

Consolidated Financial Statements

**THE CORPORATION OF THE
TOWN OF ESPANOLA**

And Independent Auditors' Report thereon

Year ended December 31, 2021

THE CORPORATION OF THE TOWN OF ESPANOLA

Consolidated Financial Statements

Year ended December 31, 2021

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of the Espanola (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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



Mayor

Chief Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Residents and Ratepayers of the Corporation of the Town of Espanola

Opinion

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

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

(Hereinafter referred to as the “financial statements”)

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

Basis for Opinion

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

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



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

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

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

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

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 the financial statements.

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

We also:

- Identify and assess the risk 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, internal omissions, misrepresentations, or the override of internal control.



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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

August 23, 2022

THE CORPORATION OF THE TOWN OF ESPANOLA

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	\$ 12,227,009	\$ 13,987,616
Taxes receivable (note 2)	727,481	823,191
User charges receivable	477,217	400,247
Grants receivable	392,413	964,504
Accounts receivable	965,408	155,335
	<u>14,789,528</u>	<u>16,330,893</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,667,825	1,940,148
Long-term debt (note 3)	4,788,113	5,007,365
Deferred revenue	553,597	667,164
Deferred revenue - obligatory reserve funds (note 4)	1,133,074	1,837,768
Employee post-employment benefits (note 5)	436,151	429,545
	<u>8,578,760</u>	<u>9,881,990</u>
Net financial assets	6,210,768	6,448,903
Non-financial assets		
Tangible capital assets (note 6)	56,951,806	54,708,926
Prepaid expenses and inventory	68,903	53,344
Land held for resale	112,246	257,246
	<u>57,132,955</u>	<u>55,019,516</u>
Contingent liabilities (note 8)		
Commitments (note 13)		
Accumulated surplus (note 7)	<u>\$ 63,343,723</u>	<u>\$ 61,468,419</u>

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

On behalf of Council:



Mayor



Chief Administrative Officer

THE CORPORATION OF THE TOWN OF ESPANOLA

Consolidated Statement of Operations and Accumulated Surplus

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

	2021 Budget (note 12)	2021 Actual	2020 Actual
Revenues:			
Taxation:			
Residential and farm	\$ 5,713,437	\$ 5,826,690	\$ 5,715,096
Commercial, industrial and business	2,922,729	2,917,731	3,010,372
Other governments and agencies	80,763	59,503	92,979
	8,716,929	8,803,924	8,818,447
Deduct:			
Amounts raised on behalf of the school boards	1,039,531	1,033,616	1,061,994
	7,677,398	7,770,308	7,756,453
Grants and contribution:			
Government of Canada	2,422,670	1,454,765	3,920
Province of Ontario	4,412,370	3,969,485	5,495,120
Other municipalities	3,573	3,573	3,573
	6,838,613	5,427,823	5,502,613
User charges:			
Sewer and water charges	2,910,910	2,742,593	2,755,397
Fees, service charges and donations	1,326,099	1,004,584	1,227,230
	4,237,009	3,747,177	3,982,627
Other:			
Licenses and permits	116,774	145,475	112,767
Investment income	175,000	76,810	188,348
Penalties and interest charges	110,000	81,403	57,946
Other	1,122,350	28,745	8,207
	1,524,124	332,433	367,268
Total revenues	20,277,144	17,277,741	17,608,961
Expenses:			
General government	1,931,595	1,978,075	1,536,515
Protection services	4,257,190	3,848,964	3,828,452
Transportation services	2,260,605	3,082,581	3,055,072
Environmental services	3,556,390	3,248,923	3,465,938
Health services	1,047,665	1,024,220	1,052,108
Social and family services	439,560	418,280	436,003
Recreational and cultural services	2,052,878	1,672,110	1,743,493
Planning and development	118,325	129,284	192,306
Total expenses	15,664,208	15,402,437	15,309,887
Annual surplus	4,612,936	1,875,304	2,299,074
Accumulated surplus, beginning of year	61,468,419	61,468,419	59,169,345
Accumulated surplus, end of year	\$ 66,081,355	\$ 63,343,723	\$ 61,468,419

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

THE CORPORATION OF THE TOWN OF ESPANOLA

Consolidated Statement of Changes in Net Financial Assets

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

	2021	2020
Annual surplus	\$ 1,875,304	\$ 2,299,074
Acquisition of tangible capital assets	(4,252,150)	(3,281,164)
Amortization of tangible capital assets	1,960,250	1,909,629
Loss on sale of tangible capital assets	49,020	106,707
Proceeds on sale of tangible capital assets	-	40,700
Proceeds on sale of land held for resale	60,238	-
Loss on land held for resale	84,762	-
Change in prepaid expenses and inventory	(15,559)	6,688
Change in net financial assets	(238,135)	1,081,634
Net financial assets, beginning of year	6,448,903	5,367,269
Net financial assets, end of year	\$ 6,210,768	\$ 6,448,903

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

THE CORPORATION OF THE TOWN OF ESPANOLA

Consolidated Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,875,304	\$ 2,299,074
Items not involving cash:		
Amortization of tangible capital assets	1,960,250	1,909,629
Loss on sale of tangible capital assets and land held for resale	133,782	106,707
Increase (decrease) in employee future benefits liability	6,606	(2,840)
	3,975,942	4,312,570
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable	(810,073)	90,576
Decrease (increase) in taxes receivable	95,710	(255,756)
Decrease (increase) in user charges receivable	(76,970)	103,942
Decrease (increase) in grants receivable	572,091	(38,477)
Increase (decrease) in accounts payable and accrued liabilities	(272,323)	250,443
Increase (decrease) in deferred revenue	(113,567)	385,637
Increase (decrease) in deferred revenue - obligatory reserve funds	(704,694)	321,711
Decrease (increase) in prepaid expenses and inventory	(15,559)	6,688
Net change in cash from operating activities	2,650,557	5,177,334
Capital activities:		
Cash used to acquire tangible capital assets	(4,252,150)	(3,281,164)
Proceeds on land held for resale	60,238	-
Proceeds on sale of tangible capital assets	-	40,700
Net change in cash from capital activities	(4,191,912)	(3,240,464)
Financing activities:		
Repayment of long-term debt	(219,252)	(210,624)
Net change in cash from financing activities	(219,252)	(210,624)
Net change in cash	(1,760,607)	1,726,246
Cash, beginning of year	13,987,616	12,261,370
Cash, end of year	\$ 12,227,009	\$ 13,987,616

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

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

The Corporation of the Town of Espanola (the "Town") is a single-tier municipal corporation located in Northern Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity:

i) Local Boards:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity and include the activities of all committees of Council and the following local boards which are under the control of Council:

Town of Espanola Police Services Board

Espanola Public Library Board

Espanola Economic Development Corporation

ii) Joint Local Boards:

These consolidated financial statements reflect contributions to the following joint local boards, which are not under the direct control of council, as expense in the consolidated statement of operations and accumulated surplus:

Sudbury and District Health Unit

Manitoulin-Sudbury District Services Board

iii) Accounting for School Board Transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements. The amounts raised on behalf of school boards are included in the gross taxation revenues and are deducted in the consolidated statement of operations and accumulated surplus in determine the taxation revenue for the Town.

iv) Trust Funds:

Trust funds and their related operations administered by the Town are not consolidated, but are reported separately on the Trust Fund's financial statements.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(b) Basis of accounting:

i) Accrual accounting:

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

ii) Inventory:

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

iii) Pensions and employee benefits:

The Town accounts for its participation in the Ontario Municipal Employee Retirement Systems ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

Vacation entitlements are accrued for as entitlements are earned.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference of the Town's cost of borrowing.

Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experiences and from changes in actuarial assumptions used to determine the accrued benefit obligation. These gains (losses) are amortized over the estimated average remaining service life of employees (11.9 years).

(c) Tangible capital assets:

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

Assets	Useful Life - Years
Buildings	40 - 50
Furniture and equipment	10 - 45
Automotive equipment	5 - 25
Infrastructure – roads bridges and culverts	15 – 70
Water and sewer	75

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Assets under construction are not amortized until the asset is available for productive use. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

(d) Revenue recognition:

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amount the Town is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of supplementary assessments and appeals are estimated based on historical results.

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

Government transfers are recognized in the period that the events giving rise to the transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met and the amount can be reasonably estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred revenue and are recognized as revenue in the period in which all of these criteria are met.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(e) Deferred revenue – obligatory reserve funds:

The Town receives certain contributions under the authority of federal and provincial legislation. These contributions are restricted in their use and, until spent on qualifying projects or expenses, are recorded as deferred revenue.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(f) Financial instruments:

The Town initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Town subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of operations.

Financial assets measured at amortized cost include cash, taxes receivable, user charges receivable, grants receivable, account receivables and other long-term receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, employee post employment benefits and long-term debt.

(g) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include estimated useful lives of tangible capital assets, estimate of employee post-employment benefits obligation and estimated amounts for uncollectible accounts receivable and reassessment of taxes receivable. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Taxes receivable:

	2021	2020
Taxes receivable	\$ 699,937	\$ 789,906
Interest receivable on outstanding tax balances	52,544	58,285
Allowance for doubtful accounts	(25,000)	(25,000)
	\$ 727,481	\$ 823,191

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Long-term debt:

	2021	2020
Ontario Infrastructure Projects Corporation (OIPC) debenture, repayable in semi-annual payments of \$198,038 including interest at 3.59% per annum, maturing December 2037	\$ 4,788,113	\$ 5,007,365

Principal payments on the long-term debt are as follows:

2022	\$ 226,158
2023	234,350
2024	242,839
2025	251,635
2026	260,750
Thereafter	3,572,381
	<u>\$ 4,788,113</u>

4. Deferred revenue – obligatory reserve funds:

A requirement of the Canadian public sector accounting standards 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 Town are summarized below:

	2021	2020
Deferred revenue, beginning of year	\$ 1,837,768	\$ 1,516,057
Contributions received during the year	672,370	323,038
Interest earned on obligatory reserve funds	12,177	15,436
Amounts recognized as revenue during the year	(1,389,241)	(16,763)
Deferred revenue, end of year	<u>\$ 1,133,074</u>	<u>\$ 1,837,768</u>

	2021	2020
Deferred revenue – obligatory reserve consists of the following:		
Federal gas tax revenue	\$ 1,043,092	\$ 1,793,143
Dedicated gas tax revenue for public transportation	89,982	44,625
	<u>\$ 1,133,074</u>	<u>\$ 1,837,768</u>

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Post-employment benefits:

The Town pays certain benefits on behalf of its retired employees. The Town recognizes these post-employment costs in the period in which the employees rendered the services. The accrued benefit liability in the amount of \$436,151 (2020 - \$429,545) reflects an obligation of \$351,231 plus an unamortized actuarial gain of \$84,920 and the expense for the period ended December 31, 2021 was determined using a discount rate of 2.8% (2020 - 2.2%).

The fair value of accrued benefit obligations were determined by independent actuaries as at December 31, 2021.

Information about Town's benefit plan is as follows:

	2021	2020
Accrued benefit obligation at December 31	\$ 429,545	\$ 432,385
Expense for the period	28,691	22,908
Less: benefits paid for the period	(22,085)	(25,748)
Accrued benefit obligation at December 31	\$ 436,151	\$ 429,545

For measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits was assumed as follows:

Dental	4%
Extended health care trend	6% in the first year following valuation: Decreasing over 10 years to 4% per year

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Financial Statements

Year ended December 31, 2021

6. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals	Transfers in (out)	Balance at December 31, 2021
Land	\$ 5,121,649	-	-	-	\$ 5,121,649
Buildings	17,993,742	-	-	-	17,993,742
Roads, bridges and culverts	22,863,196	1,137,746	(73,094)	13,545	23,941,393
Automotive equipment	2,406,340	44,143	(32,413)	-	2,418,070
Furniture and equipment	13,073,543	564,139	(112,384)	-	13,525,298
Water and sewer	27,577,777	19,669	-	-	27,597,446
Assets under construction	553,351	2,486,453	-	(13,545)	3,026,259
Total	\$ 89,589,598	4,252,150	(217,891)	-	\$ 93,623,857

Accumulated Amortization	Balance at December 31, 2020	Amortization	Disposals	Balance at December 31, 2021
Land	\$ 1,956,947	84,560	-	\$ 2,041,507
Buildings	7,385,673	365,309	-	7,750,982
Roads, bridges and culverts	8,923,729	639,460	(54,512)	9,508,677
Automotive equipment	1,010,822	112,949	(21,609)	1,102,162
Furniture and equipment	8,971,820	373,771	(92,750)	9,252,841
Water and sewer	6,631,681	384,201	-	7,015,882
Assets under construction	-	-	-	-
Total	\$ 34,880,672	1,960,250	(168,871)	\$ 36,672,051

	Net book value, December 31, 2020	Net book value, December 31, 2021
Land	\$ 3,164,702	\$ 3,080,142
Buildings	10,608,069	10,242,760
Roads, bridges and culverts	13,939,467	14,432,716
Automotive equipment	1,395,518	1,315,908
Furniture and equipment	4,101,723	4,272,457
Water and sewer	20,946,096	20,581,564
Assets under construction	553,351	3,026,259
Total	\$ 54,708,926	\$ 56,951,806

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Financial Statements

Year ended December 31, 2021

6. Tangible capital assets (continued):

Cost	Balance at December 31, 2019	Additions	Disposals	Transfers in (out)	Balance at December 31, 2020
Land	\$ 5,084,134	37,515	-	-	\$ 5,121,649
Buildings	17,892,121	101,621	-	-	17,993,742
Roads, bridges and culverts	20,617,910	2,527,310	(308,199)	26,175	22,863,196
Automotive equipment	2,592,274	44,358	(230,292)	-	2,406,340
Furniture and equipment	12,892,177	337,863	(156,497)	-	13,073,543
Water and sewer	27,430,786	179,297	(32,306)	-	27,577,777
Assets under construction	526,326	53,200	-	(26,175)	553,351
Total	\$ 87,035,728	3,281,164	(727,294)	-	\$ 89,589,598

Accumulated Amortization	Balance at December 31, 2019	Amortization	Disposals	Balance at December 31, 2020
Land	\$ 1,872,386	84,561	-	\$ 1,956,947
Buildings	7,022,058	363,615	-	7,385,673
Roads, bridges and culverts	8,632,151	579,833	(288,255)	8,923,729
Automotive equipment	1,043,133	117,614	(149,925)	1,010,822
Furniture and equipment	8,722,273	381,275	(131,728)	8,971,820
Water and sewer	6,258,929	382,731	(9,979)	6,631,681
Assets under construction	-	-	-	-
Total	\$ 33,550,930	1,909,629	(579,887)	\$ 34,880,672

	Net book value, December 31, 2019	Net book value, December 31, 2020
Land	\$ 3,211,748	\$ 3,164,702
Buildings	10,870,063	10,608,069
Roads, bridges and culverts	11,985,759	13,939,467
Automotive equipment	1,549,141	1,395,518
Furniture and equipment	4,169,904	4,101,723
Water and sewer	21,171,857	20,946,096
Assets under construction	526,326	553,351
Total	\$ 53,484,798	\$ 54,708,926

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2021	2020
Equity in tangible capital assets	\$ 52,163,693	\$ 49,701,561
Reserve and reserve funds set aside for specific purpose by Council:		
Tax rate stabilization	181,885	1,594,341
Elections	32,452	22,452
Household hazardous waste	14,754	14,754
Winter maintenance	132,133	102,133
Environmental	68,693	68,693
Planning and zoning	478	8,978
Building Services	56,163	112,163
Uninsured claims	19,699	19,699
Cannabis Implementation	18,819	18,819
Municipal Modernization	582,909	582,909
Utility proceeds	6,409,738	6,409,738
Buildings	(699,413)	(969,613)
Vehicles and equipment	246,187	383,800
Roads	124,016	232,587
Water and sewer	3,852,599	3,032,187
Trails	33,403	33,403
Emergency measures	47,745	44,995
Parklands	15,733	12,783
Pay Equity	42,037	42,037
	11,180,030	11,766,858
	\$ 63,343,723	\$ 61,468,419

8. Contingent liabilities:

The Town receives transfers from the governments of Canada and Ontario. Some government transfers are subject to audit by the transferring government with adjustments, if any, repayable to the transferring government. Audit adjustments, if any, are recorded in the accounts in the year in which they become known.

9. Trust funds:

Trust funds administered by the Town amounting to \$297,017 (2020 - \$284,148) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Pension plan:

OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total going concern actuarial liabilities of \$120,796 million (2020 - \$113,055 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$117,665 million (2020 - \$109,844 million) indicating a going concern actuarial deficit of \$3,131 million (2020 - \$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 and the Authority's share is not determinable. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2021 was \$273,716 (2020 - \$327,172) for current service and is included as an expense on the consolidated statement of operations and accumulated surplus.

11. Public sector salary disclosures:

In the 2021 calendar year, four employees were paid a salary, as defined in the Public Sector Salary Disclosures Act, 1996, of \$100,000 or more by the Town.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Budget:

The budget adopted by Council on June 2, 2021 was not prepared on a basis consistent with that used to report actual results in these consolidated financial statements. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require the full accrual basis. The budget figures include a transfer of the anticipated annual surplus to reserves. In addition, the budget expenses all tangible capital asset acquisitions and does not include a full provision for amortization expense. As a result, the budget figures presented in the consolidated statements of operations and accumulated surplus represent the budget adopted by Council, adjusted as follows:

	Council Approved Budget Amount
Revenue:	
Operating	\$15,088,254
Capital	10,383,950
	25,472,204
Less:	
Transfers from reserves	(5,195,060)
Total revenue	20,277,144
Expenses:	
Operating	14,592,111
Capital	10,383,950
Amortization	1,122,347
	26,098,408
Less:	
Capital expenditures	(10,383,950)
Transfers from reserves	(50,250)
Total expenses	15,664,208
Budget surplus	\$ 4,612,936

13. Commitments:

- a) The Town has entered into a management services agreement with the Ontario Clean Water Agency ("OCWA") to operate and maintain the Town's water treatment plant and distribution system. The agreement is for a ten year period ending December 31, 2026, at an annual base rate of \$687,539, plus cost of inflation adjustment, plus adjustment for maintaining insurance and plus an estimate for the total chemical costs.
- b) The Town entered into a waste collection services agreement with Riverside Enterprises for a ten year period which ended May 31, 2014, with a base price of \$122,887 to be amended yearly to reflect the cost of inflation. The contract has been taken over by GFL Environmental Inc. and the Town is currently in negotiations to renew this contract. The Town increased its current payment to reflect the cost of inflation to a base price of \$179,663 plus fuel surcharges.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Commitments (continued):

- c) The Town has entered into a recycling services agreement with Municipal Waste and Recycling consultants for a ten year period which ended April 30, 2019, at an annual cost of \$73,425 plus 1% adjustment per annum. The Town is currently in negotiations to renew this contract.
- d) The Town has entered into a waste disposal services agreement with H. Dodge Haulage Limited for a ten-year period which ended on December 31, 2021, with a base rate of \$268,108 to be adjusted annually based on the number of residential units presented by the Municipal Property Assessment Corporation. The Town is in the process of finalizing a new ten-year agreement with a base rate of \$272,827 for the first five years with the base rate adjusted for cost of living increases for the remaining five years.
- e) As of December 31, 2021, the Town has available an operating line of credit of \$2,000,000 (2020 - \$2,000,000). There is no balance outstanding on the line of credit of the year end date.

14. Financial instruments:

Transactions in financial instruments may result in an entity assuming or transferring, to another party, financial risks. The Town is exposed to the following risks associated with financial instruments and transactions it is a party to:

a) Credit risk:

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Town is exposed to the risk relating to its cash, accounts receivable, taxes receivable, user charges receivable and other long-term receivables.

The Town holds cash accounts with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

The Town is exposed to credit risk in accounts receivable which includes ratepayers, government and other receivables. The Town measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

b) Liquidity risk:

Liquidity risk is the risk that the Town cannot repay its obligations when they become due to its creditor. The Town is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt.

The Town reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash to repay creditors as they become due.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Financial instruments (continued):

c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Town is exposed to this risk mainly in respect of its bank facilities and long-term debt.

The Town has minimal interest rate exposure on its bank facilities and long-term debt, which are at fixed rates.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

d) Other risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus.

The impact of COVID-19 is expected to have some negative effects on operations. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Township is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

15. Segmented information:

The Town is a diversified municipal government institution that provides a wide range of services to citizens. Services include water, roads, fire, police, waste management, recreation programs, economic development, land use planning and health and social services. For management reporting purposes, the Town's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information (continued):

Town services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

General government consists of: Office of the Mayor, Council expenses, administrative services (including clerks, elections, communications, legal and information technology services, human resources and financial departments). Areas within the general government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues, relating to governance, strategic planning and service delivery.

(b) Protection Services:

This section consists of fire, police, animal control, building services, emergency measures and management of Provincial Offences Act. Police services ensure the safety of the lives and property of citizens; preserve peace and order; prevent crimes from occurring, detect offenders and enforce the law. Fire services is responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection and extinguishment of fires. The building services division processes permit applications and ensure compliance with the Ontario Building Code and with by-laws enacted by Council.

(c) Transportation Services:

The transportation department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, winter control and street lighting.

(d) Environmental Services:

In addition to management of waterworks, sanitary and storm sewer systems, this area is responsible for waste collection, waste disposal and recycling facilities and programs. This section is responsible for providing clean, potable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system. This section produces quality effluents meeting regulatory requirements and minimizing environment degradation.

(e) Health and Social Services:

This section consists of assistance to aged persons, cemetery services as well as the Town's contribution to the Public Health Sudbury and Districts and Manitoulin-Sudbury District Services Board.

(f) Recreation and cultural:

This section provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Town's citizens through the provision of library and cultural services and by preserving local history and managing archived data.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information (continued):

(g) Planning and community developmental:

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities, and to ensure that the Town is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles, so that Espanola is an enjoyable and beautiful community to live, work, play and shop.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, certain government grants and other revenue are apportioned to services based on a percentage of operations.

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

THE CORPORATION OF THE TOWN OF ESPANOLA

Note 15 - Segmented Information

Year ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	2021 Total
Revenue:								
Grants	\$ 2,700,544	43,235	1,090,484	1,556,278	-	37,282	-	\$ 5,427,823
User charges	130,909	643,090	6,567	2,801,301	28,554	121,617	15,139	3,747,177
Other	185,630	145,593	-	-	-	1,210	-	332,433
	3,017,083	831,918	1,097,051	4,357,579	28,554	160,109	15,139	9,507,433
Expenses:								
Salaries, wages and benefits	1,041,730	799,704	1,392,486	233,649	36,050	986,681	15,667	4,505,967
Purchase of goods and materials	39,906	70,044	709,673	413,118	2,519	319,189	68	1,554,517
Contracts and services	805,880	2,689,258	148,326	1,438,895	6,637	198,896	102,057	5,389,949
Amortization of tangible capital assets	4,796	117,480	786,541	874,680	12,202	161,553	2,998	1,960,250
Rents, financial expenses and other	7,659	165,488	583	106,880	-	5,791	-	286,401
Interest on long-term debt	-	-	-	177,657	-	-	-	177,657
Other transfers	1,832	6,990	-	-	1,385,092	-	-	1,393,914
Loss on disposal of tangible capital assets	76,272	-	44,972	4,044	-	-	8,494	133,782
	1,978,075	3,848,964	3,082,581	3,248,923	1,442,500	1,672,110	129,284	15,402,437
Excess (deficiency) of revenue over expenses	1,039,008	(3,017,046)	(1,985,530)	1,108,656	(1,413,946)	(1,512,001)	(114,145)	(5,895,004)
Funded through:								
Taxation								7,770,308
Annual surplus								\$ 1,875,304

THE CORPORATION OF THE TOWN OF ESPANOLA

Note 15 - Segmented Information

Year ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	2020 Total
Revenue:								
Grants	\$ 2,991,359	25,250	2,443,988	-	-	42,016	-	\$ 5,502,613
User charges	151,936	754,367	13,107	2,841,603	22,662	184,821	14,131	3,982,627
Other	253,954	108,056	-	-	-	258	5,000	367,268
	3,397,249	887,673	2,457,095	2,841,603	22,662	227,095	19,131	9,852,508
Expenses:								
Salaries, wages and benefits	920,356	699,815	1,405,632	254,400	35,947	984,839	27,660	4,328,649
Purchase of goods and materials	74,690	83,654	718,190	413,155	6,378	352,136	9,629	1,657,832
Contracts and services	529,805	2,580,222	183,707	1,534,390	786	238,150	149,160	5,216,220
Amortization of tangible capital assets	3,408	119,956	725,749	884,497	12,202	160,162	3,655	1,909,629
Rents, financial expenses and other	7,336	183,884	146	106,344	534	8,206	2,202	308,652
Interest on long-term debt	-	-	-	184,893	-	-	-	184,893
Other transfers	920	164,121	-	-	1,432,264	-	-	1,597,305
Loss (gain) on disposal of tangible capital assets	-	(3,200)	21,648	88,259	-	-	-	106,707
	1,536,515	3,828,452	3,055,072	3,465,938	1,488,111	1,743,493	192,306	15,309,887
Excess (deficiency) of revenue over expenses	1,860,734	(2,940,779)	(597,977)	(624,335)	(1,465,449)	(1,516,398)	(173,175)	(5,457,379)
Funded through:								
Taxation								7,756,453
Annual surplus								\$ 2,299,074