

The Corporation of the Township of Tehkummah
Consolidated Financial Statements
For the year ended December 31, 2019

The Corporation of the Township of Tehkummah
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For the year ended December 31, 2019

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Management's Responsibility for the Consolidated Financial Statements

To the Residents and Ratepayers of the Corporation of the Township of Tehkummah

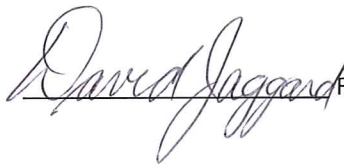
The accompanying consolidated financial statements of the Corporation of the Township of Tehkummah ("the Township") are the responsibility of the management of the Township and have been approved by Reeve and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of CPA Canada. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Township's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Township's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.


David Jaggard, Reeve


L. L. Burt, Clerk-Administrator

Independent Auditor's Report

To the Members of Council, Residents and Ratepayers of the Corporation of the Township of Tehkummah

Opinion

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Tehkummah (the "Township"), which comprise the the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2019, and the results of its operations and accumulated surplus, the changes in net financial assets and its 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 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 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 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 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 Municipality'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 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 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.

Sudbury, Ontario
July 16, 2020

MNP LLP

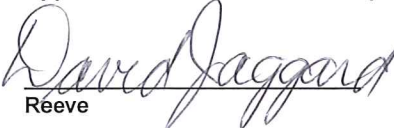
Chartered Professional Accountants
Licensed Public Accountant

The Corporation of the Township of Tehkummah
Consolidated Statement of Financial Position

As at December 31, 2019

	2019	2018
Financial assets		
Cash (Note 5)	1,347,524	583,591
Accounts receivable (Note 6)	75,395	150,198
Taxes receivable (Note 7)	130,752	170,847
Government assistance receivable (Note 8)	6,633	5,411
Total financial assets	1,560,304	910,047
Liabilities		
Accounts payable and accrued liabilities	507,189	526,781
Deferred revenue (Note 10)	16,070	22,596
Deferred revenue - obligatory reserve funds (Note 11)	176,416	143,023
Landfill site closure and post-closure liability (Note 12)	147,186	128,211
Long-term liabilities (Note 13)	361,158	70,677
Total liabilities	1,208,019	891,288
Net financial assets	352,285	18,759
Contingencies (Note 17)		
Subsequent event (Note 18)		
Non-financial assets		
Tangible capital assets (<i>Schedule 2</i>)	2,421,088	2,562,040
Prepaid expenses	2,760	2,760
Inventory	27,552	-
Land held for resale	18,568	18,568
Total non-financial assets	2,469,968	2,583,368
Accumulated surplus (Note 14)	2,822,253	2,602,127

Approved on behalf of the Municipality


 Reeve


 Clerk-Administrator

The Corporation of the Township of Tehkummah
Consolidated Statement of Operations

For the year ended December 31, 2019

	<i>2019 Budget</i>	2019	<i>2018</i>
Revenue			
Taxation			
Residential and farm	1,052,861	1,067,574	999,873
Commercial, industrial and business	45,801	46,216	45,655
Other government and agencies	56,716	45,854	95,485
	1,155,378	1,159,644	1,141,013
Government transfers			
Province of Ontario	436,595	693,507	431,226
Government of Canada	76,604	6,618	13,520
	513,199	700,125	444,746
User charges			
Sewer and water charges	148,149	121,909	118,326
Fees and service charges	65,942	76,769	76,936
	214,091	198,678	195,262
Other			
Licenses and permits	3,200	2,406	2,619
Investment income	3,000	7,373	3,007
Penalties and interest charges	20,000	24,056	23,885
Donations	10,000	10,080	11,865
Other	19,821	30,834	25,415
Gain on disposal of tangible capital assets	-	3,083	-
	56,021	77,832	66,791
Total revenue	1,938,689	2,136,279	1,847,812
Expenses (Schedule 3)			
General Government services	429,224	379,843	626,431
Protection to persons and property services	284,600	260,790	236,459
Transportation services	559,800	395,099	535,455
Environmental services	271,750	475,322	460,320
Health and social services	209,750	201,584	197,777
Recreation and cultural services	114,340	127,574	113,825
Planning and development services	42,400	75,942	23,835
Total expenses	1,911,864	1,916,154	2,194,102
Surplus (deficit)	26,825	220,125	(346,290)

The accompanying notes are an integral part of these financial statements

The Corporation of the Township of Tehkummah
Consolidated Statement of Accumulated Surplus

For the year ended December 31, 2018

	<i>2019</i> <i>Budget</i>	2019	<i>2018</i>
Accumulated surplus, beginning of year	2,602,127	2,602,127	2,948,417
Surplus (deficit)	26,825	220,125	(346,290)
Accumulated surplus, end of year	2,628,952	2,822,253	2,602,127

The accompanying notes are an integral part of these financial statements

The Corporation of the Township of Tehkummah
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31, 2019

	<i>2019 Budget</i>	2019	<i>2018</i>
Annual surplus (deficit)	26,825	220,125	(346,290)
Purchase of tangible capital assets	(92,500)	(175,359)	(64,959)
Amortization of tangible capital assets	-	312,862	309,192
Proceeds on disposal of tangible capital assets	-	6,532	-
Gain on disposal of tangible capital assets	-	(3,083)	-
Purchase of inventory	-	(27,552)	-
Change in net assets	(65,675)	333,526	(102,057)
Net financial assets, beginning of year	18,759	18,759	120,816
Net financial assets, end of year	(46,916)	352,285	18,759

The accompanying notes are an integral part of these financial statements

The Corporation of the Township of Tehkummah
Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities:		
Operating activities		
Annual surplus (deficit)	220,125	(346,290)
Items not involving cash:		
Amortization	312,862	309,192
Gain on disposal of tangible capital assets	(3,083)	-
Landfill site closure and post-closure liability	18,975	9,092
	548,879	(28,006)
Changes in non-cash working capital:		
Accounts receivable	74,803	(77,780)
Taxes receivable	40,095	(9,274)
Inventory	(27,552)	-
Government assistance receivable	(1,222)	96,164
Accounts payable and accrued liabilities	(19,591)	41,598
Deferred revenue	(6,526)	(12,670)
Deferred revenue - obligatory reserve funds	33,393	64,168
	642,279	74,200
Capital transactions		
Acquisition of tangible capital assets	(175,359)	(64,959)
Proceeds on disposal of tangible capital assets	6,532	-
	(168,827)	(64,959)
Financing transactions		
Proceeds from long-term liabilities	310,500	-
Repayment of long-term liabilities	(20,019)	(18,564)
	290,481	(18,564)
Increase (decrease) in cash resources	763,933	(9,323)
Cash resources, beginning of year	583,591	592,914
Cash resources, end of year	1,347,524	583,591
Cash resources are composed of:		
Cash	864,770	440,568
Restricted cash	482,754	143,023
	1,347,524	583,591

The accompanying notes are an integral part of these financial statements

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. Municipal status

The Corporation of the Township of Tehkummah (the "Township") is a municipality located in the Province of Ontario, Canada. It conducts its operations guided by provisions of provincial statutes such as the Municipal Act 2001 and related other legislation.

2. Significant accounting policies

The consolidated financial statements of the Township are the representation of management, prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants of Canada (CPA Canada). The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances of the reporting entity. The reporting entity is comprised of all the organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township which are owned or controlled by the Township. These consolidated financial statements include the following:

Library Board
Little Schoolhouse and Museum Board

Non-consolidated entities

These consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenditures and activities of the following boards, organizations and entities which are not under the control of the Township:

Sudbury & District Health Unit
Manitoulin-Sudbury District Services Board
Manitoulin Centennial Manor
Manitoulin Planning Board

Accounting for School Board Transactions

The Township is required by provincial law to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province. The Township has no jurisdiction or control over the school boards' operations or education mill rate changes. Revenues, expenditures, assets and liabilities with respect to the operations of the school boards are therefore not reflected in these consolidated financial statements.

(b) Basis of accounting

Accrual accounting

The consolidated financial statements are prepared under the accrual basis of accounting.

The accrual basis of accounting recognizes revenue in the fiscal year in which transactions or events occur that give rise to the revenue and become measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services or the creation of a legal obligation to pay.

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. Significant accounting policies (continued)

Measurement uncertainty (use of estimates)

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions which affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate estimate of allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of property, plant and equipment.

Accrued liabilities are estimated based on expected charges for unbilled goods and services at year-end.

Landfill closure and post closure liability is based upon estimates of the useful life of the landfill and expected costs to rehabilitate the land.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known. Actual results could differ from these estimates.

Cash resources

Cash resources include balances with banks and cash on hand.

Deferred revenue

Deferred revenue consists of user charges and other charges and contributions which have been collected for which the related services have yet to be performed, expenses incurred or capital expenditure made. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible assets are acquired.

Deferred Revenue - Obligatory reserve funds

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

Non-financial assets

Non-financial assets are not normally available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess (deficiency) of revenues over expenditures, provides the consolidated change in net financial assets for the year.

Employee future benefits

The Township has a defined contribution pension plan consisting of a matching group RRSP plan covering substantially all full-time employees. Under this plan, contributions are expensed in the year paid.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. Significant accounting policies (continued)

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 assets.

The cost of tangible capital assets less residual value is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Roads and bridges	50-75 years
Automotive equipment	10 years
Furniture and equipment	10 years
Water and sewer	25 years
Drains	50 years

Additions are amortized at one half of the annual rate in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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 these reserves and reserve funds are reported as an adjustment to the respective fund when approved. Reserves and reserve funds form part of the accumulated surplus balance.

Government transfers

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

Taxation and related revenues

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

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Once a supplementary assessment roll is received, the Township determines the taxes applicable and renders supplementary tax billings. Supplementary taxation revenues are recorded at the time these bills are issued.

Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of appeals are recorded when the results of the appeal are known.

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.

User charges and other revenue

User charges relate to utility charges (water and wastewater), licensing fees, recreational fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned.

The Corporation of the Township of Tehkummah
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. Significant accounting policies (continued)

Investment income

Investment income is reported as revenue in the fiscal year earned. Investment income earned on obligatory reserve funds is added to the reserve fund balance and forms part of the respective deferred revenue balance.

Landfill closure and post-closure liability

A liability for the remediation of a contaminated site is recognized as the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Township is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable.

3. Operations of school boards

During 2019, the Township collected property taxes totaling \$135,744 (2018 - \$158,301) on behalf of area School Boards.

4. Contributions to non-consolidated joint local boards and organizations

Contributions were made by the Township to the non-consolidated joint local boards as follows:

	2019	2018
Manitoulin-Sudbury District Services Board ("MSDSB")	152,577	148,900
Board of Health for the Sudbury & District Health Unit ("BOHSDHU")	16,236	15,768
Manitoulin Centennial Manor ("MCM")	18,456	22,541
Manitoulin Planning Board ("MPB")	7,987	7,248
	195,256	194,457

The Township is contingently liable for its share, which is approximately 1.46% (2018 - 1.44%) for the MSDSB, 0.220% (2018 - 0.220%) for the BOHSDHU, 4.78% (2018 - 4.78%) for the MCM and 7.37% (2018 - 6.90%) for the MPB, of any deficits at the end of the year for these boards.

The Corporation of the Township of Tehkummah
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5. Cash

Cash is comprised of the following:

	2019	2018
Unrestricted cash	864,770	440,568
Restricted cash - Plow debenture	286,000	-
Restricted cash - Federal Gas Tax Fund	158,548	104,992
Restricted cash - Main Street Revitalization Fund	38,206	38,031
	1,347,524	583,591

Plow debenture funds are restricted to be used to purchase a plow for the Township.

Federal Gas Tax funds are restricted in their use in strategic investments to specific spending categories as set out by the Federal Gas Tax Fund Agreements.

Main Street Revitalization funds are restricted in their use to support initiatives and projects to revitalize main streets.

6. Accounts receivable

	2019	2018
Other receivables	27,452	39,127
Allowance for doubtful accounts	-	(3,497)
Harmonized Sales Tax rebates receivable	47,943	114,568
	75,395	150,198

7. Taxes receivable

	2019	2018
Taxes receivable	125,220	157,225
Interest and penalties receivable on outstanding tax balances	5,532	13,622
	130,752	170,847

8. Government assistance receivable

	2019	2018
Government assistance receivable - Provincial	6,633	5,411

9. Operating line of credit

The Township has available a demand operating line of credit to a maximum of \$200,000. This demand operating line of credit bears interest at the bank's prime lending rate plus 1% per annum and is unsecured. At December 31, 2019, this line of credit has not been drawn upon.

10. Deferred revenue

	2019	2018
Balance, beginning of year	22,596	35,266
Transfers of Federal contributions to current fund	(6,526)	(12,670)
	16,070	22,596

The Corporation of the Township of Tehkummah
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

11. Deferred revenue - obligatory reserve funds

A requirement of the Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used. The balances in the obligatory reserve funds are summarized as follows:

	2019	2018
Deferred revenue, beginning of year	143,023	78,855
Contributions received during the year	52,798	63,894
Expenditures	(20,163)	-
Interest earned	758	274
Deferred revenue, end of year	176,416	143,023

Deferred revenue - obligatory reserve consists of the following:

Federal gas tax	158,548	104,992
Main Street Revitalization Fund - Ontario Ministry of Agriculture, Food and Rural Affairs	17,868	38,031
	176,416	143,023

12. Landfill site closure and post-closure liability

The Ontario Environmental Protection Act sets out the regulatory requirements for the closure and post-closure maintenance of landfill sites. Under this act, the Township is required to provide for closure and post-closure care of solid waste landfill sites. This would include final covering and landscaping of the site and ongoing environmental monitoring, site inspection, and maintenance. The costs related to these obligations are provided over the estimated remaining life of active landfill sites based on usage.

The liability for closure and post-closure care represents the discounted future cash flows of estimated closure and post-closure care costs using the following rates and assumptions.

	2019	2018
Estimated remaining capacity	1700 m3	2900 m3
Estimated remaining life	2.6 years	5 years
Estimated closure and acquisition costs	65,000	65,000
Monitoring period post-closure	20 years	20 years
Estimated annual monitoring costs	7,000	7,000
Present value of total estimated liability	159,500	148,000
Present value of current estimated liability	147,186	128,211

Future cash flows have been discounted using a long-term interest rate of 6% and an estimated inflation rate of 2%.

A reserve fund has been established to provide for this solid waste landfill closure and post-closure care liability. The reserve fund balance at the end of the year amounts to \$40,491 (2018 - \$40,491). At year-end, no assets have been specifically designated for settling this liability.

The Corporation of the Township of Tehkummah
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

13. Long-term liabilities

	2019	2018
Debenture payable, due December 2029, repayable in semi-annual instalments of \$16,129 including interest at 2.35% per annum.	286,000	-
Loan payable, due March 2022, repayable in monthly instalments of \$1,188 including interest at 3.49% per annum, secured by a specific vehicle with a carrying value of \$43,219.	30,816	43,864
Loan payable, due October 2024, repayable in monthly instalments of \$452 including interest at 4.07% per annum, secured by a specific vehicle with a carrying value of \$29,010.	23,761	-
Loan payable, due January 2023, repayable in monthly instalments of \$585 including interest at 3.20% per annum, secured by a specific vehicle with a carrying value of \$24,875.	20,581	26,813
	361,158	70,677
Less: current portion of long-term debt	50,162	19,206
	310,996	51,471

These long-term liabilities issued in the name of the Township for the purchase of vehicles have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limits prescribed by the Ministry of Municipal Affairs and Housing.

Principal repaid on long-term liabilities in 2019 amounted to \$20,019 (2018 - \$18,564).

Interest expense on long-term liabilities in 2019 amounted to \$1,843 (2018 - \$2,713)

Debt to be retired over the next five years, and thereafter, payable from general revenues, are as follows:

2020	50,162
2021	51,575
2022	42,815
2023	32,680
2024	32,649
Thereafter	151,277
	361,158

14. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
General revenue fund	66,892	(551,274)
Reserves and reserve funds	695,431	662,038
Invested in tangible capital assets (Note 15)	2,059,930	2,491,363
	2,822,253	2,602,127

15. Invested in tangible capital assets

	2019	2018
Tangible capital assets (Schedule 2)	9,471,783	9,387,993
Accumulated amortization (Schedule 2)	(7,050,695)	(6,825,953)
Long-term debt (Note 13)	(361,158)	(70,677)
	2,059,930	2,491,363

16. Employee future benefits

The Township contributes to a matching discretionary group RRSP pension plan based on a percentage of earnings covering substantially all full-time employees. During the year, contributions under this plan totalled \$13,396 (2018 - \$14,562).

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

17. Contingencies

In addition to those noted in Note 4, the Township is subject to the following:

- a) The Township receives contributions from various government programs which are subject to audit. Audit adjustments, if any, are recorded in the accounts in the year in which they become known.
- b) The Township has brought action against a group of vendors for breach of contract and negligence totalling \$300,000. One of the vendors has filed action for payment of holdbacks totalling \$308,818 based on the same facts noted in the Township's claim. Should developments cause a change in this evaluation, the impact would be recognized in the period in which such change occurs.
- c) The Township is involved in a number of claims and possible claims which are as a result of normal ongoing operations. Management of the Township is of the opinion that these claims are without merit. No provision has been made in these statements to reflect any of these claims. Any settlements or awards which may arise will be reflected in the financial records in the year that the amount has been determined.
- d) As at December 31, 2019, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The Township has estimated adjustments for certain appeals and records any difference against property taxes receivable when known.

18. Subsequent event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Township as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

19. Commitments

- a) The Township has entered into a five-year management services agreement ending December 2024, with the Ontario Clean Water Agency (OCWA) to operate and maintain the Town's water treatment plant and distribution system. Payments under this agreement are \$90,757 for the first year, increased by the greater of the consumer price index and 2% each year thereafter.
- b) The Township has entered into a purchase agreement with Superior Propane. The Township has committed to purchase 22,000 litres of propane over a one-year period ending January 31, 2020 at a cost of \$0.545 per litre, resulting in a total cost of \$11,990.

20. Budget figures

The Township completes separate budget reviews for its operating and capital budgets each year. The operating budget for 2019 is reflected on the Consolidated Statement of Operations and has been reclassified to comply with PSAB reporting requirements. Budgets established for Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years and funding is determined annually and made by transfers from individual funds and by the application of applicable grants or other funds available to reserves or reserve funds.

21. Financial instruments

Fair value of financial instruments

The Township's carrying amounts of accounts receivable, taxes receivable, government assistance receivable, and accounts payable and accrued liabilities approximate their fair value due to short-term maturities of these instruments.

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

21. Financial instruments (continued)

Credit risk

The Township does not have significant exposure to any individual or party due to the fact that municipalities can obtain liens on properties for any unpaid realty taxes. An allowance for doubtful accounts is established based upon factors surrounding the risks related to specific ratepayers, historical trends and other information.

The Township holds its cash accounts with large reputable financial institutions. Management believes there is negligible risk of loss due to credit risk.

Interest rate and currency risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Township is not exposed to significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Township will not be able to repay its obligations when they become due to its creditors. The Township is exposed to this risk relating to its accounts payable and accrued liabilities as well as its long-term liabilities.

The Township reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining sufficient cash to repay trade creditors as payables become due.

22. Budget information

The budget presented was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require full accrual basis. In addition, the budget expenses all tangible capital asset acquisitions. As a result, the budget figures presented in the statement of operations represent the budget adopted by Council with adjustments as follows:

	2019
Budgeted surplus per financial statements	26,825
Budgeted use of debenture funds	65,675
Budgeted tangible capital asset additions	(92,500)
Budget surplus	-

23. Segmented information

The Township is a diversified municipal government that provides a wide range of services to its citizens including water, roads, fire, police, public works operations, recreation, culture, planning, development, building services and health and social services. For management reporting purposes, the Township's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

General government

General government consists of: office of the Reeve, council expenses, administrative services (including clerks, elections, communications, legal and information technology services), human resources and financial departments. Areas within the general government respond to the needs of external clients by providing high quality, supportive and responsive services. This area also supports the Township's various operating departments and supports the implementation of priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

23. Segmented information (continued)

Protection services

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

Transportation services

This area is responsible for management of roadways and bridges including traffic and winter control.

Environmental services

In addition to the management of waterworks, this area is responsible for waste collection, waste disposal and recycling facilities and programs. This section is responsible for providing clean, potable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water system.

Health and Social services

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

Recreation and Cultural services

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

Planning and Development

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

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

24. Library operations

Government transfers for library operations for the year include a Library Per Household grant totalling \$1,611 (2018 - \$1,664).

Total operating costs for the library for the year ended December 31, 2019 amounted to \$14,592 (2018 - \$7,546). Of these costs, \$8,157 (2018 - \$820) related to salaries and benefits for employees.

The Corporation of the Township of Tehkummah
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

25. Accounting standards issued but not yet adopted

PS 3450 Financial Instruments, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 1201 Financial Statement Presentation are effective for fiscal years beginning on or after April 1, 2021. While early adoption is permitted, all four standards must be adopted in the same year. PS 3450 Financial Instruments provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. PS 2601 Foreign Currency Translation includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchanged gains and losses. PS 3041 Portfolio Investments provides guidance on how to account for and report portfolio investments in government financial statements.

PS 3280 Asset Retirement Obligations amendment is effective for fiscal years beginning on or after April 1, 2021. This Section establishes standards on how to account for and report a liability for asset retirement obligations. Specifically, it:

- (a) defines which activities would be included in a liability for retirement of a tangible capital asset;
- (b) establishes when to recognize and how to measure a liability for an asset retirement obligation; and
- (c) provides the related financial statement presentation and disclosure requirements.

The Township has not yet adopted these standards or determined the effect on the consolidated financial statements.

The Corporation of the Township of Tehkummah
Schedule 1 - Continuity of Reserves and Reserve Funds

For the year ended December 31, 2019

	Total	Working Capital	Fire Equipment	Roads	Recreation	Museum	Library	Water and Sewer	Water and Sewer Capital	Landfill
Reserves										
Balance, beginning of year	519,015	102,783	53,167	20,981	125,736	29,953	23,782	82,122	40,000	40,491
Appropriations to current operations	-	-	-	-	-	-	-	-	-	-
Appropriations from current operations	-	-	-	-	-	-	-	-	-	-
	519,015	102,783	53,167	20,981	125,736	29,953	23,782	82,122	40,000	40,491
Gas Tax										
Reserve funds										
Balance, beginning of year	104,992									
Interest earned	758									
Appropriation from current operations	52,798									
Balance, end of year	158,548									
Mainstreet Initiative										
Reserve funds										
Balance, beginning of year	38,031									
Appropriation from current operations	(20,163)									
Balance, end of year	17,868									
Total	695,431									

The Corporation of the Township of Tehkummah
Schedule 2 - Tangible Capital Assets Continuity

For the year ended December 31, 2019

	Land	Buildings	Roads and Bridges	Automotive Equipment	Furniture and Equipment	Water and Sewer	Drains	Assets under Construction	2019 Total
Cost									
Balance, beginning of year	153,288	742,422	2,052,505	528,614	333,108	5,498,000	80,056	-	9,387,993
Additions	-	11,317	-	103,541	15,366	-	-	45,136	175,359
Disposals	-	-	-	(86,481)	(5,088)	-	-	-	(91,569)
Balance, end of year	153,288	753,739	2,052,505	545,674	343,386	5,498,000	80,056	45,136	9,471,783
Accumulated amortization									
Balance, beginning of year	-	211,463	921,261	410,012	77,049	5,168,120	38,048	-	6,825,953
Disposals	-	-	-	(85,831)	(2,290)	-	-	-	(88,121)
Amortization expense	-	14,208	24,062	22,130	30,941	219,920	1,601	-	312,862
Balance, end of year	-	225,671	945,323	346,311	105,700	5,388,040	39,649	-	7,050,695
Net book value	153,288	528,066	1,107,182	199,363	237,685	109,960	40,406	45,136	2,421,088
Cost									
Balance, beginning of year	153,288	735,225	2,052,505	540,686	283,146	5,498,000	80,056	-	9,342,906
Additions	-	7,197	-	7,800	49,962	-	-	-	64,959
Disposals	-	-	-	(19,872)	-	-	-	-	(19,872)
Balance, end of year	153,288	742,422	2,052,505	528,614	333,108	5,498,000	80,056	-	9,387,993
Accumulated amortization									
Balance, beginning of year	-	197,481	897,199	409,251	48,055	4,948,200	36,447	-	6,536,633
Disposals	-	-	-	(19,872)	-	-	-	-	(19,872)
Amortization expense	-	13,982	24,062	20,633	28,994	219,920	1,601	-	309,192
Balance, end of year	-	211,463	921,261	410,012	77,049	5,168,120	38,048	-	6,825,953
Net book value	153,288	530,959	1,131,244	118,602	256,059	329,880	42,008	-	2,562,040

The Corporation of the Township of Tehkummah
Schedule 3 - Segmented Disclosure

For the year ended December 31, 2019

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	2019 Total	2018 Total
Revenue									
Taxation	233,561	165,186	245,920	295,853	125,471	79,405	14,249	1,159,644	1,141,013
Government transfers	638,831	2,200	50,000	-	-	2,461	6,633	700,125	444,746
User charges	-	1,744	9,759	122,334	-	64,841	-	198,678	195,262
Other	48,043	7,787	7,142	2,688	-	12,170	-	77,832	66,791
	920,435	176,917	312,821	420,875	125,471	158,877	20,882	2,136,279	1,847,812
Expenses									
Goods and materials	80,462	81,974	194,247	66,065	-	66,773	-	489,521	538,957
Contracts and services	110,768	118,025	11,289	156,729	-	66	67,955	464,832	633,795
Financial expenses	9,442	-	1,933	-	-	16	-	11,391	15,595
Amortization	5,096	24,301	41,011	231,652	-	10,802	-	312,862	309,192
Salaries and benefits	174,075	36,490	146,619	20,876	11,816	49,917	-	439,793	499,606
Other transfers	-	-	-	-	189,768	-	7,988	197,756	196,957
	379,843	260,790	395,099	475,322	201,584	127,574	75,942	1,916,154	2,194,102
Surplus (Deficit)	540,593	(83,873)	(82,277)	(54,447)	(76,113)	31,303	(55,060)	220,125	(346,290)

* Taxation is allocated among the segments based on the proportionate share of total expenditures.