11,165,233
Vehicles	3,450,061	3,655,773
Infrastructure		
Roads and bridges	29,721,919	28,964,181
Water and sanitary sewer systems	25,079,559	24,347,736
Storm sewers	9,149,234	8,889,877
	119,646,087	113,364,516
Assets under construction	929,392	8,893,917
	120,575,479	122,258,433

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

During the year there were no write-downs of assets (2019 - \$Nil) and no interest capitalized (2019 - \$Nil).

Land is further broken down between general capital assets \$5,929,977 (2019 - \$5,929,977) and infrastructure (linear) assets \$13,161,814 (2019 - \$13,161,814).

Land improvements is further broken down between general capital assets \$1,845,148 (2019 - \$1,715,531) and infrastructure (linear) assets \$1,148,005 (2019 - \$1,180,340).

	2020	2019
	\$	\$
General government	1,385,436	1,283,512
Protection services	3,213,305	3,205,461
Transportation services	46,445,436	47,609,577
Environmental services	55,841,977	56,408,305
Recreation and cultural services	13,649,809	13,728,198
Planning and development	39,516	23,380
	120,575,479	122,258,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

8. ACCUMULATED SURPLUS

(a) Accumulated surplus consists of the following:

	2020	2019
	\$	\$
Surplus/(Deficit)		
Township	-	(4,246)
Unfunded employee future benefits	(620,142)	(720,004)
	(620,142)	(724,250)
Invested In Capital Assets		
Tangible capital assets - net book value	120,575,479	122,258,433
Long term debt	(3,346,290)	(3,687,544)
	117,229,189	118,570,889
Surplus	116,609,047	117,846,639
Reserves		
Working funds	1,673,321	1,673,321
Contingencies	37,372	37,372
Acquisition of capital assets	2,231,385	1,929,649
Operations	109,903	109,903
Water and sewer - see (b) below	4,921,027	4,537,902
Future enforcement of Building Code Act - see (c) below	1,143,449	983,351
Special projects	2,966,457	2,131,164
Essa Public Library Board	25,194	17,757
Total Reserves	13,108,108	11,420,419
Reserve Funds		
Water and sewer services	161,123	159,409
Angus Business Improvement Area	825	19,201
Total Reserve Funds	161,948	178,610
	129,879,103	129,445,668

(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 \$141,459 in loan principal and \$15,775 in interest to the water and sewer reserve in 2020. The balance of the loan owing to the reserve at December 31, 2020 is \$1,120,568 (2019 - \$1,262,026).

(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, 2020

9. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF SIMCOE

During 2020, 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	8,807,429	9,507,034
Taxation from other governments	321,765	1,107,430
	9,129,194	10,614,464
Amounts requisitioned and remitted	9,129,194	10,614,464

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

10. 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 2020 Annual Report disclosed total actuarial liabilities of \$113,055 million in respect of benefits accrued for service with actuarial assets of \$109,844 million indicating an actuarial deficit of \$3,211 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 2020 were \$288,395 (2019 - \$273,833).

11. COMMITMENT

The Township along with two neighbouring municipalities (Adjala Tosorontio Township and New Tecumseth Township) 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. Upon the expiration of this contract, the municipalities agreed to a 3 year extension with similar terms. The Township's cost for policing is based on a per capita amount plus a per call charge. The 2020 Township OPP costs were \$2,980,460 (2019- \$2,916,607).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

12. EXPENSES BY OBJECT

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

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
Salaries and benefits	5,397,899	4,979,271	4,762,800
Interest charges	158,220	158,220	177,446
Materials	4,222,642	4,099,928	3,878,892
Contracted services	4,994,477	4,617,558	4,924,455
Rents and financial	24,225	41,270	44,489
External transfers	200,173	195,435	190,846
Amortization	4,077,693	4,293,095	4,077,692
Loss (gain) on disposal of tangible capital assets	-	262,146	64,710
	19,075,329	18,646,923	18,121,330

13. 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.

14. UNCERTAINTY CAUSED BY COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Township'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 Township's operations. The extent of the impact of this outbreak and related containment measures on the Township's operations cannot be reliably estimated at this time.

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.

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.

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2020

	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	4,365,687	27,142,146	23,089,899	7,097,084	65,736,381	31,323,047	12,291,606	8,893,917	199,031,558
Add: additions during the year	-	231,236	111,282	223,527	30,766	491,493	-	-	1,795,524	2,883,828
Less: disposals during the year	-	5,222	-	592,149	-	429,692	-	-	-	1,027,063
Internal transfers	-	23,361	818,424	5,245,523	124,274	1,920,046	1,136,928	491,493	(9,760,049)	-
Balance, end of year	19,091,791	4,615,062	28,071,852	27,966,800	7,252,124	67,718,228	32,459,975	12,783,099	929,392	200,888,323
ACCUMULATED AMORTIZATION										
Balance, beginning 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
Add: additions during the year	-	152,354	685,543	925,513	360,752	1,531,692	405,105	232,136	-	4,293,095
Less: disposals during the year	-	261	-	445,532	-	307,583	-	-	-	753,376
Balance, end of year	-	1,621,909	13,473,635	12,404,647	3,802,063	37,996,309	7,380,416	3,633,865	-	80,312,844
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	19,091,791	2,993,153	14,598,217	15,562,153	3,450,061	29,721,919	25,079,559	9,149,234	929,392	120,575,479

CORPORATION OF THE TOWNSHIP OF ESSA



CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2020

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues							
Property taxation	1,403,183	4,420,637	4,056,468	-	855,867	301,797	11,037,952
User charges	109,376	637,351	47,217	3,499,152	328,326	211,960	4,833,382
Government transfers - operating	1,319,497	-	35,140	-	57,655	18,362	1,430,654
Government transfers - capital	-	-	516,692	-	-	-	516,692
Other municipalities	-	32,163	-	-	-	-	32,163
Penalties and interest on taxes	213,478	-	-	-	-	-	213,478
Investment income	166,265	-	-	1,714	-	-	167,979
Donations	5,000	-	-	-	46,089	-	51,089
Sale of assets and other	13,054	-	-	26,491	-	-	39,545
Developer contributions earned	-	63,800	111,854	401,999	155,806	23,965	757,424
Total revenues	3,229,853	5,153,951	4,767,371	3,929,356	1,443,743	556,084	19,080,358
Expenses							
Salaries and benefits	973,179	1,126,679	1,187,063	144,012	1,312,263	236,075	4,979,271
Interest charges	-	-	-	158,220	-	-	158,220
Materials	462,582	456,172	1,499,656	1,081,366	532,673	67,479	4,099,928
Contracted services	157,133	3,091,251	55,173	1,136,380	133,126	44,495	4,617,558
Rents and financial	36,826	-	-	3,221	1,223	-	41,270
External transfers	9,112	186,323	-	-	-	-	195,435
Amortization	30,027	262,935	1,985,524	1,434,022	576,196	4,391	4,293,095
Loss (gain) on disposal of tangible capital assets	460	-	122,109	95,682	38,934	4,961	262,146
Total expenses	1,669,319	5,123,360	4,849,525	4,052,903	2,594,415	357,401	18,646,923
Net surplus/(deficit)	1,560,534	30,591	(82,154)	(123,547)	(1,150,672)	198,683	433,435

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 Sewer \$	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
Donated tangible capital assets	-	-	-	91,042	-	-	91,042
Sale of assets and other	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

ESSA PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, 2020, the statements of operations and accumulated surplus, change in net financial assets/(net debt) 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, 2020, 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

Baker Tilly KDN LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

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
January 26, 2022

CORPORATION OF THE TOWNSHIP OF ESSA**ESSA PUBLIC LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2020**

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash	52,374	51,786
LIABILITIES		
Accounts payable	5,000	2,500
Due to Township of Essa (note 5)	28,061	43,223
TOTAL LIABILITIES	33,061	45,723
NET FINANCIAL ASSETS	19,313	6,063
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	573,186	586,759
Prepaid expenses	5,881	11,694
TOTAL NON-FINANCIAL ASSETS	579,067	598,453
ACCUMULATED SURPLUS (note 3)	598,380	604,516

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, 2020

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
REVENUES			
Contribution from Township of Essa	786,137	737,922	708,101
Province of Ontario	25,297	25,297	25,297
Government of Canada	5,448	32,358	-
User fees, fundraising and donations	86,320	59,902	96,604
TOTAL REVENUES	903,202	855,479	830,002
EXPENSES			
Salaries and benefits	620,702	614,094	549,094
Utilities	26,200	25,473	27,806
Subscriptions and periodicals	1,740	1,552	1,844
Insurance and audit	7,625	6,997	6,066
Computer support and supplies	16,950	14,826	15,315
Facility costs	47,600	31,102	45,381
Office	50,650	43,164	42,435
Fundraising costs	2,000	1,130	2,255
Amortization	96,961	109,253	96,961
Other operating costs	23,235	13,700	22,027
Contract services	3,300	324	3,582
TOTAL EXPENSES	896,963	861,615	812,766
ANNUAL SURPLUS/(DEFICIT)	<u>6,239</u>	(6,136)	17,236
ACCUMULATED SURPLUS - beginning of year		604,516	587,280
ACCUMULATED SURPLUS - end of year		598,380	604,516

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/(NET DEBT)
For the Year Ended December 31, 2020**

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
ANNUAL SURPLUS/(DEFICIT)	6,239	(6,136)	17,236
Amortization of tangible capital assets	96,961	109,253	96,961
Acquisition of tangible capital assets	(130,700)	(95,680)	(107,578)
Change in prepaid expenses	-	5,813	(6,130)
CHANGE IN NET FINANCIAL ASSETS/(NET DEBT)	(27,500)	13,250	489
NET FINANCIAL ASSETS - beginning of year	6,063	6,063	5,574
NET FINANCIAL ASSETS/(NET DEBT) - end of year	(21,437)	19,313	6,063

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, 2020**

	2020	2019
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	(6,136)	17,236
Items not involving cash		
Amortization of tangible capital assets	109,253	96,961
Change in non-cash assets and liabilities		
Accounts receivable	-	227
Prepaid expenses	5,813	(6,130)
Accounts payable	2,500	-
Due to Township of Essa	(15,162)	24,957
Net change in cash from operating activities	96,268	133,251
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(95,680)	(107,578)
NET CHANGE IN CASH	588	25,673
CASH - beginning of year	51,786	26,113
CASH - end of year	52,374	51,786

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 of tangible capital assets are based on estimates of useful life and residual values.

(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. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. 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, 2020**

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 \$	2020 Totals \$	2019 Totals \$
COST				
Balance, beginning of year	347,276	729,638	1,076,914	980,663
Add: additions during the year	10,775	84,905	95,680	107,578
Less: disposals during the year	19,259	-	19,259	11,327
Balance, end of year	338,792	814,543	1,153,335	1,076,914
ACCUMULATED AMORTIZATION				
Balance, beginning of year	157,625	332,530	490,155	404,521
Add: additions during the year	28,021	81,232	109,253	96,961
Less: disposals during the year	19,259	-	19,259	11,327
Balance, end of year	166,387	413,762	580,149	490,155
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	172,405	400,781	573,186	586,759

**ESSA PUBLIC LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2020	2019
	\$	\$
Invested In Capital Assets		
Tangible capital assets - net book value	573,186	586,759
Surplus	573,186	586,759
Reserve		
Future capital costs	25,194	17,757
	598,380	604,516

4. BUDGET FIGURES

The operating budget, approved by the Board, for 2020 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets/(Net Debt). 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 inter-entity expense transactions are as follows:

	2020	2019
	\$	\$
Allocated costs:		
Treasurer wages	4,400	4,400
Insurance	3,300	2,100
	7,700	6,500

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. UNCERTAINTY CAUSED BY COVID-19

In March 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, 2020

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, 2020, 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, 2020, 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
January 26, 2022

CORPORATION OF THE TOWNSHIP OF ESSA



**ANGUS BUSINESS IMPROVEMENT AREA BOARD
STATEMENT OF FINANCIAL POSITION
At December 31, 2020**

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Due from Township of Essa (note 5)	825	19,201
NET FINANCIAL ASSETS	825	19,201
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	39,516	23,380
ACCUMULATED SURPLUS (note 3)	40,341	42,581

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, 2020**

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
REVENUES			
Taxation	25,000	30,399	28,124
EXPENSES			
Decorations	5,600	8,943	2,080
Landscaping	11,260	11,304	16,053
Amortization	-	4,391	261
Tax write offs	-	1,484	-
Professional fees	-	1,500	1,500
Memberships and other	980	56	2,413
Loss on disposal of tangible capital assets	-	4,961	-
TOTAL EXPENSES	17,840	32,639	22,307
ANNUAL SURPLUS/(DEFICIT)	<u>7,160</u>	(2,240)	5,817
ACCUMULATED SURPLUS - beginning of year		42,581	36,764
ACCUMULATED SURPLUS - end of year		40,341	42,581

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, 2020**

	Budget 2020 \$ (Unaudited)	Actual 2020 \$	Actual 2019 \$
ANNUAL SURPLUS/(DEFICIT)	7,160	(2,240)	5,817
Amortization of tangible capital assets	-	4,391	261
Acquisition of tangible capital assets	(7,160)	(25,488)	(23,641)
Loss on disposal of tangible capital assets	-	4,961	-
DECREASE IN NET FINANCIAL ASSETS	-	(18,376)	(17,563)
NET FINANCIAL ASSETS - beginning of year	19,201	19,201	36,764
NET FINANCIAL ASSETS - end of year	19,201	825	19,201

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, 2020**

	2020	2019
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	(2,240)	5,817
Items not involving cash		
Amortization of tangible capital assets	4,391	261
Loss on disposal of tangible capital assets	4,961	-
Change in non-cash assets and liabilities		
Due from Township of Essa	18,376	17,563
Net change in cash from operating activities	25,488	23,641
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(25,488)	(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, 2020**

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. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. 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
Machinery and equipment	10 years

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, 2020

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 \$	Machinery and equipment \$	Assets Under Construction \$	2020 Totals \$	2019 Totals \$
COST					
Balance, beginning of year	5,222	-	18,419	23,641	-
Add: additions during the year	-	-	25,488	25,488	23,641
Less: disposals during the year	5,222	-	-	5,222	-
Internal transfers	-	43,907	(43,907)	-	-
Balance, end of year	-	43,907	-	43,907	23,641
ACCUMULATED AMORTIZATION					
Balance, beginning of year	261	-	-	261	-
Add: additions during the year	-	4,391	-	4,391	261
Less: disposals during the year	261	-	-	261	-
Balance, end of year	-	4,391	-	4,391	261
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	-	39,516	-	39,516	23,380

**ANGUS BUSINESS IMPROVEMENT AREA BOARD
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2020	2019
	\$	\$
Invested In Capital Assets		
Tangible capital assets - net book value	39,516	23,380
Surplus	39,516	23,380
Reserve Fund		
Operations	825	19,201
	40,341	42,581

4. 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 inter-entity expense transactions are as follows:

	2020	2019
	\$	\$
Allocated costs:		
Professional fees	1,500	1,500
	1,500	1,500

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.

5. BUDGET FIGURES

The operating budget, approved by the Board, for 2020 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.

6. UNCERTAINTY CAUSED BY COVID-19

In March 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.