

**CORPORATION OF THE TOWNSHIP OF
CAVAN MONAGHAN**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Draft October 25, 2024

**CORPORATION OF THE TOWNSHIP OF
CAVAN MONAGHAN**

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DECEMBER 31, 2023

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Draft October 25, 2024

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

For The Year Ended December 31, 2023

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Cavan 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 Cavan 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

Director of Finance/Treasurer

November 4, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Cavan Monaghan and its local boards (the Township), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2023, 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.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 4, 2024

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	2023	2022
	\$	\$
FINANCIAL ASSETS		
Cash	21,987,607	24,626,537
Investments (note 4)	1,211,705	1,331,891
Accounts receivable (note 5)	2,096,513	1,701,233
Taxes receivable	3,132,871	2,361,833
TOTAL FINANCIAL ASSETS	28,428,696	30,021,494
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	3,809,626	2,880,169
Deferred revenue - obligatory reserve funds (note 9)	1,277,619	1,912,321
Deferred revenue - other (note 8)	485,684	545,886
Employee future benefits payable (note 10)	843,063	795,107
Long term debt (note 7)	6,655,315	6,941,468
Asset retirement obligation (note 20)	740,800	-
Landfill closure and post-closure liability	-	56,800
TOTAL LIABILITIES	13,812,107	13,131,751
NET FINANCIAL ASSETS	14,616,589	16,889,743
NON-FINANCIAL ASSETS		
Tangible capital assets (note 13)	78,167,344	71,895,281
Inventories of materials and supplies	94,590	90,629
Prepaid expenses	21,693	14,593
TOTAL NON-FINANCIAL ASSETS	78,283,627	72,000,503
	92,900,216	88,890,246
Comprised of:		
Accumulated surplus (note 14)	93,048,473	88,890,246
Accumulated remeasurement losses	(148,257)	-
	92,900,216	88,890,246

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
REVENUES			
Property taxation	11,615,620	11,642,117	11,040,718
User charges (note 17)	2,741,396	2,908,988	2,852,491
Government of Canada	55,547	73,567	1,640
Province of Ontario	589,598	1,086,681	617,487
Other municipalities	-	-	28,300
Penalties and interest on taxes	265,000	379,895	319,616
Investment income	215,000	1,253,214	528,486
Donations	9,030	133,876	241,275
Other	161,660	243,881	236,808
Ontario Lottery and Gaming	300,000	330,078	478,010
Development charges earned (note 9)	1,798,183	689,686	1,601,706
Canada Community-Building Fund earned (note 9)	292,188	267,446	321,958
TOTAL REVENUES	18,043,222	19,009,429	18,268,495
EXPENSES			
General government	2,553,670	2,524,555	2,220,961
Protection services	3,317,216	3,424,580	754,036
Transportation services	3,367,357	3,123,238	3,203,546
Environmental services	2,796,781	2,836,652	2,554,329
Recreation and cultural services	2,364,459	2,360,810	2,850,158
Planning and development	684,244	581,367	651,746
TOTAL EXPENSES	15,083,727	14,851,202	12,234,776
ANNUAL SURPLUS	<u>2,959,495</u>	4,158,227	6,033,719
ACCUMULATED SURPLUS - beginning of year		88,890,246	82,856,527
ACCUMULATED SURPLUS - end of year		93,048,473	88,890,246

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the Year Ended December 31, 2023

	Actual 2023 \$	Actual 2022 \$
ACCUMULATED REMEASUREMENT GAINS AND LOSSES		
- beginning of year	-	-
Unrealized gain/(loss) on portfolio investments during the year	(20,569)	-
Adjustment on adoption of the financial instruments standard	(127,688)	-
ACCUMULATED REMEASUREMENT GAINS AND LOSSES		
- end of year	(148,257)	-

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
ANNUAL SURPLUS	2,959,495	4,158,227	6,033,719
Amortization of tangible capital assets	2,734,267	2,952,902	2,734,267
Purchase of tangible capital assets	(6,862,582)	(8,732,315)	(4,294,075)
Loss/(gain) on disposal of tangible capital assets	-	220,343	(1,335,163)
Proceeds on sale of tangible capital assets	-	-	2,281,056
Change in inventories of materials and supplies	-	(3,961)	(46,669)
Change in prepaid expenses	-	(7,100)	74,379
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(1,168,820)	(1,411,904)	5,447,514
NET FINANCIAL ASSETS - beginning of year	16,889,743	16,889,743	11,442,229
ADJUSTMENT ON ADOPTION OF THE ASSET RETIREMENT OBLIGATION STANDARD (note 21)	-	(712,993)	-
ADJUSTMENT ON ADOPTION OF THE FINANCIAL INSTRUMENTS STANDARD (note 21)	-	(127,688)	-
NET FINANCIAL ASSETS - beginning of year, as restated	16,889,743	16,049,062	11,442,229
DECREASE IN ACCUMULATED REMEASUREMENT GAINS	-	(20,569)	-
NET FINANCIAL ASSETS - end of year	15,720,923	14,616,589	16,889,743

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023	2022
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	4,158,227	6,033,719
Items not involving cash		
Amortization of tangible capital assets	2,952,902	2,734,267
Loss/(gain) on disposal of tangible capital assets	220,343	(1,335,163)
Change in employee future benefits	47,956	46,236
Change in landfill post-closure liability	(56,800)	(12,600)
Change in asset retirement obligations	27,807	-
Change in non-cash assets and liabilities		
Accounts receivable	(395,280)	(129,055)
Taxes receivable	(771,038)	(359,232)
Inventories of materials and supplies	(3,961)	(46,669)
Prepaid expenses	(7,100)	74,379
Accounts payable and accrued liabilities	929,457	997,619
Deferred revenue - obligatory reserve funds	(634,702)	(1,257,632)
Deferred revenue - other	(60,202)	545,886
Net change in cash from operating activities	6,407,609	7,291,755
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(8,732,315)	(4,294,075)
Proceeds on sale of tangible capital assets	-	2,281,056
Net change in cash from capital activities	(8,732,315)	(2,013,019)
INVESTING ACTIVITIES		
Purchase of investments	(28,071)	(1,331,891)
Redemption of investments	-	1,311,400
Net change in cash from investing activities	(28,071)	(20,491)
FINANCING ACTIVITIES		
Debt principal repayments	(286,153)	(277,152)
NET CHANGE IN CASH	(2,638,930)	4,981,093
CASH - beginning of year	24,626,537	19,645,444
CASH - end of year	21,987,607	24,626,537

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

The Township of Cavan 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:

- Township of Cavan Monaghan Public Libraries
- Millbrook Business Improvement Area Board

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) 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	10 to 20 years
Buildings and building improvement	40 to 75 years
Equipment	3 to 25 years
Vehicles	10 to 25 years
Roads and bridges	7 to 50 years
Water and utility systems	30 to 50 years
Sewer	75 to 80 years
Solar panels	40 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.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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 and Ontario Lottery and Gaming Corporation Funding

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

Other Revenue

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

Investment income is recorded when earned.

Canada Community-Building Fund, development charges and parkland fees are recognized in the period in which the related expenditures are recorded.

(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.

(f) 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.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Deferred Revenue

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

(h) Use of Estimates

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

- The amounts recorded for amortization of tangible capital assets are based on estimates of useful life and residual values; and
- The values of employee future benefits liability and the amount of employee future benefit costs charged to earnings depend on certain actuarial and economic assumptions.

In addition, the Township's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets in conjunction with estimates of expected asset retirement costs, as well as the timing and duration of these retirement costs.

(i) Asset Retirement Obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos in several of the buildings owned by the Township has been recognized based on estimated future expenses for remediation or disposal.

The liability is discounted using a present value calculation, and adjusted yearly for accretion expense and any amounts paid. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the accounting policies outlined in (c).

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Amortized Cost
Investments	Fair Value
Accounts receivable	Amortized Cost
Taxes receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Long term debt	Amortized Cost

Fair value category: The Township manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF PETERBOROUGH

During 2023, 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 \$
Amounts requisitioned and remitted	3,278,789	5,963,264

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

3. TRUST FUNDS

Trust funds administered by the Township amounting to \$3,109 (2022 - \$3,065) 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.

4. INVESTMENTS

Investments consist of:

	2023 \$	2022 \$
Investments held at amortized cost		
ONE fund - money market	-	12,672
ONE fund - bond portfolio	-	1,190,836
ONE fund - obligatory reserve fund bond portfolio	-	128,383
Investments held at fair value		
ONE fund - money market	12,882	-
ONE fund - bond portfolio	1,081,894	-
ONE fund - obligatory reserve fund bond portfolio	116,929	-
	1,211,705	1,331,891

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2023	2022
	\$	\$
Government of Canada	1,052,498	456,233
Government of Ontario	120,417	163,468
County and School Boards	1,014	10,892
Other receivables	922,584	1,070,640
	<u>2,096,513</u>	<u>1,701,233</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2023	2022
	\$	\$
Trade payables	2,712,880	1,847,858
Holdbacks payable	698,327	466,699
Payroll accrual	141,740	120,395
Payroll deductions	88,600	308,217
Developer deposits	168,079	137,000
	<u>3,809,626</u>	<u>2,880,169</u>

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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:

	2023 \$	2022 \$
Ontario Infrastructure and Lands Corporation, matures December 15, 2037, repayable in blended monthly payments of \$27,248, bears interest at 3.15% per annum.	3,697,821	3,904,770
Ontario Infrastructure and Lands Corporation, matures December 15, 2047, repayable in blended monthly payments of \$10,586, bears interest at 3.33% per annum.	2,097,367	2,153,536
Ontario Infrastructure and Lands Corporation, matures December 15, 2047, repayable in blended monthly payments of \$4,341, bears interest at 3.33% per annum.	860,127	883,162
	6,655,315	6,941,468

- (b) Interest paid during the year on long term debt amounted to \$219,950 (2022 - \$228,949).

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

	Principal \$	Interest \$	Total \$
2024	295,444	210,658	506,102
2025	305,038	201,064	506,102
2026	314,944	191,158	506,102
2027	325,171	180,931	506,102
2028	335,731	170,371	506,102
2029 and subsequent years	5,078,987	1,267,167	6,346,154
	6,655,315	2,221,349	8,876,664

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

8. DEFERRED REVENUE - OTHER

Included in deferred revenue - other is the following amount:

	2023	2022
	\$	\$
Ontario Community Infrastructure Funding	480,484	545,886
Library funds	5,200	-
	485,684	545,886

The continuity of deferred revenue - other is as follows:

	2023	2022
	\$	\$
Balance - beginning of year	545,886	-
Add amounts received:		
Ontario Community Infrastructure Funding	434,867	511,608
Interest	11,352	34,278
Library	5,200	-
	451,419	545,886
Less transfer to operations:		
Ontario Community Infrastructure Funding spent	511,621	-
Balance - end of year	485,684	545,886

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

9. 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:

	2023	2022
	\$	\$
Development charges	468,659	1,155,616
Parkland	351,838	335,125
Canada Community-Building Fund	457,122	421,580
	1,277,619	1,912,321

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

	2023	2022
	\$	\$
Balance - beginning of year	1,912,321	3,169,953
Add amounts received:		
Development charges	131,346	333,033
Canada Community-Building Fund	292,188	280,013
Parkland	8,400	-
Interest earned (charged)	(114,642)	52,986
	317,292	666,032
Less transfer to operations:		
Development charges	684,548	1,601,706
Canada Community-Building Fund	267,446	321,958
	951,994	1,923,664
Balance - end of year	1,277,619	1,912,321

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

10. EMPLOYEE FUTURE BENEFITS PAYABLE

The Township provides post employment health and dental benefits to certain employees based on a number of eligibility factors including their date of hire and years of service. The Township records estimated liabilities for accrued employee benefits in the year they are earned.

	2023	2022
	\$	\$
Accrued benefit obligation at January 1	798,450	752,492
Unamortized actuarial losses	(3,342)	(3,621)
Liability at January 1	795,107	748,871
Current year benefit cost	59,501	57,397
Benefit payments by employer	(11,545)	(11,161)
Employee future benefits payable	843,063	795,107

The accrued benefit obligations for the Township's employee future benefit plans are based on actuarial valuations for accounting purposes. These actuarial valuations were based on assumptions about events in future periods. The cost of future benefits is determined actuarially using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health care costs. The discount rate used to determine the employee future benefits payable was determined by reference to the Township's internal rate of borrowing. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The most recent valuation is dated August 20, 2021. The economic assumptions used in this valuation are the Township's best estimates of expected rates:

Discount on accrued benefit obligations	2.50%
Health care cost escalation	4.90%
Dental cost escalation	5.10%

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

	2023	2022
	\$	\$
Current service cost	38,446	37,508
Interest on accrued benefit obligation	20,776	19,610
Amortized actuarial losses	279	279
Employee future benefits expense	59,501	57,397

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

11. EXPENSES BY OBJECT

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

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
Salaries and benefits	5,264,049	5,040,503	4,406,695
Interest charges	446,025	219,950	228,949
Materials	3,169,540	2,920,378	2,754,542
Contracted services	3,353,300	3,298,174	3,244,382
Rents and financial	11,720	94,126	101,279
External transfers	104,826	104,826	99,825
Amortization	2,734,267	2,952,902	2,734,267
Loss (gain) on disposal of tangible capital assets	-	220,343	(1,335,163)
	15,083,727	14,851,202	12,234,776

12. 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 2023 Annual Report disclosed total actuarial liabilities of \$136,185 million in respect of benefits accrued for service with actuarial assets of \$131,983 million indicating an actuarial deficit of \$4,202 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 2023 were \$334,083 (2022 - \$245,416).

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

13. TANGIBLE CAPITAL ASSETS

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

	2023	2022
	\$	\$
General		
Land and land improvements	5,673,288	5,491,500
Buildings and building improvements	23,383,851	19,991,526
Equipment	2,000,325	1,567,790
Vehicles	4,203,914	3,284,737
Infrastructure		
Roads and bridges	11,447,301	10,658,559
Water systems	5,388,439	4,685,093
Sewer systems	23,432,289	23,977,052
	75,529,407	69,656,257
Assets under construction	2,637,937	2,239,024
	78,167,344	71,895,281

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

During the year there were no write-downs of assets (2022 - \$Nil) and no interest capitalized (2022 - \$Nil).

Tangible capital assets allocated by segment are as follows:

	2023	2022
	\$	\$
General government	6,352,282	6,251,430
Protection services	4,531,745	2,013,811
Transportation services	18,838,194	15,187,836
Environmental services	29,798,686	29,387,429
Health services	1,858	1,858
Recreation and cultural services	18,616,707	19,021,063
Planning and development	27,872	31,854
	78,167,344	71,895,281

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

14. ACCUMULATED SURPLUS

(a) Accumulated surplus consists of the following:

	2023	2022
	\$	\$
Surplus/(Deficit)		
General	328,989	951,364
Unfunded landfill liability	-	(56,800)
Unfunded employee future benefits	(843,063)	(795,107)
Township of Cavan Monaghan Public Libraries	9,744	13,232
Millbrook Business Improvement Area	65,965	52,676
	(438,365)	165,365
Invested In Capital Assets		
Tangible capital assets - net book value	78,167,344	71,895,281
Long term debt	(6,655,315)	(6,941,468)
Unfunded capital - See (b) below	(5,398,882)	(2,288,282)
Asset retirement obligations (note 20)	(740,800)	-
	65,372,347	62,665,531
Surplus	64,933,982	62,830,896
Reserves		
Working funds	1,553,207	1,486,663
Policing	58,333	42,093
Emergency services	1,585,207	2,651,532
Transportation services	46,055	296,055
Waste disposal services	25,959	34,159
Parks and recreation services	283,925	114,925
Water and sewer operations	4,266,589	4,179,349
Planning and development	788,786	990,705
Future capital	19,393,779	16,173,862
Election services	25,169	25,169
Computer services	13,854	-
Springville & Ebenezer cemetery	26,030	26,030
New community centre	25,000	25,000
Cavan Monaghan Public Libraries	22,586	13,796
Total Reserves	28,114,479	26,059,338
Reserve Funds		
Cavan Monaghan Public Libraries	12	12
	93,048,473	88,890,246

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

14. ACCUMULATED SURPLUS, continued

(b) Unfunded capital consists of the following:

	2023	2022
	\$	\$
Transportation	2,426,213	-
Recreation	2,253,428	2,288,282
Water and sewer	615,112	-
Protection	104,129	-
	5,398,882	2,288,282

These amounts will be recovered from future development charges and other revenues.

15. 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 \$500,000 via an operating loan. Any balance borrowed will accrue interest at the bank’s prime lending rate. Council authorized the temporary borrowing limit by By-law 2023-02. At December 31, 2023 there was no balance outstanding.

16. BUDGET FIGURES

The budget, approved by the Township, for 2023 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year’s actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

17. USER CHARGES

User charges consist of the following:

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
Water and sewer	1,887,066	1,999,433	1,949,776
Building permits and inspections	250,000	148,660	232,138
Recreation program/facilities fees, rental and registrations	337,900	471,139	369,802
Waste management tipping fees and recycling	91,250	84,680	83,545
Planning and zoning	14,000	28,027	53,125
General government user fees, licenses and permits	46,220	59,913	60,474
Roads and engineering user fees	5,000	2,977	6,160
Fire protection	60,200	52,845	31,314
Other licenses and permits	25,500	25,063	31,835
Library user fees and fines	4,100	6,916	5,655
Parks charges	9,000	13,747	9,011
Fines and other	5,000	7,168	16,136
BIA fundraising and event revenue	6,160	8,420	3,520
	2,741,396	2,908,988	2,852,491

Draft October 25, 2023

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

18. SEGMENTED INFORMATION

The Township of Cavan 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.

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. Departments included in the general government segment include Council, CAO, Clerk, and Finance.

Protection Services

Protection services include police, fire, conservation authorities and protective inspection and control. The police services are contracted to ensure the safety and protection of the citizens and their property. The volunteer fire department is responsible to provide fire suppression service, fire prevention programs, emergency preparedness, training and education.

Transportation Services

The activities of the transportation segment include construction and maintenance of the Township's roads, road safety devices, signs, bridges, sidewalks, street lighting and crossing guard services within the Township.

Water and Sewer

This segment is responsible for providing water and sewer services within the Township.

Other Environmental Services

This function is responsible for providing waste collection and waste disposal services to ratepayers. Curbside pick-up is provided to all wards. Residents are also provided with access to additional waste disposal and recycling services at the Transfer Station site.

Recreation and Cultural Services

The recreation and cultural services segment provides services meant to improve the health and development of the Township's citizens. This service area provides indoor and outdoor recreational facilities. Recreational and cultural programs including skating lessons, moms and tots programs, hockey groups and home schooling programs are provided at the arena and community centres. The Township also provides library services to assist with its citizens' informational needs.

Planning and Development

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

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

19. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation. The reclassifications made had no impact on the prior year surplus.

20. ASSET RETIREMENT OBLIGATION

The Township's asset retirement obligation consists of the following:

(a) Asbestos obligation

The Township owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 – Asset Retirement Obligations, the Township recognized an obligation relating to the removal of the asbestos in these building as estimated at January 1, 2023. The buildings are expected to reach the end of their useful life between 1-15 years. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. Estimated costs have been discounted to the present value using a discount rate of 3.90% per annum.

Changes to the asset retirement obligation in the year are as follows:

Asset Retirement Obligation	Asbestos removal \$
Opening balance - January 1, 2023	-
Adjustment on adoption of the asset retirement obligation standard	712,993
Opening balance, as restated	712,993
Accretion expense	27,807
Closing balance	740,800

The impacts of the implementation of PS 3280 – Asset Retirement Obligations on expenses by segment are as follows:

	Accretion \$	Amortization \$
Protection services	18,468	31,569
Transportation services	469	2,005
Recreation and cultural services	8,870	88,882
	27,807	122,456

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

21. CHANGES IN ACCOUNTING POLICIES

The Township has implemented the following sections which are now effective under the PSA Handbook: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments and PS 3280 Asset Retirement Obligations were adopted prospectively on January 1, 2023.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of foreign currency transactions. The adoption of this standard did not have an impact on the Township's consolidated financial statements.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. Financial instruments are included on the statement of financial position and are measured either at fair value or cost or amortized cost based on the characteristics of the instrument and the Township's accounting policy choices (see Note 1. Significant Accounting Policies). The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

In accordance with the provisions of PS 3041 and PS 3450, the Township reflected the following adjustments at January 1, 2023:

- A loss of \$127,688 to the accumulated remeasurement gains/(losses) due to the unrealized loss of the Township's investment previously recorded at cost.

PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability.

In accordance with the provisions of this new standard, the Township reflected the following adjustments at January 1, 2023:

Landfill Obligation

- A decrease of \$56,800 to Landfill closure and post-closure liability to remove the liability recognized to December 31, 2022 under the old standard. The adoption of this standard did not require a tangible capital asset set up as the site has been closed.
- No asset retirement obligation was required as the Ministry of Environment has approved the discontinuation of monitoring of the site.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

21. CHANGES IN ACCOUNTING POLICIES, continued

Asbestos Obligation

- An increase of \$712,993 to the buildings tangible capital asset account, representing the cost of the liability at January 1, 2023 and an asset retirement obligation in the same amount.

22. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Township assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The Township is exposed to the following risks in respect of certain of the financial instruments held:

(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 Township reduces its exposure to credit risk by creating an allowance for bad debts when applicable. The Township monitors and assesses the collectability of accounts receivable based on past experience to derive a net realizable value.

In the opinion of management the credit risk exposure to the organization is low and is not material.

(b) Market risk

The Township is exposed to certain market risks regarding their investments. This risk is mitigated with the Township's investment policy.

(c) Liquidity risk

Liquidity risk is the risk that the Township cannot repay its obligations when they become due to its creditors.

The Township reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate amount of cash to cover operating expenses.

In the opinion of management the liquidity risk exposure to the organization low and is not material.

In the opinion of management, the Township is not exposed to any significant interest rate, or currency risk.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2023

	General				Infrastructure			Assets Under Construction	Totals
	Land and Land Improvements	Buildings and Building Improvements	Equipment	Vehicles	Roads and Bridges	Water Systems	Sewer Systems		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST									
Balance, beginning of year	6,302,922	24,157,360	3,399,312	5,699,517	32,979,833	6,259,041	29,277,613	2,239,024	110,314,622
Add: additions during the year	256,536	3,410,859	691,947	1,203,286	1,660,712	830,094	94,108	584,773	8,732,315
Less: disposals during the year	-	160,848	61,681	182,938	48,832	38,112	-	185,860	678,271
Asset retirement obligation	-	712,993	-	-	-	-	-	-	712,993
Balance, end of year	6,559,458	28,120,364	4,029,578	6,719,865	34,591,713	7,051,023	29,371,721	2,637,937	119,081,659
ACCUMULATED AMORTIZATION									
Balance, beginning of year	811,422	4,165,834	1,831,522	2,414,780	22,321,274	1,573,948	5,300,561	-	38,419,341
Add: additions during the year	74,748	731,527	258,742	253,009	871,544	124,461	638,871	-	2,952,902
Less: disposals during the year	-	160,848	61,011	151,838	48,406	35,825	-	-	457,928
Balance, end of year	886,170	4,736,513	2,029,253	2,515,951	23,144,412	1,662,584	5,939,432	-	40,914,315
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	5,673,288	23,383,851	2,000,325	4,203,914	11,447,301	5,388,439	23,432,289	2,637,937	78,167,344

Draft October 24, 2024

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2023

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	OLG \$	Consolidated \$
Revenues									
Property taxation	3,174,477	3,558,223	3,002,917	-	230,553	1,151,174	524,773	-	11,642,117
User charges	387,458	229,216	2,977	1,999,432	84,680	168,778	36,447	-	2,908,988
Government transfers - operating	536,400	2,360	511,546	-	-	34,922	-	-	1,085,228
Government transfers - capital	-	-	-	73,020	-	2,000	-	-	75,020
Penalties and interest on taxes	379,895	-	-	-	-	-	-	-	379,895
Investment income	1,253,214	-	-	-	-	-	-	-	1,253,214
Donations	25,000	-	-	-	-	107,626	1,250	-	133,876
Other	224,058	-	19,823	-	-	-	-	-	243,881
Ontario Lottery and Gaming	-	-	-	-	-	-	-	330,078	330,078
Development charges earned	53,333	566,263	(210,762)	310,537	-	(29,685)	-	-	689,686
Canada Community-Building Fund earned	-	-	267,446	-	-	-	-	-	267,446
Total revenues	6,033,835	4,356,062	3,593,947	2,382,989	315,233	1,434,815	562,470	330,078	19,009,429
Expenses									
Salaries and benefits	1,335,492	1,050,102	1,022,481	204,276	84,256	881,156	462,740	-	5,040,503
Interest charges	-	-	-	219,950	-	-	-	-	219,950
Materials	633,571	402,242	806,466	400,961	9,498	598,072	69,568	-	2,920,378
Contracted services	318,243	1,515,940	174,352	753,640	366,565	120,753	48,681	-	3,298,174
Rents and financial	12,362	18,468	54,426	-	-	8,870	-	-	94,126
External transfers	-	104,826	-	-	-	-	-	-	104,826
Amortization	224,887	146,471	1,033,988	795,219	-	751,959	378	-	2,952,902
Loss (gain) on disposal of tangible capital assets	-	186,531	31,525	2,287	-	-	-	-	220,343
Total expenses	2,524,555	3,424,580	3,123,238	2,376,333	460,319	2,360,810	581,367	-	14,851,202
Net surplus/(deficit)	3,509,280	931,482	470,709	6,656	(145,086)	(925,995)	(18,897)	330,078	4,158,227

Draft October 25, 2024

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2022

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	3,010,492	3,374,415	2,847,795	-	218,643	1,091,708	497,665	11,040,718
User charges	334,341	304,286	6,160	1,949,778	83,545	117,736	56,645	2,852,491
Government transfers - operating	532,707	1,600	-	-	-	22,394	44,622	601,323
Government transfers - capital	12,387	-	-	-	-	-	5,417	17,804
Other municipalities	28,300	-	-	-	-	-	-	28,300
Penalties and interest on taxes	319,616	-	-	-	-	-	-	319,616
Investment income	528,486	-	-	-	-	-	-	528,486
Donations	2,500	-	-	-	-	213,775	25,000	241,275
Other	117,842	-	118,966	-	-	-	-	236,808
Ontario Lottery and Gaming	478,010	-	-	-	-	-	-	478,010
Development charges earned	231,715	-	173,200	1,329,407	-	(132,616)	-	1,601,706
Canada Community-Building Fund earned	-	-	321,958	-	-	-	-	321,958
Total revenues	5,596,396	3,680,301	3,468,079	3,279,185	302,188	1,312,997	629,349	18,268,495
Expenses								
Salaries and benefits	1,208,141	872,977	876,264	173,743	72,324	717,959	485,287	4,406,695
Interest charges	-	-	-	228,949	-	-	-	228,949
Materials	470,728	330,797	1,046,254	211,708	14,253	561,902	118,900	2,754,542
Contracted services	365,120	1,520,706	159,171	719,540	343,108	89,556	47,181	3,244,382
Rents and financial	7,153	93,826	-	-	-	300	-	101,279
External transfers	-	99,825	-	-	-	-	-	99,825
Amortization	169,819	116,959	1,004,637	790,704	-	651,770	378	2,734,267
Loss (gain) on disposal of tangible capital assets	-	(2,281,054)	117,220	-	-	828,671	-	(1,335,163)
Total expenses	2,220,961	754,036	3,203,546	2,124,644	429,685	2,850,158	651,746	12,234,776
Net surplus/(deficit)	3,375,435	2,926,265	264,533	1,154,541	(127,497)	(1,537,161)	(22,397)	6,033,719

Draft October 25, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the Township of Cavan Monaghan (the Trust Funds), which comprise the statement of financial position as at December 31, 2023, 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, 2023, 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.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 4, 2024

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2023

	Baptie Trust \$	Endowment Trust \$	2023 Total \$	2022 Total \$
FINANCIAL ASSETS				
Cash	11	2,838	2,849	2,794
Due from Township	1,020	-	1,020	1,031
	1,031	2,838	3,869	3,825
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Township	-	760	760	760
FUND BALANCES				
Capital	1,000	1,060	2,060	2,060
Income	31	1,018	1,049	1,005
	1,031	2,078	3,109	3,065
	1,031	2,838	3,869	3,825

TRUST FUNDS STATEMENT OF CONTINUITY For the Year Ended December 31, 2023

	Baptie Trust \$	Endowment Trust \$	2023 Total \$	2022 Total \$
BALANCES - beginning of year	1,031	2,034	3,065	3,104
RECEIPTS				
Interest earned	-	139	139	56
EXPENSES				
Scholarship	-	95	95	95
BALANCES - end of year	1,031	2,078	3,109	3,065

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TRUST FUNDS NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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.

Draft October 2023

**CORPORATION OF THE TOWNSHIP OF CAVAN
MONAGHAN**

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2023

Draft October 25, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of the Township of Cavan Monaghan Public Libraries, the Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Qualified Opinion

We have audited the financial statements of the Township of Cavan Monaghan Public Libraries of the Corporation of the Township of Cavan Monaghan (the Board), which comprise the statement of financial position as at December 31, 2023, 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, 2023, 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 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 donations and fundraising revenue, annual surplus and cash flows from operations for the years ended December 31, 2023 and 2022, and assets and accumulated surplus as at December 31, 2023 and 2022. Our opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this scope limitation. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 4, 2024

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES

STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	2023	2022
	\$	\$
FINANCIAL ASSETS		
Cash	173,237	136,427
Accounts receivable	5,503	20,005
TOTAL FINANCIAL ASSETS	178,740	156,432
LIABILITIES		
Accounts payable and accrued liabilities	24,541	19,868
Deferred revenue (note 2)	123,593	114,343
TOTAL LIABILITIES	148,134	134,211
NET FINANCIAL ASSETS	30,606	22,221
NON-FINANCIAL ASSETS		
Tangible capital assets (note 3)	75,512	69,235
Prepaid expenses	1,737	4,819
TOTAL NON-FINANCIAL ASSETS	77,249	74,054
ACCUMULATED SURPLUS (note 5)	107,855	96,275

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
REVENUES			
Township contribution - operating (note 7)	306,520	306,520	280,953
Township contribution - occupancy (note 7)	-	26,935	39,700
Township contribution - audit, insurance, payroll and IT (note 7)	-	14,517	17,277
Township contribution - development charges (note 7)	5,000	5,000	4,248
Township contribution - capital (note 7)	27,000	27,000	-
Province of Ontario	45,398	34,375	20,754
Government of Canada	547	546	1,640
User charges	2,600	4,682	3,592
Donations and fundraising	4,000	9,437	15,838
Contributed tangible capital assets	-	-	3,000
Other grants	-	2,000	-
TOTAL REVENUES	391,065	431,012	387,002
EXPENSES			
Salaries and benefits	304,797	306,513	263,731
Insurance (note 7)	-	6,467	7,828
Information technology	13,100	6,409	6,766
Training and development	2,515	1,561	1,631
Professional fees and honoraria (note 7)	1,640	6,539	8,492
Program and service materials	20,227	21,580	11,621
Telephone and utilities	7,500	7,016	3,087
Occupancy (note 7)	-	26,935	39,700
Office (note 7)	14,680	8,980	12,480
Amortization	26,077	27,432	26,077
TOTAL EXPENSES	390,536	419,432	381,413
ANNUAL SURPLUS	<u>529</u>	11,580	5,589
ACCUMULATED SURPLUS - beginning of year		96,275	90,686
ACCUMULATED SURPLUS - end of year		107,855	96,275

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
ANNUAL SURPLUS	529	11,580	5,589
Amortization of tangible capital assets	26,077	27,432	26,077
Acquisition of tangible capital assets	(25,000)	(33,708)	(12,715)
Contributed tangible capital assets	-	-	(3,000)
Change in prepaid expenses	-	3,081	(4,819)
INCREASE IN NET FINANCIAL ASSETS	1,606	8,385	11,132
NET FINANCIAL ASSETS - beginning of year	22,221	22,221	11,089
NET FINANCIAL ASSETS - end of year	23,827	30,606	22,221

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023	2022
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus (deficit)	11,580	5,589
Items not involving cash		
Amortization of tangible capital assets	27,432	26,077
Contributed tangible capital assets	-	(3,000)
Change in non-cash working capital		
Accounts receivable	14,502	(4,146)
Prepaid expenses	3,081	(4,819)
Accounts payable and accrued liabilities	4,673	(62,168)
Deferred revenue	9,250	10,214
Net change in cash from operating activities	70,518	(32,253)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(33,708)	(12,715)
NET CHANGE IN CASH	36,810	(44,968)
CASH - beginning of year	136,427	181,395
CASH - end of year	173,237	136,427

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

1. NATURE OF OPERATIONS

Cavan Monaghan Public Libraries is an unincorporated non-profit organization. The Cavan Monaghan Libraries are dedicated to working with its staff, members and clients to provide efficient service to meet the needs of the community.

The Cavan Monaghan Libraries house a new and up-to-date collection of books and other items to serve the Township of Cavan Monaghan, and has a reciprocal borrowing agreement with the neighbouring Otonabee South-Monaghan Township Library Board.

The Cavan Monaghan Libraries is a registered charity, and as such is exempt from income tax.

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.

(b) Use of Estimates

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

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Amortized Cost
Accounts receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost

Fair value category: The Board manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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:

Computers and software	3 years
Furniture and equipment	10 years
Books and audio-visuals	7 years

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

(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) 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.

(g) Reserves and Reserve Funds

Certain amounts, as approved by the Board, 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.

(h) Inter-Entity Transactions

The Township of Cavan Monaghan Public Libraries is a Board of the Township of Cavan 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. DEFERRED REVENUE

Deferred revenue consists of funding received from: the Township of Cavan Monaghan \$112,299 (2022 - \$114,343), the Province of Ontario \$5,200 (2022 - \$Nil), and the 2023-2024 Seniors Community Grant \$6,094 (2022 - \$Nil).

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2023

3. TANGIBLE CAPITAL ASSETS

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

	Books and audio- visuals \$	Furniture and equipment \$	Computers and software \$	2023 Totals \$	2022 Totals \$
COST					
Balance, beginning of year	173,426	94,214	76,018	343,658	356,160
Add: additions during the year	23,818	4,928	4,962	33,708	15,715
Less: disposals during the year	28,388	2,955	23,229	54,572	28,217
Balance, end of year	168,856	96,187	57,751	322,794	343,658
ACCUMULATED AMORTIZATION					
Balance, beginning of year	109,391	89,013	76,018	274,422	276,563
Add: additions during the year	24,121	1,657	1,654	27,432	26,077
Less: disposals during the year	28,388	2,955	23,229	54,572	28,217
Balance, end of year	105,124	87,715	54,443	247,282	274,423
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	63,732	8,472	3,308	75,512	69,235

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

4. PENSION AGREEMENTS

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

The Actuarial Opinion contained in the 2023 Annual Report disclosed total actuarial liabilities of \$136,185 million in respect of benefits accrued for service with actuarial assets of \$131,983 million indicating an actuarial deficit of \$4,202 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 Board does not recognize any share of the OMERS pension surplus or deficit.

The Board's required contributions to OMERS in 2023 were \$23,624 (2022 - \$17,021).

5. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2023	2022
	\$	\$
Surplus		
Operations	9,744	13,232
Invested In Capital Assets		
Tangible capital assets - net book value	75,512	69,235
Surplus	85,256	82,467
Reserves		
Working fund	2,068	3,068
Donation and fundraising reserve	10,147	10,728
IT hardware reserve	7,000	-
Future capital reserve	3,372	-
Total Reserves	22,587	13,796
Reserve Fund		
New Initiatives	12	12
	107,855	96,275

6. BUDGET FIGURES

The operating budget, approved by the Board, for 2023 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 CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2023

7. INTER-ENTITY TRANSACTIONS

During the year, the Board entered into transactions with the Township of Cavan-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:

	2023	2022
	\$	\$
Allocated costs:		
Occupancy	26,935	39,700
Audit, insurance, payroll and IT	14,517	17,277
	41,452	56,977

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

TOWNSHIP OF CAVAN MONAGHAN PUBLIC LIBRARIES

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

8. CHANGES IN ACCOUNTING POLICIES

The Board has implemented the following sections which are now effective under the PSA Handbook: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments and PS 3280 Asset Retirement Obligations were adopted prospectively on January 1, 2023.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of foreign currency transactions. The adoption of this standard did not have an impact on the Board's financial statements.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The adoption of this standard did not have an impact on the Board's financial statements.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. Financial instruments are included on the statement of financial position and are measured either at fair value or cost or amortized cost based on the characteristics of the instrument and the Board's accounting policy choices (see Note 1. Significant Accounting Policies). The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. The adoption of this standard did not have an impact on the Board's financial statements.

PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The adoption of this standard did not have an impact on the Board's financial statements.

9. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

10. COMMITMENT

During 2023, the Board entered into an equipment lease agreement with monthly payments of \$198 plus HST starting December 31, 2023 through to November 30, 2028.

**CORPORATION OF THE TOWNSHIP OF CAVAN
MONAGHAN**

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2023

Draft October 25, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of the Millbrook Business Improvement Area Board, the Members of Council, Inhabitants and Ratepayers of the Township of Cavan Monaghan

Qualified Opinion

We have audited the financial statements of the Millbrook Business Improvement Area Board of the Corporation of the Township of Cavan Monaghan (the Millbrook Business Improvement Area), which comprise the statement of financial position as at December 31, 2023, 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 Millbrook Business Improvement Area as at December 31, 2023, 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 Municipal boards, the Millbrook Business Improvement Area derives revenue from donations, fundraising and sponsorship, 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 Millbrook Business Improvement Area. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising and sponsorship revenue, annual surplus/(deficit) and cash flows from operations for the years ended December 31, 2023 and 2022, and assets and accumulated surplus as at December 31, 2023 and 2022. Our opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this scope limitation.

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 Millbrook Business Improvement Area 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 Millbrook Business Improvement Area'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 Millbrook Business Improvement Area or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Millbrook Business Improvement Area'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 Millbrook Business Improvement Area'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 Millbrook Business Improvement Area'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 Millbrook Business Improvement Area 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.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
November 4, 2024

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	2023	2022
	\$	\$
FINANCIAL ASSETS		
Cash	49,490	37,549
Due from Township of Cavan Monaghan (note 5)	19,816	14,696
TOTAL FINANCIAL ASSETS	69,306	52,245
LIABILITIES		
Accounts payable and accrued liabilities	3,341	-
NET FINANCIAL ASSETS	65,965	52,245
NON-FINANCIAL ASSETS		
Tangible capital assets (note 2)	2,503	2,881
Prepaid expenses	-	431
TOTAL NON-FINANCIAL ASSETS	2,503	3,312
ACCUMULATED SURPLUS (note 3)	68,468	55,557

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
REVENUES			
Township of Cavan Monaghan - tax levy (note 5)	15,902	14,318	14,000
Donations, fundraising and sponsorships	15,530	36,370	34,770
TOTAL REVENUES	31,432	50,688	48,770
EXPENSES			
Administration	4,000	2,274	1,602
Christmas in the Village	2,100	1,720	1,133
Professional fees	4,880	4,418	1,476
Ladies night	1,350	2,381	733
Decoration	6,190	9,706	6,960
Amortization	378	378	378
Car show	200	201	183
Contracted services	6,912	6,590	7,360
BIA dinner	200	153	1,763
Summer festival	7,000	8,101	11,905
Advertising and promotion	2,000	1,655	1,671
Donations and honoraria	200	200	250
TOTAL EXPENSES	35,410	37,777	35,414
ANNUAL SURPLUS/(DEFICIT)	<u>(3,978)</u>	12,911	13,356
ACCUMULATED SURPLUS - beginning of year		55,557	42,201
ACCUMULATED SURPLUS - end of year		68,468	55,557

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2023

	Budget 2023 \$ (Unaudited)	Actual 2023 \$	Actual 2022 \$
ANNUAL SURPLUS/(DEFICIT)	(3,978)	12,911	13,356
Amortization of tangible capital assets	378	378	378
Change in prepaid expenses	-	431	(431)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(3,600)	13,720	13,303
NET FINANCIAL ASSETS - beginning of year	52,245	52,245	38,942
NET FINANCIAL ASSETS - end of year	48,645	65,965	52,245

Draft October 25, 2024

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023	2022
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	12,911	13,356
Items not involving cash		
Amortization of tangible capital assets	378	378
Change in non-cash assets and liabilities		
Due from Township of Cavan Monaghan	(5,120)	(5,783)
Prepaid expenses	431	(431)
Accounts payable and accrued liabilities	3,341	-
NET CHANGE IN CASH	11,941	7,520
CASH - beginning of year	37,549	30,029
CASH - end of year	49,490	37,549

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

1. NATURE OF OPERATIONS

The Millbrook Business Improvement Area Board (the "Board") is controlled by the Council of the Township of Cavan Monaghan. The Board's goal is promoting the Millbrook downtown business area.

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 Millbrook Business Improvement Area are as follows:

(a) Recognition of Revenue and Expenses

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

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

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

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

(b) Use of Estimates

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

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Financial Instruments

Financial instruments are classified as either fair value or amortized cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Amortized Cost
Due from Township of Cavan Monaghan	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost

Fair value category: The Board manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

Amortized cost category: Amounts are measured at the initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument asset or financial instrument liability.

The following hierarchy provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

As there are no unrealized gains or losses on financial instruments to report, the Statement of Remeasurement Gains and Losses has not been presented in these financial statements.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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:

Signs	4 years
Benches	20 years
Bicycle racks	15 years

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

(e) Inter-Entity Transactions

The Millbrook Business Improvement Area Board is a Millbrook Business Improvement Area of the Township of Cavan 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. TANGIBLE CAPITAL ASSETS

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

	Signs \$	Benches \$	Bicycle racks \$	2023 Totals \$	2022 Totals \$
COST					
Balance, beginning of year	4,322	4,642	2,193	11,157	11,157
Balance, end of year	4,322	4,642	2,193	11,157	11,157
ACCUMULATED AMORTIZATION					
Balance, beginning of year	4,322	2,784	1,170	8,276	7,898
Add: additions during the year	-	232	146	378	378
Balance, end of year	4,322	3,016	1,316	8,654	8,276
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	-	1,626	877	2,503	2,881

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

3. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2023	2022
	\$	\$
Surplus		
Operations	65,965	52,676
Invested In Capital Assets		
Tangible capital assets - net book value	2,503	2,881
	<hr/>	<hr/>
	68,468	55,557

4. BUDGET FIGURES

The operating budget, approved by the Millbrook Business Improvement Area, for 2023 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

5. INTER-ENTITY TRANSACTIONS

During the year, the Millbrook Business Improvement Area entered into transactions with the Township of Cavan Monaghan.

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

In addition, the Township provides accounting and administrative services to the Millbrook Business Improvement Area at no cost.

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

6. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

MILLBROOK BUSINESS IMPROVEMENT AREA BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

7. CHANGE IN ACCOUNTING POLICY

The Millbrook Business Improvement Area has implemented the following sections which are now effective under the PSA Handbook: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments and PS 3280 Asset Retirement Obligations were adopted prospectively on January 1, 2023.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of foreign currency transactions. The adoption of this standard did not have an impact on the Board's financial statements.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The adoption of this standard did not have an impact on the Board's financial statements.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. Financial instruments are included on the statement of financial position and are measured either at fair value or cost or amortized cost based on the characteristics of the instrument and the Board's accounting policy choices (see Note 1. Significant Accounting Policies). The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. The adoption of this standard did not have an impact on the Board's financial statements.

PS 3280 Asset Retirement Obligations addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The adoption of this standard did not have an impact on the Board's financial statements.

8. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Millbrook Business Improvement Area assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

In the opinion of management, the Millbrook Business Improvement Area is not exposed to any significant credit, liquidity, interest rate or currency risk.