

**The Corporation of the Township of Tehkummah**  
**Consolidated Financial Statements**  
*For the year ended December 31, 2020*

# The Corporation of the Township of Tehkummah

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*For the year ended December 31, 2020*

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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


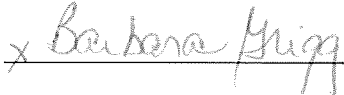
The accompanying consolidated financial statements of the Corporation of the Township of Tehkummah ("the Township") are the responsibility of the management of the Township and have been approved by Reeve and Council.

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.

 Reeve      x  Clerk-Administrator

## Independent Auditor's Report

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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 consolidated statement of financial position as at December 31, 2020, 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, 2020, 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.

### Emphasis of Matter

We draw attention to Note 25 of the financial statements, which describes the effects of the restatement of the prior year figures with respect to the deferral of government funding. The prior year financial statements have not been amended and our audit report has not been reissued with respect to this matter.

### 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.

*MNP LLP*

Sudbury, Ontario  
September 29, 2021

Chartered Professional Accountants  
Licensed Public Accountant

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

*As at December 31, 2020*

	2020	2019 <i>(restated)</i>
<b>Financial assets</b>		
Cash (Note 5)	797,751	1,347,524
Accounts receivable (Note 6)	230,049	75,395
Taxes receivable (Note 7)	93,547	130,752
Government assistance receivable (Note 8)	331,755	6,633
<b>Total financial assets</b>	<b>1,453,102</b>	<b>1,560,304</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	206,252	507,189
Deferred revenue (Note 10)	-	16,070
Deferred revenue - obligatory reserve funds (Note 11)	265,755	301,919
Landfill site closure and post-closure liability (Note 12)	158,661	147,186
Long-term liabilities (Note 13)	881,872	361,158
<b>Total liabilities</b>	<b>1,512,540</b>	<b>1,333,522</b>
<b>Net financial assets (debt)</b>	<b>(59,438)</b>	<b>226,782</b>
<b>Contingencies (Note 17)</b>		
<b>Non-financial assets</b>		
Tangible capital assets ( <i>Schedule 2</i> )	5,586,451	2,421,088
Prepaid expenses	2,760	2,760
Inventory	26,482	27,552
Land held for resale	18,568	18,568
<b>Total non-financial assets</b>	<b>5,634,261</b>	<b>2,469,968</b>
<b>Accumulated surplus (Note 14)</b>	<b>5,574,823</b>	<b>2,696,750</b>

Approved on behalf of the Municipality

*David Jaggard*  
 x \_\_\_\_\_  
 Reeve

*Barbara Gugg*  
 x \_\_\_\_\_  
 Clerk-Administrator

The accompanying notes are an integral part of these financial statements

**The Corporation of the Township of Tehkummah**  
**Consolidated Statement of Operations**

*For the year ended December 31, 2020*

	2020 <i>Budget</i> <i>(Note 22)</i>	2020	2019 <i>(restated)</i>
<b>Revenue</b>			
<b>Taxation</b>			
Residential and farm	1,116,634	1,119,361	1,067,574
Commercial, industrial and business	43,836	44,159	46,216
Other government and agencies	45,050	45,189	45,854
	1,205,520	1,208,709	1,159,644
<b>Government transfers</b>			
Province of Ontario	2,451,266	1,475,946	643,507
Government of Canada	1,009,247	1,772,376	6,618
	3,460,513	3,248,322	650,125
<b>User charges</b>			
Sewer and water charges	279,144	121,355	121,909
Fees and service charges	51,730	63,183	76,769
	330,874	184,538	198,678
<b>Other</b>			
Licenses and permits	3,300	6,600	2,406
Investment income	5,500	3,103	6,745
Penalties and interest charges	25,000	19,710	24,056
Donations	2,500	8,109	10,080
Other	84,556	77,654	30,834
Gain (loss) on disposal of tangible capital assets	-	(2,399)	3,083
	120,856	112,777	77,204
<b>Total revenue</b>	<b>5,117,763</b>	<b>4,754,346</b>	<b>2,085,651</b>
<b>Expenses (Schedule 3)</b>			
General Government services	522,146	332,832	379,843
Protection to persons and property services	261,290	294,206	260,790
Transportation services	670,501	556,538	395,099
Environmental services	238,890	336,580	475,322
Health and social services	205,985	205,807	201,584
Recreation and cultural services	128,223	119,379	127,574
Planning and development services	34,050	30,931	75,942
<b>Total expenses</b>	<b>2,061,085</b>	<b>1,876,273</b>	<b>1,916,154</b>
<b>Surplus</b>	<b>3,056,678</b>	<b>2,878,073</b>	<b>169,497</b>

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, 2020*

	<i>2020 Budget (Note 22)</i>	<b>2020</b>	<i>2019 (restated)</i>
Accumulated surplus, beginning of year	2,822,253	<b>2,822,253</b>	2,602,127
Correction of an error (Note 25)	-	<b>(125,503)</b>	(74,874)
Accumulated surplus, beginning of year, as restated	2,822,253	<b>2,696,750</b>	2,527,253
Surplus	3,056,678	<b>2,878,073</b>	169,497
Accumulated surplus, end of year	5,878,931	<b>5,574,823</b>	2,696,750

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, 2020*

	<i>2020 Budget (Note 22)</i>	<i>2020</i>	<i>2019 (restated)</i>
<b>Annual surplus</b>	3,056,678	2,878,073	169,497
Purchase of tangible capital assets	(3,308,053)	(3,417,739)	(175,359)
Amortization of tangible capital assets	-	249,978	312,862
Proceeds on disposal of tangible capital assets	-	-	6,532
Loss (gain) on disposal of tangible capital assets	-	2,399	(3,083)
Use (purchase) of inventory	-	1,070	(27,552)
<b>Change in net assets</b>	(251,375)	(286,220)	282,897
<b>Net financial assets, beginning of year</b>	352,285	352,285	18,759
<b>Correction of an error (Note 25)</b>	-	(125,503)	(74,874)
<b>Net financial assets, beginning of year, as restated</b>	352,285	226,782	(56,115)
<b>Net financial assets, end of year</b>	100,910	(59,438)	226,782

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, 2020*

	2020	2019 <i>(restated)</i>
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating activities</b>		
Annual surplus	2,878,073	169,497
Items not involving cash:		
Amortization	249,978	312,862
Loss (gain) on disposal of tangible capital assets	2,399	(3,083)
Landfill site closure and post-closure liability	11,475	18,975
	3,141,925	498,251
Changes in non-cash working capital:		
Accounts receivable	(154,654)	74,803
Taxes receivable	37,205	40,095
Inventory	1,070	(27,552)
Government assistance receivable	(325,122)	(1,222)
Accounts payable and accrued liabilities	(300,938)	(19,591)
Deferred revenue	(16,070)	(6,526)
Deferred revenue - obligatory reserve funds	(36,164)	84,021
	2,347,252	642,279
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(3,417,739)	(175,359)
Proceeds on disposal of tangible capital assets	-	6,532
	(3,417,739)	(168,827)
<b>Financing transactions</b>		
Proceeds from long-term liabilities	575,000	310,500
Repayment of long-term liabilities	(54,286)	(20,019)
	520,714	290,481
<b>Increase (decrease) in cash resources</b>	<b>(549,773)</b>	<b>763,933</b>
<b>Cash resources, beginning of year</b>	<b>1,347,524</b>	<b>583,591</b>
<b>Cash resources, end of year</b>	<b>797,751</b>	<b>1,347,524</b>
<b>Cash resources are composed of:</b>		
Cash	531,952	739,267
Restricted cash	265,799	608,257
	797,751	1,347,524

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, 2020

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### 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.

##### *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.

# The Corporation of the Township of Tehkummah

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

### 2. Significant accounting policies (continued)

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 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.

#### **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

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.

# The Corporation of the Township of Tehkummah

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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### 2. Significant accounting policies (continued)

#### *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.

#### *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 2020, the Township collected property taxes totaling \$132,597 (2019 - \$135,744) on behalf of area School Boards.

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

*For the year ended December 31, 2020*

**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:

	2020	2019
Manitoulin-Sudbury District Services Board ("MSDSB")	155,612	152,577
Board of Health for the Sudbury & District Health Unit ("BOHSDHU")	17,856	16,236
Manitoulin Centennial Manor ("MCM")	18,824	18,456
Manitoulin Planning Board ("MPB")	7,695	7,987
	199,987	195,256

The Township is contingently liable for its share, which is approximately 1.47% (2019 - 1.46%) for the MSDSB, 0.221% (2019 - 0.220%) for the BOHSDHU, 4.84% (2019 - 4.78%) for the MCM and 6.84% (2019 - 7.37%) for the MPB, of any deficits at the end of the year for these boards.

**5. Cash**

Cash is comprised of the following:

	2020	2019 (restated)
Unrestricted cash	531,952	739,267
Restricted cash - Plow debenture	-	286,000
Restricted cash - Ontario Community Infrastructure Fund	111,630	125,503
Restricted cash - Federal Gas Tax Fund	154,125	158,548
Restricted cash - Main Street Revitalization Fund	44	38,206
	797,751	1,347,524

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.

Ontario Community Infrastructure funds are restricted in their use to eligible expenditures as set out by the Ontario Infrastructure Program.

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

Plow debenture funds were restricted to be used to purchase a plow for their Township. This plow was purchased during 2020.

**6. Accounts receivable**

	2020	2019
Other receivables	24,605	27,452
Harmonized Sales Tax rebates receivable	205,444	47,943
	230,049	75,395

**7. Taxes receivable**

	2020	2019
Taxes receivable	87,541	125,220
Interest and penalties receivable on outstanding tax balances	6,006	5,532
	93,547	130,752

**8. Government assistance receivable**

	2020	2019
Government assistance receivable - Federal	209,783	-
Government assistance receivable - Provincial	121,972	6,633
	331,755	6,633

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

*For the year ended December 31, 2020*

**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, 2020, this line of credit has not been drawn upon.

**10. Deferred revenue**

	2020	2019
Balance, beginning of year	16,070	22,596
Transfers of Federal contributions to current fund	-	(6,526)
Repayment to funding agency	(16,070)	-
	-	16,070

**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:

	2020	2019 <i>(restated)</i>
Deferred revenue, beginning of year	301,919	217,898
Contributions received during the year	76,453	102,798
Expenditures	(113,807)	(20,163)
Interest earned	1,190	1,386
Deferred revenue, end of year	265,755	301,919

Deferred revenue - obligatory reserve consists of the following:

Federal gas tax	154,125	158,548
Ontario Community Infrastructure Fund	111,630	125,503
Main Street Revitalization Fund - Ontario Ministry of Agriculture, Food and Rural Affairs	-	17,868
	265,755	301,919

**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.

	2020	2019
Estimated remaining capacity	1000 m3	1700 m3
Estimated remaining life	1.5 years	2.6 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	166,216	159,500
Present value of current estimated liability	158,661	147,186

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 (2019 - \$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, 2020*

**13. Long-term liabilities**

	2020	2019
Debenture payable, repayable in interest only payments with a variable interest rate. The rate as of December 31, 2020 was 0.64%. Subsequent to year-end, the debenture was repaid in full.	500,000	-
Debenture payable, due December 2029, repayable in semi-annual instalments of \$16,129 including interest at 2.35% per annum.	260,312	286,000
Loan payable, due April 2025, repayable in monthly instalments of \$745 including interest at 3.60% per annum, secured by a specific vehicle with a carrying value of \$72,504.	70,795	-
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 \$25,957.	19,220	23,761
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 \$36,570.	17,418	30,816
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 \$21,048.	14,127	20,581
	<b>881,872</b>	<b>361,158</b>
Less: current portion of long-term debt	558,075	50,162
	<b>323,797</b>	<b>310,996</b>

These long-term liabilities issued in the name of the Township for the purchase of vehicles and projects which 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 2020 amounted to \$54,286 (2019 - \$20,019).

Interest expense on long-term liabilities in 2020 amounted to \$11,877 (2019 - \$1,843)

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

2021	558,075
2022	49,569
2023	39,664
2024	39,887
2025	36,376
Thereafter	158,300
	<b>881,872</b>

The Township's long-term liabilities are to be recovered from the following sources:

Investing in Canada Infrastructure Program: Rural and Northern Stream	500,000
General municipal revenues	381,872
	<b>881,872</b>

**14. Accumulated surplus**

Accumulated surplus consists of the following:

	2020	2019 <i>(restated)</i>
General revenue fund	75,474	(184,114)
Reserves and reserve funds	794,770	820,934
Invested in tangible capital assets (Note 15)	4,704,579	2,059,930
	<b>5,574,823</b>	<b>2,696,750</b>



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

*For the year ended December 31, 2020*

**15. Invested in tangible capital assets**

	2020	2019
Tangible capital assets (Schedule 2)	12,882,669	9,471,783
Accumulated amortization (Schedule 2)	(7,296,218)	(7,050,695)
Long-term liabilities (Note 13)	(881,872)	(361,158)
	<b>4,704,579</b>	<b>2,059,930</b>

**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 \$18,887 (2019 - \$13,396).

**17. Contingencies**

In addition to the contingent liabilities 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 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.
- c) As at December 31, 2020, 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.
- d) The Township's council resolved to contribute \$96,975 towards major repair costs of a bridge located in the township of Assiginack. This contribution is contingent on coming to an agreement with respect to future maintenance and cost sharing relating to this bridge as well as another bridge, and on the signing of a mutually agreed upon repayment schedule. As of the date of these financial statements no agreements have been signed.

**18. Significant event**

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Township's operations were not significantly impacted by COVID-19.

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 is in 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 \$92,572 for 2021 increased by the greater of the consumer price index and 2% each year thereafter.
- b) The Township is in a five-year management services agreement ending December 2024 for the provision of depot recycling and scrap steel removal. Payments under this agreement begin at \$2,433 per month beginning December 2019 and increase by a 2% cost of living adjustment which is applied beginning in the second year of the contract.

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

*For the year ended December 31, 2020*

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**20. Budget figures**

The Township completes separate budget reviews for its operating and capital budgets each year. The operating budget for 2020 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. Long-term debt is secured at market rates and the landfill obligation is based on estimates provided by the Township's engineer.

*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 \$500,000 loan accrues interest at a variable rate. This loan was repaid in April 2021 and therefore does not impose a significant interest rate risk. 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:

	<b>2020</b>
Budgeted surplus per financial statements	3,056,678
Budgeted use of debenture funds	-
Budgeted tangible capital asset additions	(3,308,053)
Budget use of funds	251,375
<u>Budget surplus (deficit)</u>	<u>-</u>

# The Corporation of the Township of Tehkummah

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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### 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.

#### *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.

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

*For the year ended December 31, 2020*

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**24. Library operations**

Government transfers for library operations for the year include a Library Per Household grant totalling \$1,611 (2019 - \$1,611).

Total operating costs for the library for the year ended December 31, 2020 amounted to \$19,381 (2019 - \$14,592). Of these costs, \$7,732 (2019 - \$8,157) related to salaries and benefits for employees.

**25. Correction of an error and comparative figures**

During the year the organization determined that revenue from the Ontario Community Infrastructure Fund contributions should have been deferred. This resulted in a required adjustment to the prior year comparative figures.

The above adjustment has had the following effect on the 2019 and 2020 figures: decrease in 2020 and 2019 opening net assets of \$125,503 and \$74,874 respectively, increase in 2019 deferred revenue of \$125,503, decrease of 2019 government transfers from Province of Ontario of \$50,000 and decrease of 2019 interest revenue of \$628.

Comparative figures have been restated to account for these corrections and for certain reclassifications to conform with the current year presentation

**26. 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, 2020

	Total	Working Capital	Fire Equipment	Roads	Recreation	Museum	Library	Water and Sewer	Water and Sewer Capital	Landfill
<b>Reserves</b>										
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	10,000	-	10,000	-	-	-	-	-	-	-
<b>Balance, end of year</b>	<b>529,015</b>	<b>102,783</b>	<b>63,167</b>	<b>20,981</b>	<b>125,736</b>	<b>29,953</b>	<b>23,782</b>	<b>82,122</b>	<b>40,000</b>	<b>40,491</b>
<b>Reserve funds</b>										
<b>Gas Tax</b>										
Balance, beginning of year	158,548									
Interest earned	306									
Appropriation from current operations	(4,729)									
<b>Balance, end of year</b>	<b>154,125</b>									
<b>Reserve funds</b>										
<b>Mainstreet Initiative</b>										
Balance, beginning of year	17,868									
Appropriation from current operations	(17,868)									
<b>Balance, end of year</b>	<b>-</b>									
<b>Reserve funds</b>										
<b>Ontario Community Infrastructure Fund (Restated)</b>										
Balance, beginning of year	125,503									
Interest earned	883									
Appropriation from current operations	(14,757)									
<b>Balance, end of year</b>	<b>111,630</b>									
<b>Total</b>	<b>794,770</b>									

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

For the year ended December 31, 2020

	Land	Buildings	Roads and Bridges	Automotive Equipment	Furniture and Equipment	Water and Sewer	Drains	Assets under Construction	2020 Total
<b>Cost</b>									
Balance, beginning of year	153,288	753,739	2,052,505	545,674	343,386	5,498,000	80,056	45,136	9,471,783
Additions	-	-	3,004,559	367,353	45,827	-	-	-	3,417,739
Disposals	-	-	-	-	(6,853)	-	-	-	(6,853)
Assets under construction completed	-	-	24,972	-	20,163	-	-	(45,136)	-
Balance, end of year	153,288	753,739	5,082,036	913,027	402,523	5,498,000	80,056	-	12,882,669
<b>Accumulated amortization</b>									
Balance, beginning of year	-	225,671	945,323	346,311	105,700	5,388,040	39,549	-	7,050,694
Disposals	-	-	-	-	(4,454)	-	-	-	(4,454)
Amortization expense	-	14,208	44,209	45,676	34,324	109,960	1,601	-	249,978
Balance, end of year	-	239,879	989,532	391,987	135,570	5,498,000	41,250	-	7,296,218
<b>Net book value</b>	153,288	513,860	4,092,504	521,040	266,953	-	38,806	-	5,586,451

	Land	Buildings	Roads and Bridges	Automotive Equipment	Furniture and Equipment	Water and Sewer	Drains	Assets under Construction	2019 Total
<b>Cost</b>									
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
<b>Accumulated amortization</b>									
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
<b>Net book value</b>	153,288	528,068	1,107,182	199,363	237,685	109,960	40,406	45,136	2,421,088

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

For the year ended December 31, 2020

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	2020 Total	2019 Total (restated)
<b>Revenue</b>									
Taxation	214,413	189,530	358,526	216,827	132,583	76,905	19,926	1,208,709	1,159,644
Government transfers	465,844	1,415	2,764,999	-	-	10,627	5,437	3,246,322	650,125
User charges	-	7,172	3,996	122,025	-	51,345	-	184,538	198,678
Other	38,222	7,500	58,471	784	-	7,799	-	112,777	77,204
	718,479	205,617	3,185,992	339,636	132,583	146,676	25,363	4,754,346	2,085,651
<b>Expenses</b>									
Goods and materials	82,181	130,646	266,840	34,196	-	56,487	-	570,351	489,521
Contracts and services	(745)	99,147	10,367	157,049	-	-	23,236	289,054	464,832
Financial expenses	10,994	8	12,057	-	-	8	-	23,067	11,391
Amortization	5,314	28,720	79,634	125,508	-	10,802	-	249,978	312,862
Salaries and benefits	235,088	35,685	187,640	19,827	11,015	52,082	-	541,337	439,793
Other transfers	-	-	-	-	194,792	-	7,695	202,486	197,756
	332,832	294,206	556,538	336,580	205,807	119,379	30,931	1,876,273	1,916,154
<b>Surplus (Deficit)</b>	385,647	(88,589)	2,629,454	3,056	(73,224)	27,297	(5,568)	2,878,073	169,497

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