

Consolidated Financial Statements

**THE CORPORATION OF THE
TOWN OF ESPANOLA**

And Independent Auditor's Report thereon

Year ended December 31, 2022

THE CORPORATION OF THE TOWN OF ESPANOLA

Consolidated Financial Statements

Year ended December 31, 2022

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


Mayor
Chief Administrative Officer



KPMG LLP
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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.



- 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 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 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Sudbury, Canada
June 27, 2023

THE CORPORATION OF THE TOWN OF ESPANOLA

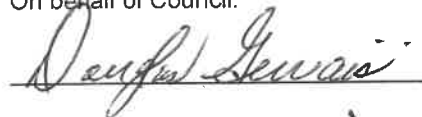
Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Financial assets | | |
| Cash | \$ 9,800,324 | \$ 12,227,009 |
| Taxes receivable (note 2) | 631,840 | 727,481 |
| User charges receivable | 484,171 | 477,217 |
| Grants receivable | 1,548,972 | 392,413 |
| Accounts receivable | 882,947 | 965,408 |
| | <u>13,348,254</u> | <u>14,789,528</u> |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | 2,680,310 | 1,667,825 |
| Long-term debt (note 3) | 4,561,955 | 4,788,113 |
| Deferred revenue | 139,827 | 553,597 |
| Deferred revenue - obligatory reserve funds (note 4) | 92,230 | 1,133,074 |
| Employee post-employment benefits (note 5) | 418,621 | 436,151 |
| | <u>7,892,943</u> | <u>8,578,760</u> |
| Net financial assets | 5,455,311 | 6,210,768 |
| Non-financial assets | | |
| Tangible capital assets (note 6) | 61,800,105 | 56,951,806 |
| Prepaid expenses and inventory | 86,469 | 68,903 |
| Land held for resale | 11,246 | 112,246 |
| | <u>61,897,820</u> | <u>57,132,955</u> |
| Contingent liabilities (note 8) | | |
| Commitments (note 13) | | |
| Accumulated surplus (note 7) | <u>\$ 67,353,131</u> | <u>\$ 63,343,723</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, 2022, with comparative information for 2021

| | 2022 Budget (note 12) | 2022 Actual | 2021 Actual |
|---|-----------------------------|----------------------|----------------------|
| Revenues: | | | |
| Taxation: | | | |
| Residential and farm | \$ 5,849,222 | \$ 5,848,623 | \$ 5,826,690 |
| Commercial, industrial and business | 2,924,538 | 2,896,751 | 2,917,731 |
| Other governments and agencies | 89,335 | 59,221 | 59,503 |
| | 8,863,095 | 8,804,595 | 8,803,924 |
| Deduct: | | | |
| Amounts raised on behalf of the school boards | 1,060,322 | 1,006,107 | 1,033,616 |
| | 7,802,773 | 7,798,488 | 7,770,308 |
| Grants and contribution: | | | |
| Government of Canada | 1,775,018 | 1,447,972 | 1,454,765 |
| Province of Ontario | 5,531,152 | 5,521,640 | 3,969,485 |
| Other municipalities | 3,573 | 3,573 | 3,573 |
| | 7,309,743 | 6,973,185 | 5,427,823 |
| User charges: | | | |
| Sewer and water charges | 2,802,835 | 2,820,526 | 2,742,593 |
| Fees, service charges and donations | 1,172,717 | 1,401,115 | 1,004,584 |
| | 3,975,552 | 4,221,641 | 3,747,177 |
| Other: | | | |
| Licenses and permits | 119,799 | 305,004 | 145,475 |
| Investment income | 102,000 | 197,240 | 76,810 |
| Penalties and interest charges | 100,000 | 121,607 | 81,403 |
| Other | 259,783 | 114,650 | 28,745 |
| | 581,582 | 738,501 | 332,433 |
| Total revenues | 19,669,650 | 19,731,815 | 17,277,741 |
| Expenses: | | | |
| General government | 1,773,668 | 1,819,664 | 1,978,075 |
| Protection services | 3,031,109 | 2,892,137 | 3,848,964 |
| Transportation services | 2,281,989 | 3,430,887 | 3,082,581 |
| Environmental services | 3,586,983 | 3,618,414 | 3,248,923 |
| Health services | 1,099,055 | 1,102,487 | 1,024,220 |
| Social and family services | 442,102 | 474,923 | 418,280 |
| Recreational and cultural services | 2,182,637 | 2,210,099 | 1,672,110 |
| Planning and development | 141,850 | 173,796 | 129,284 |
| Total expenses | 14,539,393 | 15,722,407 | 15,402,437 |
| Annual surplus | 5,130,257 | 4,009,408 | 1,875,304 |
| Accumulated surplus, beginning of year | 63,343,723 | 63,343,723 | 61,468,419 |
| Accumulated surplus, end of year | \$ 68,473,980 | \$ 67,353,131 | \$ 63,343,723 |

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, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|--------------|--------------|
| Annual surplus | \$ 4,009,408 | \$ 1,875,304 |
| Acquisition of tangible capital assets | (7,068,095) | (4,252,150) |
| Amortization of tangible capital assets | 2,201,952 | 1,960,250 |
| Loss on sale of tangible capital assets | 17,844 | 49,020 |
| Proceeds on sale of land held for resale | - | 60,238 |
| Loss on land held for resale | 101,000 | 84,762 |
| Change in prepaid expenses and inventory | (17,566) | (15,559) |
| Change in net financial assets | (755,457) | (238,135) |
| Net financial assets, beginning of year | 6,210,768 | 6,448,903 |
| Net financial assets, end of year | \$ 5,455,311 | \$ 6,210,768 |

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, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|--------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 4,009,408 | \$ 1,875,304 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 2,201,952 | 1,960,250 |
| Loss on sale of tangible capital assets and land held for resale | 118,844 | 133,782 |
| Increase (decrease) in employee future benefits liability | (17,530) | 6,606 |
| | 6,312,674 | 3,975,942 |
| Change in non-cash assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 82,461 | (810,073) |
| Decrease in taxes receivable | 95,641 | 95,710 |
| Increase in user charges receivable | (6,954) | (76,970) |
| Decrease (increase) in grants receivable | (1,156,559) | 572,091 |
| Increase (decrease) in accounts payable and accrued liabilities | 1,012,485 | (272,323) |
| Decrease in deferred revenue | (413,770) | (113,567) |
| Decrease in deferred revenue - obligatory reserve funds | (1,040,844) | (704,694) |
| Increase in prepaid expenses and inventory | (17,566) | (15,559) |
| Net change in cash from operating activities | 4,867,568 | 2,650,557 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (7,068,095) | (4,252,150) |
| Proceeds on land held for resale | - | 60,238 |
| Net change in cash from capital activities | (7,068,095) | (4,191,912) |
| Financing activities: | | |
| Repayment of long-term debt | (226,158) | (219,252) |
| Net change in cash from financing activities | (226,158) | (219,252) |
| Net change in cash | (2,426,685) | (1,760,607) |
| Cash, beginning of year | 12,227,009 | 13,987,616 |
| Cash, end of year | \$ 9,800,324 | \$ 12,227,009 |

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, 2022

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, 2022

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 (12 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, 2022

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, 2022

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:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Taxes receivable | \$ 593,462 | \$ 699,937 |
| Interest receivable on outstanding tax balances | 63,378 | 52,544 |
| Allowance for doubtful accounts | (25,000) | (25,000) |
| | <u>\$ 631,840</u> | <u>\$ 727,481</u> |

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Long-term debt:

| | 2022 | 2021 |
|--|--------------|--------------|
| Ontario Infrastructure Projects Corporation (OIPC) debenture, repayable in semi-annual payments of \$198,038 including interest at 3.59% per annum, maturing December 2037 | \$ 4,561,955 | \$ 4,788,113 |
| Principal payments on the long-term debt are as follows: | | |
| 2023 | \$ 234,350 | |
| 2024 | 242,839 | |
| 2025 | 251,635 | |
| 2026 | 260,750 | |
| 2027 | 270,195 | |
| Thereafter | 3,302,186 | |
| | \$ 4,561,955 | |

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:

| | 2022 | 2021 |
|--|--------------|--------------|
| Deferred revenue, beginning of year | \$ 1,133,074 | \$ 1,837,768 |
| Contributions received during the year | 366,116 | 672,370 |
| Interest earned on obligatory reserve funds | 23,025 | 12,177 |
| Amounts recognized as revenue during the year | (1,429,985) | (1,389,241) |
| Deferred revenue, end of year | \$ 92,230 | \$ 1,133,074 |
| Deferred revenue – obligatory reserve consists of the following: | | |
| Federal gas tax revenue | \$ – | \$ 1,043,092 |
| Dedicated gas tax revenue for public transportation | 92,230 | 89,982 |
| | \$ 92,230 | \$ 1,133,074 |

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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 \$418,621 (2021 - \$436,151) reflects an obligation of \$280,518 plus an unamortized actuarial gain of \$138,103 and the expense for the period ended December 31, 2022 was determined using a discount rate of 5.05% (2021 - 2.8%).

The fair value of accrued benefit obligations were determined by independent actuaries as at December 31, 2022.

Information about Town's benefit plan is as follows:

| | 2022 | 2021 |
|---|------------|------------|
| Accrued benefit obligation at December 31 | \$ 436,151 | \$ 429,545 |
| Expense for the period | 15,512 | 28,691 |
| Less: benefits paid for the period | (33,042) | (22,085) |
| Accrued benefit obligation at December 31 | \$ 418,621 | \$ 436,151 |

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 | 6.5% in the first year following valuation: Decreasing over 5 years to 4% per year |

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Tangible capital assets:

| Cost | Balance at December 31, 2021 | Additions | Disposals | Transfers in (out) | Balance at December 31, 2022 |
|-----------------------------|------------------------------------|------------------|------------------|-----------------------|------------------------------------|
| Land | \$ 5,121,649 | 10,176 | - | - | \$ 5,131,825 |
| Buildings | 17,993,742 | 1,389,499 | - | - | 19,383,241 |
| Roads, bridges and culverts | 23,941,393 | 1,744,718 | (106,823) | - | 25,579,288 |
| Automotive equipment | 2,418,070 | 275,083 | (55,727) | - | 2,637,426 |
| Furniture and equipment | 13,525,298 | 1,209,727 | (21,645) | 17,112 | 14,730,492 |
| Water and sewer | 27,597,446 | 578,151 | (71,449) | 2,447,344 | 30,551,492 |
| Assets under construction | 3,026,259 | 1,860,741 | - | (2,464,456) | 2,422,544 |
| Total | \$ 93,623,857 | 7,068,095 | (255,644) | - | \$ 100,436,308 |

| Accumulated Amortization | Balance at December 31, 2021 | Amortization | Disposals | Balance at December 31, 2022 |
|-----------------------------|------------------------------------|------------------|------------------|------------------------------------|
| Land | \$ 2,041,507 | 84,758 | - | \$ 2,126,265 |
| Buildings | 7,750,982 | 532,519 | - | 8,283,501 |
| Roads, bridges and culverts | 9,508,677 | 667,346 | (99,895) | 10,076,128 |
| Automotive equipment | 1,102,162 | 122,321 | (55,727) | 1,168,756 |
| Furniture and equipment | 9,252,841 | 420,839 | (18,574) | 9,655,106 |
| Water and sewer | 7,015,882 | 374,169 | (63,604) | 7,326,447 |
| Assets under construction | - | - | - | - |
| Total | \$ 36,672,051 | 2,201,952 | (237,800) | \$ 38,636,203 |

| | Net book value, December 31, 2021 | Net book value, December 31, 2022 |
|-----------------------------|---|---|
| Land | \$ 3,080,142 | \$ 3,005,560 |
| Buildings | 10,242,760 | 11,099,740 |
| Roads, bridges and culverts | 14,432,716 | 15,503,160 |
| Automotive equipment | 1,315,908 | 1,468,670 |
| Furniture and equipment | 4,272,457 | 5,075,386 |
| Water and sewer | 20,581,564 | 23,225,045 |
| Assets under construction | 3,026,259 | 2,422,544 |
| Total | \$ 56,951,806 | \$ 61,800,105 |

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Tangible capital assets (continued):

| 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 Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Accumulated surplus:

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

| | 2022 | 2021 |
|--|---------------|---------------|
| Equity in tangible capital assets | \$ 57,238,150 | \$ 52,163,693 |
| Reserve and reserve funds set aside for specific purpose by Council: | | |
| Tax rate stabilization | - | 181,885 |
| Elections | (2,348) | 32,452 |
| Household hazardous waste | 14,754 | 14,754 |
| Winter maintenance | 162,133 | 132,133 |
| Environmental | 68,693 | 68,693 |
| Planning and zoning | 478 | 478 |
| Building services | 117,278 | 56,163 |
| Uninsured claims | 19,699 | 19,699 |
| Cannabis implementation | 18,819 | 18,819 |
| Municipal modernization | 515,054 | 582,909 |
| Utility proceeds | 5,919,058 | 6,409,738 |
| Buildings | (631,600) | (699,413) |
| Vehicles and equipment | 293,024 | 246,187 |
| Roads | 124,016 | 124,016 |
| Water and sewer | 3,354,255 | 3,852,599 |
| Trails | 33,403 | 33,403 |
| Emergency measures | 50,495 | 47,745 |
| Parklands | 15,733 | 15,733 |
| Pay equity | 42,037 | 42,037 |
| | 10,114,981 | 11,180,030 |
| | \$ 67,353,131 | \$ 63,343,723 |

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 \$318,429 (2021 - \$297,017) 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, 2022

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, 2022. The results of this valuation disclosed total going concern actuarial liabilities of \$130,306 million (2021 - \$120,796 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$123,628 million (2021 - \$117,665 million) indicating a going concern actuarial deficit of \$6,678 million (2021 - \$3,131 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 2022 was \$310,481 (2021 - \$273,716) 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 2022 calendar year, 4 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, 2022

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 | \$14,622,143 |
| Capital | 10,691,190 |
| | <u>25,313,333</u> |
| Less: | |
| Transfers from reserves | (5,643,683) |
| Total revenue | <u>19,669,650</u> |
| Expenses: | |
| Operating | 13,531,626 |
| Capital | 10,691,190 |
| Amortization | 1,090,517 |
| | <u>25,313,333</u> |
| Less: | |
| Capital expenditures | (10,691,190) |
| Transfers from reserves | (82,750) |
| Total expenses | <u>14,539,393</u> |
| Budget surplus | <u>\$ 5,130,257</u> |

13. Commitments:

- 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.
- The Town has entered into a waste collection and recycling services agreement with GFL Environmental Inc. The agreement is for a seven-year period ending April 30, 2029, with a base price of \$297,000 to be amended yearly to reflect the cost of inflation.
- The Town has entered into a waste disposal services agreement with H. Dodge Haulage Limited for a ten-year period ending on July 31, 2032, with a base rate of \$268,981 to be adjusted annually based on the number of residential units presented by the Municipal Property Assessment Corporation.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Commitments (continued):

- d) The Town has entered into a cyber security services agreement with Edgeworx Solutions Inc. The agreement is for a three-year period ending July 31, 2025, at an annual base rate of \$36,000, plus HST.
- e) As of December 31, 2022, the Town has available an operating line of credit of \$2,000,000 (2021 - \$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) 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.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Financial instruments (continued):

c) 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.

d) 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.

e) 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.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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.

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.

THE CORPORATION OF THE TOWN OF ESPANOLA

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Segmented information (continued):

(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.

(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, 2022

| | General Government | Protection Services | Transportation Services | Environmental Services | Health and Social Services | Recreation and Cultural Services | Planning and Development | 2022 Total |
|---|-----------------------|------------------------|----------------------------|---------------------------|-------------------------------|--|--------------------------------|---------------------|
| Revenue: | | | | | | | | |
| Grants | \$ 2,545,481 | 67,811 | 1,623,872 | 2,469,608 | - | 58,708 | 26,454 | \$ 6,791,934 |
| User charges | 182,296 | 660,958 | 33,604 | 2,894,457 | 24,922 | 412,055 | 13,349 | 4,221,641 |
| Other | 433,950 | 303,093 | - | - | - | 1,417 | 41 | 738,501 |
| | 3,161,727 | 1,031,862 | 1,657,476 | 5,364,065 | 24,922 | 472,180 | 39,844 | 11,752,076 |
| Expenses: | | | | | | | | |
| Salaries, wages and benefits | 956,132 | 828,484 | 1,374,866 | 271,723 | 30,516 | 1,332,782 | 42,098 | 4,836,601 |
| Purchase of goods and materials | 39,574 | 116,229 | 769,810 | 505,442 | 4,435 | 409,082 | 3,032 | 1,847,604 |
| Contracts and services | 797,349 | 1,661,198 | 447,504 | 1,492,083 | 886 | 284,396 | 115,893 | 4,799,309 |
| Amortization of tangible capital assets | 13,403 | 117,831 | 832,820 | 1,062,572 | 3,595 | 168,732 | 2,998 | 2,201,951 |
| Rents, financial expenses and other | 8,386 | 173,395 | 527 | 106,429 | - | 11,507 | - | 300,244 |
| Interest on long-term debt | - | - | - | 169,250 | - | - | - | 169,250 |
| Other transfers | 4,820 | - | - | - | 1,537,978 | 3,600 | - | 1,546,398 |
| Loss (gain) on disposal of tangible capital assets | - | (5,000) | 5,360 | 10,915 | - | - | 9,775 | 21,050 |
| | 1,819,664 | 2,892,137 | 3,430,887 | 3,618,414 | 1,577,410 | 2,210,099 | 173,796 | 15,722,407 |
| Excess (deficiency) of revenue over expenses | 1,342,063 | (1,860,275) | (1,773,411) | 1,745,651 | (1,552,488) | (1,737,919) | (133,952) | (3,970,331) |
| Funded through: | | | | | | | | |
| Taxation | | | | | | | | 7,798,488 |
| Annual surplus | | | | | | | | \$ 3,828,157 |

THE CORPORATION OF THE TOWN OF ESPANOLA

Note 15 - Segmented Information

Year ended December 31, 2022

| | 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 |