

**CORPORATION OF THE TOWNSHIP OF
OTONABEE-SOUTH MONAGHAN**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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OTONABEE-SOUTH MONAGHAN**

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TABLE OF CONTENTS

	Page Number
MANAGEMENT REPORT	
INDEPENDENT AUDITOR'S REPORT	
CONSOLIDATED FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus	2
Statement of Change in Net Financial Assets/(Net Debt)	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 17
Schedule of Tangible Capital Assets	18
Schedules of Segment Disclosure	19 - 20
TRUST FUNDS	
Independent Auditor's Report	21
Statement of Financial Position	23
Statement of Continuity	24
Notes to the Financial Statements	25
LOCAL BOARD	
Otonabee-South Monaghan Township Public Library Board	26 - 37



The Corporation of the
Township of Otonabee-South Monaghan

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

For The Year Ended December 31, 2021

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Otonabee-South Monaghan are the responsibility of management and have been approved by Council.

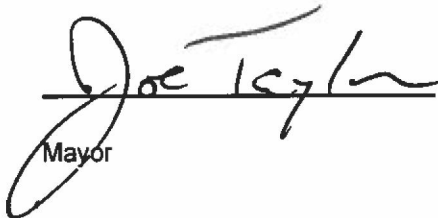
The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen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

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

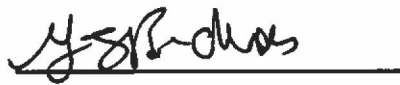
The Township's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

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

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



Mayor



CAO

October 14, 2022

INDEPENDENT AUDITOR'S REPORT**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Otonabee-South
Monaghan****T: (705) 742-3418
F: (705) 742-9775****www.bakertilly.ca***Opinion*

We have audited the consolidated financial statements of the Corporation of the Township of Otonabee-South Monaghan and its local boards (the Township), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statements of operations and accumulated surplus, change in net financial assets/(net debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2021, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
October 19, 2022

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash (note 2)	4,576,929	3,269,956
Investments (note 3)	6,515,864	4,846,450
Accounts receivable	682,894	580,407
Taxes receivable	579,969	605,361
Long-term debt assumed by Otonabee NP Housing Corporation (note 7)	1,001,772	1,030,045
TOTAL FINANCIAL ASSETS	13,357,428	10,332,219
LIABILITIES		
OILC advance payable	-	1,000,000
Accounts payable and accrued liabilities	3,702,783	2,801,356
Deferred revenue - obligatory reserve funds (note 6)	1,855,320	801,774
Deferred revenue - other	17,089	29,947
Long-term debt (note 7)	2,638,553	2,834,230
Landfill closure and post-closure liability (note 8)	259,000	281,000
Employee future benefits (note 10)	408,000	399,500
TOTAL LIABILITIES	8,880,745	8,147,807
NET FINANCIAL ASSETS	4,476,683	2,184,412
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	17,254,594	17,325,840
Inventories of materials and supplies	42,793	30,093
Prepaid expenses	346,094	3,318
TOTAL NON-FINANCIAL ASSETS	17,643,481	17,359,251
ACCUMULATED SURPLUS (note 12)	22,120,164	19,543,663

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2021

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
REVENUES			
Property taxation	6,665,630	6,781,865	6,469,278
User charges	1,002,310	1,116,709	894,478
Province of Ontario	740,666	786,712	822,567
Other municipalities	16,000	18,256	18,994
Penalties and interest on taxes	70,000	89,383	96,475
Investment income	80,550	234,441	185,429
Donations	9,360	12,697	12,773
Other grants	-	5,824	1,055
Landfill compensation	271,616	422,051	351,512
Other	-	40,103	41,180
Developer charges earned	572,000	316,068	179,309
Parkland fees earned	13,000	-	9,000
Federal gas tax earned	356,540	329,151	597,006
Recoverable police force fees earned	-	-	4,261
Gain on disposal of tangible capital assets	30,000	526,473	59,125
TOTAL REVENUES	9,827,672	10,679,733	9,742,442
EXPENSES			
General government	1,486,317	1,509,421	1,417,392
Protection services	2,485,575	2,139,413	2,240,026
Transportation services	2,807,189	2,790,373	2,799,314
Environmental services	729,143	625,131	612,555
Health services	31,352	24,709	24,391
Social housing	-	40,103	41,180
Recreation and cultural services	798,430	879,883	726,565
Planning and development	141,107	94,199	114,625
TOTAL EXPENSES	8,479,113	8,103,232	7,976,048
ANNUAL SURPLUS	<u>1,348,559</u>	2,576,501	1,766,394
ACCUMULATED SURPLUS - beginning of year		19,543,663	17,777,269
ACCUMULATED SURPLUS - end of year		22,120,164	19,543,663

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/(NET DEBT)

For the Year Ended December 31, 2021

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
ANNUAL SURPLUS	1,348,559	2,576,501	1,766,394
Amortization of tangible capital assets	1,272,220	1,348,324	1,272,216
Purchase of tangible capital assets	(5,899,270)	(1,289,828)	(2,850,135)
Gain on disposal of tangible capital assets	(30,000)	(526,473)	(59,125)
Proceeds on sale of tangible capital assets	30,000	539,223	62,729
Change in inventories of materials and supplies	-	(12,700)	303
Change in prepaid expenses	-	(342,776)	238,471
CHANGE IN NET FINANCIAL ASSETS/(NET DEBT)	(3,278,491)	2,292,271	430,853
NET FINANCIAL ASSETS - beginning of year	2,184,412	2,184,412	1,753,559
NET FINANCIAL ASSETS/(NET DEBT) - end of year	(1,094,079)	4,476,683	2,184,412

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

	2021	2020
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	2,576,501	1,766,394
Items not involving cash		
Amortization of tangible capital assets	1,348,324	1,272,216
Gain on disposal of tangible capital assets	(526,473)	(59,125)
Change in landfill post-closure liability	(22,000)	(40,000)
Change in employee future benefits	8,500	13,200
Change in non-cash assets and liabilities		
Accounts receivable	(102,487)	(40,521)
Taxes receivable	25,392	(63,827)
Inventories of materials and supplies	(12,700)	303
Prepaid expenses	(342,776)	238,471
Accounts payable and accrued liabilities	901,427	376,332
Deferred revenue - obligatory reserve funds	1,053,546	(230,066)
Deferred revenue - other	(12,858)	19,212
Net change in cash from operating activities	4,894,396	3,252,589
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,289,828)	(2,850,135)
Proceeds on disposal of tangible capital assets	539,223	62,729
Net change in cash from capital activities	(750,605)	(2,787,406)
INVESTING ACTIVITIES		
Purchase of investments	(1,708,551)	(162,282)
Disposal of investments	39,137	-
Net change in cash from investing activities	(1,669,414)	(162,282)
FINANCING ACTIVITIES		
Debt principal repayments	(195,677)	(188,342)
Decrease in long-term debt assumed by Otonabee NP Housing Corporation	28,273	27,196
OILC advance received (repaid)	(1,000,000)	920,000
Net change in cash from financing activities	(1,167,404)	758,854
NET CHANGE IN CASH	1,306,973	1,061,755
CASH - beginning of year	3,269,956	2,208,201
CASH - end of year	4,576,929	3,269,956

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

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

- Otonabee-South Monaghan Township Public Library Board
- Stewart Hall Community Centre Board
- Dawson Cemetery
- Keene Cemetery

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

(b) Trust Funds

Trust funds and their related operations administered by the Township are not included in these consolidated financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

(c) Deferred Revenue

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

(d) Reserves and Reserve Funds

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

(e) Non-financial Assets

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

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Recognition of Revenues and Expenses

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

Taxation

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

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

Government Funding

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

Other Revenue

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

Investment income is recorded when earned.

Federal gas tax, parkland fees and development charges are recognized in the period in which the related expenditures are recorded.

Landfill compensation is recorded when earned

(g) Inventories of Materials and Supplies

Inventories of materials and supplies are recorded at cost on a first-in first-out basis.

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	30 years
Buildings	50 years
Machinery and equipment	3 to 30 years
Vehicles	5 to 25 years
Roads and bridges	15 to 50 years
Water systems	25 years

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

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

(i) Use of Estimates

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

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs;
- The amounts recorded for amortization of tangible capital assets are based on estimates of useful life and residual values; and
- The values of employee future benefit liabilities and the amount of employee future benefit costs charged to earnings depend on certain actuarial and economic assumptions.

2. CASH

Cash consists of the following:

	2021	2020
	\$	\$
Unrestricted	3,926,903	2,499,106
Restricted	650,026	770,850
	<u>4,576,929</u>	<u>3,269,956</u>

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

3. INVESTMENTS

Investments, stated at cost, consist of:

	2021	2020
	\$	\$
One Fund - Universe Corp bonds	1,347,347	1,329,112
One Fund - equity funds	1,326,989	1,212,868
Guaranteed investment certificates, interest rates from 0.30% to 1.80%, maturing from June 2022 to August 2026	3,131,499	2,094,441
Kawartha Credit Union shares	659,000	159,000
Affinity shares	51,029	51,029
	<u>6,515,864</u>	<u>4,846,450</u>

4. UNCERTAINTY CAUSED BY COVID-19

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

5. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF PETERBOROUGH

During 2021, requisitions were made by the County of Peterborough and School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards	County
	\$	\$
<u>Amounts requisitioned and remitted</u>	<u>2,131,391</u>	<u>3,877,881</u>

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

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

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

	2021	2020
	\$	\$
Parkland	79,931	71,931
Development charges	1,449,890	505,069
Federal gas tax	267,192	166,564
Recoverable police force fees	58,307	58,210
	1,855,320	801,774

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

	2021	2020
	\$	\$
Balance - beginning of year	801,774	1,031,840
Add amounts received:		
Parkland fees	8,000	6,000
Development charges	1,260,890	326,731
Federal gas tax funding	414,899	202,343
Recoverable police force fees	97	4,708
Interest	14,879	19,728
	1,698,765	559,510
Less transfer to operations:		
Parkland fees earned	-	9,000
Development charges earned	316,068	179,309
Federal gas tax funding earned	329,151	597,006
Recoverable police force fees earned	-	4,261
	645,219	789,576
Balance - end of year	1,855,320	801,774

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

7. LONG-TERM DEBT

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

	2021 \$	2020 \$
Ontario Infrastructure and Lands Corporation debentures for Arena upgrades, due January 15, 2038, repayable in blended semi-annual instalments of \$43,992, interest rate at 3.22% per annum.	1,119,375	1,170,087
Ontario Infrastructure Projects Corporation debentures for Fire Hall 1 and water system upgrades, due December 15, 2025, repayable in blended semi-annual instalments of \$70,814, interest rate at 4.12% per annum.	517,406	634,098
Ontario Infrastructure Projects Corporation debentures, due July 2, 2043, repayable in blended semi-annual instalments of \$34,188, interest rate at 3.92% per annum (see (d) below).	1,001,772	1,030,045
	2,638,553	2,834,230

- (b) The long-term debt in (a) issued in the name of the Township have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long-term debt amounted to \$102,310 (2020 - \$109,644).
- (d) In 2013, the Township approved the issuance of debentures from the Ontario Infrastructure Projects Corporation (OIPC) for \$1,200,000 which was assumed by Otonabee Non-Profit Housing Corporation. A portion of long-term debt reported in (a) is recoverable from Otonabee Non-Profit Housing Corporation with blended semi-annual payments of \$34,188 (\$68,376 annually) and interest at a rate of 3.92% per annum to match the debt held by the Township.
- (e) Future debt payments are as follows:

	Principal \$	Interest \$	Total \$
2022	203,299	94,688	297,987
2023	211,221	86,766	297,987
2024	219,456	78,531	297,987
2025	228,014	69,973	297,987
2026	93,823	62,536	156,359
2027 and subsequent years	1,682,740	491,463	2,174,203
	2,638,553	883,957	3,522,510

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The estimated liability for landfill closure and post-closure costs for the one closed Township site is \$259,000 (2020 - \$281,000). The closure costs include final cover, vegetation and additional monitoring wells. Post-closure costs include monitoring, maintenance of control systems and consulting fees for 25 years after the site is closed. Only post-closure care activities remain at the end of 2021 for this site. The liability is calculated based on estimated future annual monitoring costs with a discount factor of 2.85% (2020 - 1.94%) and inflation of 3.0% (2020 - 2.0%). The Township has a waste management reserve fund totaling \$544,922 (2020 - \$520,119) and a waste management post-closure reserve totaling \$30,000 (2020 - \$30,000) to fund these costs and other waste management projects.

The Township also has one landfill site which has not been fully closed. The liability for closure and post-closure costs for this site is indeterminable and no amount has been included as a liability as at December 31, 2021. The Township has a separate waste management reserve for this unclosed site totaling \$212,933 (2020 - \$198,424) to fund these costs.

9. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation. The restatement did not affect the prior year surplus.

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

10. EMPLOYEE FUTURE BENEFITS

The Township provides certain employee future benefits that will require funding in future periods.

	2021	2020
	\$	\$
Accrued benefit obligation	357,100	337,000
Unamortized actuarial gain	50,900	62,500
Liability at December 31	408,000	399,500

The Township sponsors benefit plans to pay costs of life, accidental death and dismemberment, medical, dental and employee assistance program, for eligible employees after they retire and their eligible dependents. All benefits are provided upon retirement and continue for a period of 10 years, but not beyond the age of 65, at which time the benefits cease. The plans are not funded by the Township until the plan premiums are paid.

The actuarial valuation as at December 31, 2019 was based on a number of assumptions about future events, such as discount rate, weighted average health care trend rates, and employee turnover and mortality. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group, which is 10 years. The assumptions used reflect management's best estimate. The main actuarial assumptions employed for the valuation are as follows:

Discount rate	2.90%
Weighted average health care trend rate - initial 2012	7.11%
- ultimate	4.00%
- year ultimate reached	2040

The employee future benefits expense is reported on the Consolidated Statement of Operations and Accumulated Surplus and is comprised of the following:

	2021	2020
	\$	\$
Current year benefit cost	24,600	23,900
Interest cost	10,300	9,600
Amortization of actuarial gains	(11,600)	(11,600)
Annual expense	23,300	21,900

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

11. TANGIBLE CAPITAL ASSETS

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

	2021	2020
	\$	\$
General		
Land	690,645	703,395
Land improvements	68,634	72,009
Buildings	4,365,471	3,328,842
Machinery and equipment	1,050,203	1,162,027
Vehicles	1,894,795	2,120,931
Infrastructure		
Roads and bridges	8,337,238	7,985,115
Water systems	780,639	860,478
	17,187,625	16,232,797
Assets under construction	66,969	1,093,043
	17,254,594	17,325,840

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

During the year there were no write-downs of assets (2020 - \$Nil) and no interest was capitalized (2020 - \$Nil).

The allocation of tangible capital assets by segment are as follows:

	2021	2020
	\$	\$
General government	441,945	453,017
Protection services	3,181,882	3,273,414
Transportation services	10,119,014	9,993,312
Environmental services	823,141	905,716
Health services	31,417	31,807
Recreation and cultural services	2,657,195	2,668,574
	17,254,594	17,325,840

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

12. ACCUMULATED SURPLUS

(a) Accumulated surplus consists of the following:

	2021	2020
	\$	\$
Surplus/(Deficit)		
Stewart Hall	4,821	5,240
Unfunded employee future benefits liability	(408,000)	(399,500)
Keene Cemetery	-	(2,599)
Unfunded landfill post-closure liability	(259,000)	(281,000)
	(662,179)	(677,859)
Invested In Capital Assets		
Tangible capital assets - net book value	17,254,594	17,325,840
Long-term debt related to tangible capital assets	(1,636,781)	(1,804,185)
Unfunded capital	-	(1,093,043)
	15,617,813	14,428,612
Surplus	14,955,634	13,750,753
Reserves		
Working funds	329,451	299,062
General	2,471,790	1,799,414
Community improvements	3,417	3,417
Fire	1,087,723	1,131,266
Policing	103,094	82,752
Transportation services	256,260	127,434
Waste management and recycling	581,841	494,985
Parks and recreation programs	168,114	139,892
Arena	-	43,643
Planning	114,406	107,406
Public property	343,461	259,969
Building department	629,504	335,924
Keene Farmers Market	618	618
Waterworks	406,636	340,591
Cemeteries	17,806	12,993
Otonabee-South Monaghan Township Public Library Board	46,404	34,342
Total Reserves	6,560,525	5,213,708

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

12. ACCUMULATED SURPLUS, continued

	2021	2020
	\$	\$
Reserve Funds		
Waste management	544,922	520,119
Waste management general purpose	59,083	59,083
Total Reserve Funds	604,005	579,202
	22,120,164	19,543,663

(b) In prior years, the Waste Management Reserve Fund was reduced for a loan provided to Sewer operations. This amount was loaned to cover the deficit in Sewer operations. The amount owing to the Reserve Fund at December 31, 2021 is \$81,596 (2020 - \$96,317.)

13. EXPENSES BY OBJECT

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

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
Salaries and benefits	3,220,976	2,851,319	2,983,631
Interest charges	63,802	102,310	109,644
Materials	2,227,159	2,017,458	1,966,903
Contracted services	1,600,398	1,705,337	1,565,384
Rents and financial	16,750	5,540	6,026
External transfers	77,808	72,944	72,244
Amortization	1,272,220	1,348,324	1,272,216
	8,479,113	8,103,232	7,976,048

14. PENSION AGREEMENTS

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

The Actuarial Opinion contained in the 2021 Annual Report disclosed total actuarial liabilities of \$120,796 million in respect of benefits accrued for service with actuarial assets of \$117,665 million indicating an actuarial deficit of \$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. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

The Township's required contributions to OMERS in 2021 were \$163,193 (2020 - \$179,821).

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

15. TRUST FUNDS

Trust funds administered by the Township amounting to \$383,743 (2020 - \$374,805) 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. As such balances are held in trust by the Township for the benefit of others, they are not presented as part of the Township's financial position or operations.

16. CONTINGENT LIABILITIES

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

The Township along with another municipality and possibly a private land owner are responsible for a closed landfill site that has not met all Provincial closure requirements. Amounts cannot be estimated at this time as the Province has not yet approved a final closure plan. No amounts in connection with this item have been reflected in these financial statements. The Township has a separate waste management reserve for any contingent liabilities associated with this site totaling \$212,933 (2020 - \$198,423).

17. CREDIT FACILITY AGREEMENT

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$750,000 via a line of credit. Any balance borrowed will accrue interest at the bank's prime lending rate per annum. Council authorized the temporary borrowing limit by By-law 2021-02. At December 31, 2021 there was no balance outstanding (2020 - \$Nil).

18. BUDGET FIGURES

The budget, approved by the Township, for 2021 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets/(Net Debt). The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

19. SEGMENTED INFORMATION

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

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

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

19. SEGMENTED INFORMATION, continued

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

General Government

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

Protection Services

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

Transportation Services

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

Environmental Services

The environmental function is responsible for water, sewer, waste collection, waste disposal and recycling activities not provided by the County of Peterborough.

Health Services

The health services function consists of the activities of the cemetery board, assumed cemetery and operations of the Keene Medical Centre building.

Social Housing

The social housing segment represents the interest on long-term debt for the loan borrowed by the Township on behalf of the Otonabee Non-Profit Housing Corporation.

Recreation and Cultural Services

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

Planning and Development

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

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2021

	General					Infrastructure		Assets Under Construction \$	Totals \$
	Land \$	Land Improvements \$	Buildings \$	Machinery and Equipment \$	Vehicles \$	Roads and Bridges \$	Water Systems \$		
COST									
Balance, beginning of year	703,395	94,229	4,466,500	2,866,322	3,628,803	23,124,838	1,995,970	1,093,043	37,973,100
Add: additions during the year	-	-	52,310	63,822	50,601	1,056,126	-	66,969	1,289,828
Less: disposals during the year	12,750	-	8,528	287,540	73,103	-	-	-	381,921
Internal transfers	-	-	1,093,043	-	-	-	-	(1,093,043)	-
Balance, end of year	690,645	94,229	5,603,325	2,642,604	3,606,301	24,180,964	1,995,970	66,969	38,881,007
ACCUMULATED AMORTIZATION									
Balance, beginning of year	-	22,220	1,137,658	1,704,295	1,507,872	15,139,723	1,135,492	-	20,647,260
Add: additions during the year	-	3,375	108,724	175,646	276,737	704,003	79,839	-	1,348,324
Less: disposals during the year	-	-	8,528	287,540	73,103	-	-	-	369,171
Balance, end of year	-	25,595	1,237,854	1,592,401	1,711,506	15,843,726	1,215,331	-	21,626,413
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	690,645	68,634	4,365,471	1,050,203	1,894,795	8,337,238	780,639	66,969	17,254,594

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2021

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Health Services \$	Social Housing \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues										
Property taxation	1,838,902	1,610,752	2,188,565	320,488	79,961	20,962	-	588,128	134,107	6,781,865
User charges	39,452	713,326	9,517	81,081	51,774	10,295	-	199,994	11,270	1,116,709
Government transfers - operating	172,930	510,036	-	-	5,532	-	-	19,831	-	708,329
Government transfers - capital	-	-	78,383	-	-	-	-	-	-	78,383
Other municipalities	-	-	-	-	18,256	-	-	-	-	18,256
Penalties and interest on taxes	89,383	-	-	-	-	-	-	-	-	89,383
Investment income	234,376	-	-	-	-	-	-	65	-	234,441
Donations	6,000	-	-	-	-	500	-	6,197	-	12,697
Other grants	-	-	-	-	-	-	-	5,824	-	5,824
Landfill compensation	-	-	-	-	422,051	-	-	-	-	422,051
Other	-	-	-	-	-	-	40,103	-	-	40,103
Developer contributions earned	-	-	243,000	-	-	-	-	73,068	-	316,068
Federal gas tax earned	-	-	329,151	-	-	-	-	-	-	329,151
Gain on disposal of tangible capital assets	-	455,239	71,234	-	-	-	-	-	-	526,473
Total revenues	2,381,043	3,289,353	2,919,850	401,569	577,574	31,757	40,103	893,107	145,377	10,679,733
Expenses										
Salaries and benefits	758,673	671,514	836,180	-	96,968	-	-	407,014	80,970	2,851,319
Interest charges	-	12,966	-	11,969	-	-	40,103	37,272	-	102,310
Materials	589,041	175,066	702,435	86,666	91,651	24,319	-	335,051	13,229	2,017,458
Contracted services	145,403	1,033,897	270,735	150,330	104,972	-	-	-	-	1,705,337
Rents and financial	5,232	-	-	-	-	-	-	308	-	5,540
External transfers	-	72,944	-	-	-	-	-	-	-	72,944
Amortization	11,072	173,026	981,023	82,575	-	390	-	100,238	-	1,348,324
Total expenses	1,509,421	2,139,413	2,790,373	331,540	293,591	24,709	40,103	879,883	94,199	8,103,232
Net surplus	871,622	1,149,940	129,477	70,029	283,983	7,048	-	13,224	51,178	2,576,501

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

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

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Health Services \$	Social Housing \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues										
Property taxation	899,801	1,575,969	2,305,568	311,204	98,636	15,775	-	1,121,550	140,775	6,469,278
User charges	38,046	564,834	7,896	86,712	29,705	4,489	-	154,720	8,076	894,478
Government transfers - operating	217,086	505,677	-	-	652	-	-	20,769	-	744,184
Government transfers - capital	-	-	78,383	-	-	-	-	-	-	78,383
Other municipalities	-	-	-	-	18,994	-	-	-	-	18,994
Penalties and interest on taxes	96,475	-	-	-	-	-	-	-	-	96,475
Investment income	184,675	-	-	-	-	542	-	212	-	185,429
Donations	7,500	-	-	-	-	-	-	5,273	-	12,773
Other grants	-	-	-	-	-	-	-	1,055	-	1,055
Landfill compensation	-	-	-	-	351,512	-	-	-	-	351,512
Other	-	-	-	-	-	-	41,180	-	-	41,180
Developer contributions earned	18,000	27,088	124,221	-	-	-	-	10,000	-	179,309
Parkland fees earned	-	-	-	-	-	-	-	9,000	-	9,000
Federal gas tax earned	-	-	597,006	-	-	-	-	-	-	597,006
Other deferred revenue earned	-	4,261	-	-	-	-	-	-	-	4,261
Gain on disposal of tangible capital assets	-	9,460	33,377	-	-	-	-	16,288	-	59,125
Total revenues	1,461,583	2,687,289	3,146,451	397,916	499,499	20,806	41,180	1,338,867	148,851	9,742,442
Expenses										
Salaries and benefits	741,230	752,954	959,166	-	89,215	-	-	386,848	54,218	2,983,631
Interest charges	-	15,391	-	14,207	-	-	41,180	38,866	-	109,644
Materials	539,571	202,758	779,506	118,461	40,563	23,962	-	201,675	60,407	1,966,903
Contracted services	106,641	1,045,883	145,326	142,009	125,525	-	-	-	-	1,565,384
Rents and financial	4,809	-	-	-	-	39	-	1,178	-	6,026
External transfers	-	72,244	-	-	-	-	-	-	-	72,244
Amortization	25,141	150,796	915,316	82,575	-	390	-	97,998	-	1,272,216
Total expenses	1,417,392	2,240,026	2,799,314	357,252	255,303	24,391	41,180	726,565	114,625	7,976,048
Net surplus/(deficit)	44,191	447,263	347,137	40,664	244,196	(3,585)	-	612,302	34,226	1,766,394

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Otonabee-South Monaghan

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the Township of Otonabee-South Monaghan (the Trust Funds), which comprise the statement of financial position as at December 31, 2021, the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2021, and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Trust Funds' 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 Trust Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
October 19, 2022

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2021

	Cemetery Care and Maintenance \$	Responsibility Agreements \$	Darling Trust \$	Assumed Cemetery Care and Maintenance \$	2021 Total \$	2020 Total \$
FINANCIAL ASSETS						
Cash	3,586	320,972	-	-	324,558	311,581
Investments (note 2)	23,265	7,095	2,778	5,426	38,564	36,769
Accrued interest	146	-	-	-	146	147
Due from Cemetery Board	-	-	-	-	-	25,935
Due from Township	28,142	-	-	224	28,366	373
	55,139	328,067	2,778	5,650	391,634	374,805
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Township	-	7,891	-	-	7,891	-
FUND BALANCES						
Capital	54,877	244,755	2,778	5,650	308,060	304,208
Income	262	75,421	-	-	75,683	70,597
	55,139	320,176	2,778	5,650	383,743	374,805
	55,139	328,067	2,778	5,650	391,634	374,805

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

TRUST FUNDS STATEMENT OF CONTINUITY For the Year Ended December 31, 2021

	Cemetery Care and Maintenance \$	Responsibility Agreements \$	Darling Trust \$	Assumed Cemetery Care and Maintenance \$	2021 Total \$	2020 Total \$
BALANCES - beginning of year	51,874	315,090	2,641	5,200	374,805	354,217
RECEIPTS						
Interest earned	1,058	5,086	137	226	6,507	6,198
Interment fees	3,265	-	-	450	3,715	100
Operator contributions	-	-	-	-	-	14,754
	4,323	5,086	137	676	10,222	21,052
EXPENSES						
Contribution to cemetery operations	1,058	-	-	226	1,284	452
Contribution to Township	-	-	-	-	-	9
Service charges	-	-	-	-	-	3
	1,058	-	-	226	1,284	464
BALANCES - end of year	55,139	320,176	2,778	5,650	383,743	374,805

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

TRUST FUNDS NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook.

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which 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.

(b) Use of Estimates

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

(c) Revenue Recognition

Interment fees are recognized on the accrual basis of accounting which recognizes the revenues as they are earned. Investment income is recognized when earned.

2. INVESTMENTS

Investments include guaranteed investment certificates, term deposits, Universe Corp bond, and equity funds with various maturity dates between March 2022 to February 2025 and bearing interest between 0.3% to 3.25% per annum.

3. CARE AND MAINTENANCE FUNDS

The figures reported for the cemetery care and maintenance funds represent the trust fund activities for the Keene cemetery. The figures reported for the assumed cemetery care and maintenance funds represent the trust fund activities for the Dawson cemetery.

The Care and Maintenance Funds administered by the Township are funded by the sale of cemetery plots, monuments, markers and niches. These funds are invested and earnings derived there from are used to perform care and maintenance for the Township's cemeteries. The operations and investments of the Fund are undertaken by the Township in accordance with the regulations of the Funeral, Burial and Cremation Services Act, 2002.

4. RESPONSIBILITY AGREEMENTS

The figures reported for the responsibility agreements represent funds held from Kawartha Trails and Shady Acres for maintenance of water systems in these respective areas should the owners not fulfill their requirements.

**CORPORATION OF THE TOWNSHIP OF
OTONABEE-SOUTH MONAGHAN**

**OTONABEE-SOUTH MONAGHAN
TOWNSHIP PUBLIC LIBRARY BOARD**

FINANCIAL STATEMENTS

DECEMBER 31, 2021

INDEPENDENT AUDITOR'S REPORT

**To the Members of the Otonabee-South Monaghan Township
Public Library Board, the Members of Council, Inhabitants
and Ratepayers of the Corporation of the Township of
Otonabee-South Monaghan**

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Qualified Opinion

We have audited the financial statements of the Otonabee-South Monaghan Township Public Library Board of the Corporation of the Township of Otonabee-South Monaghan (the Board), which comprise the statement of financial position as at December 31, 2021, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
October 19, 2022

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

At December 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash	32,536	50,195
Investments (note 2)	8,229	8,191
Accounts receivable	11,255	3,767
Due from Township (note 7)	6,068	-
TOTAL FINANCIAL ASSETS	58,088	62,153
LIABILITIES		
Accounts payable	11,597	25,765
Deferred revenue (note 4)	2,688	4,871
TOTAL LIABILITIES	14,285	30,636
NET FINANCIAL ASSETS	43,803	31,517
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	63,444	64,691
Prepaid expenses	2,600	2,825
TOTAL NON-FINANCIAL ASSETS	66,044	67,516
ACCUMULATED SURPLUS (note 5)	109,847	99,033

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2021

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
REVENUES			
Municipal contributions - levy (note 7)	200,722	200,722	190,288
Municipal contributions - development charges	6,000	6,068	6,642
Municipal contributions - occupancy (note 7)	-	13,572	12,865
Province of Ontario	19,268	19,268	19,268
Other grants	-	5,824	1,055
User fees	1,400	1,329	2,220
Interest	50	65	210
Donations and fundraising	9,560	6,527	4,894
TOTAL REVENUES	237,000	253,375	237,442
EXPENSES			
Salaries and benefits	189,102	179,341	175,582
Custodian	6,420	6,060	5,200
Telephone	3,400	4,910	4,551
Office, supplies, bank charges	10,854	7,960	4,152
Resource and professional development	1,000	747	878
Program costs	3,455	2,326	2,557
Library collection costs	-	4,510	4,584
Amortization	22,632	23,135	22,632
Occupancy costs (note 7)	-	13,572	12,865
TOTAL EXPENSES	236,863	242,561	233,001
ANNUAL SURPLUS	<u>137</u>	10,814	4,441
ACCUMULATED SURPLUS - beginning of year		99,033	94,592
ACCUMULATED SURPLUS - end of year		109,847	99,033

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2021

	Budget 2021 \$ (Unaudited)	Actual 2021 \$	Actual 2020 \$
ANNUAL SURPLUS	137	10,814	4,441
Amortization of tangible capital assets	22,632	23,135	22,632
Acquisition of tangible capital assets	(29,650)	(21,888)	(15,499)
Change in prepaid expenses	-	225	-
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(6,881)	12,286	11,574
NET FINANCIAL ASSETS - beginning of year	31,517	31,517	19,943
NET FINANCIAL ASSETS - end of year	24,636	43,803	31,517

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

	2021	2020
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	10,814	4,441
Items not involving cash		
Amortization of tangible capital assets	23,135	22,632
Change in non-cash assets and liabilities		
Accounts receivable	(7,488)	191
Due from Township	(6,068)	-
Prepaid expenses	225	-
Accounts payable	(14,168)	14,128
Deferred revenue	(2,183)	-
Net change in cash from operating activities	4,267	41,392
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(21,888)	(15,499)
INVESTING ACTIVITIES		
Redemption of investments	8,191	8,067
Purchase of investments	(8,229)	(8,191)
Net change in cash from investing activities	(38)	(124)
NET CHANGE IN CASH	(17,659)	25,769
CASH - beginning of year	50,195	24,426
CASH - end of year	32,536	50,195

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Recognition of Revenue and Expenses

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

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

User fees, donations and fundraising are recognized as revenue in the year amounts are received or become receivable if collection is reasonably assured.

(b) Use of Estimates

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

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

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Initial costs for tangible capital assets that were acquired or developed prior to 2009 were obtained using historical cost information or using current fair market values discounted by a relevant inflation factor to the point of acquisition. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Books and periodicals	7 years
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Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

(d) Deferred Revenue

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

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Non-Financial Assets

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

(f) Reserves

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

(g) Inter-Entity Transactions

The Otonabee-South Monaghan Township Public Library Board is a Board of the Township of Otonabee-South Monaghan and is consolidated with the Township's financial statements.

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

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

2. INVESTMENTS

Investments consist of a term deposit with a maturity date of February 8, 2022 and bearing interest at 1.50% per annum.

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2021

3. TANGIBLE CAPITAL ASSETS

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

	2021 Books and Periodicals \$	2020 Books and Periodicals \$
COST		
Balance, beginning of year	158,423	164,194
Add: additions during the year	21,888	15,499
Less: disposals during the year	18,364	21,270
Balance, end of year	161,947	158,423
ACCUMULATED AMORTIZATION		
Balance, beginning of year	93,732	92,370
Add: additions during the year	23,135	22,632
Less: disposals during the year	18,364	21,270
Balance, end of year	98,503	93,732
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	63,444	64,691

4. DEFERRED REVENUE

Included in deferred revenue are the following amounts:

	2021 \$	2020 \$
Capacity Fund	923	2,529
Older Adult Centres' Association of Ontario - seniors' literacy	636	636
Improving Library Digital Services	1,129	1,706
	2,688	4,871

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

5. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2021	2020
	\$	\$
Invested In Capital Assets		
Tangible capital assets - net book value	63,444	64,691
Surplus	63,444	64,691
Reserves		
Capital improvements	5,733	3,877
Technology	10,262	7,251
Book purchases	14,784	11,244
Liz Coleman	3,162	3,162
Human resources	7,493	5,493
Community outreach	4,454	2,800
Government grants	50	50
Collection designated funds	465	465
Total Reserves	46,403	34,342
	109,847	99,033

6. BUDGET FIGURES

The operating budget approved by the Board for 2021 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

CORPORATION OF THE TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

**OTONABEE-SOUTH MONAGHAN TOWNSHIP PUBLIC LIBRARY BOARD
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended December 31, 2021**

7. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Township of Otonabee-South Monaghan.

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

Details of the inter-entity expense transactions are as follows:

	2021	2020
	\$	\$
Allocated costs:		
Occupancy costs	13,572	12,865
	13,572	12,865

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

8. UNCERTAINTY CAUSED BY COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic which has remained in effect in 2021. The potential economic effects within the Board's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Board's operations. The extent of the impact of this outbreak and related containment measures on the Board's operations cannot be reliably estimated at this time.