

The Corporation of the Township of Tehkummah
Consolidated Financial Statements
For the year ended December 31, 2021

The Corporation of the Township of Tehkummah

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For the year ended December 31, 2021

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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 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 consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, accumulated surplus, changes in net financial assets (debt) 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, 2021, and the results of its operations and accumulated surplus, the changes in net financial assets (debt) 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.

August 14, 2024

Sudbury, Ontario

MNP LLP

Chartered Professional Accountants
Licensed Public Accountant

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

As at December 31, 2021

	2021	2020
Financial assets		
Cash (Note 5)	795,094	797,751
Accounts receivable (Note 6)	75,801	230,049
Taxes receivable (Note 7)	92,302	93,547
Government assistance receivable (Note 8)	269,559	331,755
Total financial assets	1,232,756	1,453,102
Liabilities		
Accounts payable and accrued liabilities	170,963	206,252
Deferred revenue - obligatory reserve funds (Note 11)	345,982	265,755
Landfill site closure and post-closure liability (Note 12)	169,026	158,661
Long-term liabilities (Note 13)	396,437	881,872
Total liabilities	1,082,408	1,512,540
Net financial assets (debt)	150,348	(59,438)
Contingencies (Note 17)		
Commitments (Note 19)		
Non-financial assets		
Tangible capital assets (<i>Schedule 2</i>)	5,475,433	5,586,451
Prepaid expenses	2,760	2,760
Inventory	26,482	26,482
Land held for resale	18,568	18,568
Total non-financial assets	5,523,243	5,634,261
Accumulated surplus (Note 14)	5,673,591	5,574,823

Approved on behalf of the Municipality

Reeve

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, 2021

	2021 <i>Budget</i> <i>(Note 22)</i>	2021	2020
Revenue			
Taxation			
Residential and farm	1,162,976	1,160,939	1,119,361
Commercial, industrial and business	42,154	42,080	44,159
Other government and agencies	50,886	50,797	45,189
	1,256,016	1,253,816	1,208,709
Government transfers			
Province of Ontario	701,482	483,830	1,475,946
Government of Canada	24,705	24,368	1,772,376
	726,187	508,198	3,248,322
User charges			
Sewer and water charges	150,195	125,056	121,355
Fees and service charges	43,137	79,709	63,183
	193,332	204,765	184,538
Other			
Licenses and permits	4,200	16,125	6,600
Investment income	4,100	328	3,103
Penalties and interest charges	25,000	16,065	19,710
Donations	9,296	9,403	8,109
Other	70,751	34,732	77,654
Gain (loss) on disposal of tangible capital assets	-	-	(2,399)
	113,347	76,653	112,777
Total revenue	2,288,882	2,043,432	4,754,346
Expenses (Schedule 3)			
General Government services	570,874	466,907	332,832
Protection to persons and property services	251,043	303,078	294,206
Transportation services	738,229	573,182	556,538
Environmental services	289,148	227,114	336,580
Health and social services	209,945	207,579	205,807
Recreation and cultural services	173,416	146,176	119,379
Planning and development services	79,100	20,628	30,931
Total expenses	2,311,755	1,944,664	1,876,273
Surplus (Deficit)	(22,873)	98,768	2,878,073

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, 2021

	<i>2021 Budget (Note 22)</i>	2021	<i>2020</i>
Accumulated surplus, beginning of year	5,574,823	5,574,823	2,696,750
Surplus	(22,873)	98,768	2,878,073
Accumulated surplus, end of year	5,551,950	5,673,591	5,574,823

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 (Debt)

For the year ended December 31, 2021

	<i>2021 Budget (Note 22)</i>	2021	<i>2020</i>
Annual surplus	(22,873)	98,768	2,878,073
Purchase of tangible capital assets	(597,929)	(73,330)	(3,417,739)
Amortization of tangible capital assets	-	184,348	249,978
Loss on disposal of tangible capital assets	-	-	2,399
Use (purchase) of inventory	-	-	1,070
Change in net assets	(620,802)	209,786	(286,220)
Net financial assets (debt), beginning of year	(59,438)	(59,438)	226,782
Net financial assets (debt), end of year	(680,240)	150,348	(59,438)

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, 2021

	2021	2020
Cash provided by (used for) the following activities:		
Operating activities		
Annual surplus	98,768	2,878,073
Items not involving cash:		
Amortization	184,348	249,978
Loss on disposal of tangible capital assets	-	2,399
Landfill site closure and post-closure liability	10,365	11,475
	293,481	3,141,925
Changes in non-cash working capital:		
Accounts receivable	154,248	(154,654)
Taxes receivable	1,245	37,205
Inventory	-	1,070
Government assistance receivable	62,196	(325,122)
Accounts payable and accrued liabilities	(35,289)	(300,938)
Deferred revenue	-	(16,070)
Deferred revenue - obligatory reserve funds	80,227	(36,164)
	556,108	2,347,252
Capital transactions		
Acquisition of tangible capital assets	(73,330)	(3,417,739)
Financing transactions		
Proceeds from long-term liabilities	96,975	575,000
Repayment of long-term liabilities	(582,410)	(54,286)
	(485,435)	520,714
Decrease in cash resources	(2,657)	(549,773)
Cash resources, beginning of year	797,751	1,347,524
Cash resources, end of year	795,094	797,751
Cash resources are composed of:		
Cash	449,068	531,952
Restricted cash	346,026	265,799
	795,094	797,751

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, 2021

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, 2021

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 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.

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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 2021, the Township collected property taxes totaling \$133,019 (2020 - \$132,597) 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, 2021

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:

	2021	2020
Manitoulin-Sudbury District Services Board ("MSDSB")	156,682	155,612
Board of Health for the Sudbury & District Health Unit ("BOHSDHU")	17,192	17,856
Manitoulin Centennial Manor ("MCM")	19,200	18,824
Manitoulin Planning Board ("MPB")	7,791	7,695
	200,865	199,987

The Township is contingently liable for its share, which is approximately 1.47% (2020 - 1.47%) for the MSDSB, 0.221% (2020 - 0.221%) for the BOHSDHU, 4.78% (2020 - 4.84%) for the MCM and 6.32% (2020 - 6.84%) for the MPB, of any deficits at the end of the year for these boards.

5. Cash

Cash is comprised of the following:

	2021	2020
Unrestricted cash	449,068	531,952
Restricted cash - Ontario Community Infrastructure Fund	161,982	111,630
Restricted cash - Federal Gas Tax Fund	184,000	154,125
Restricted cash - Main Street Revitalization Fund	44	44
	795,094	797,751

Federal Gas Tax funds are restricted in their use for 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.

6. Accounts receivable

	2021	2020
Other receivables	31,376	24,605
Harmonized Sales Tax rebates receivable	44,425	205,444
	75,801	230,049

7. Taxes receivable

	2021	2020
Taxes receivable	86,335	87,541
Interest and penalties receivable on outstanding tax balances	5,967	6,006
	92,302	93,547

8. Government assistance receivable

	2021	2020
Government assistance receivable - Federal	144,469	209,783
Government assistance receivable - Provincial	125,090	121,972
	269,559	331,755

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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, 2021, this line of credit has not been drawn upon.

10. Deferred revenue

	2021	2020
Balance, beginning of year	-	16,070
Transfers of Federal contributions to current fund	-	-
Repayment to funding agency	-	(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:

	2021	2020
Deferred revenue, beginning of year	265,755	301,919
Contributions received during the year	104,243	76,453
Expenditures	(24,691)	(113,807)
Interest earned	675	1,190
Deferred revenue, end of year	345,982	265,755

Deferred revenue - obligatory reserve consists of the following:

Federal gas tax	184,000	154,125
Ontario Community Infrastructure Fund	161,982	111,630
	345,982	265,755

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.

	2021	2020
Estimated remaining capacity	569 m3	1000 m3
Estimated remaining life	1.2 years	1.5 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	173,547	166,216
Present value of current estimated liability	169,026	158,661

Future cash flows have been discounted using a long-term interest rate of 6% and an estimated inflation rate of 3%.

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 (2020 - \$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, 2021

13. Long-term liabilities

	2021	2020
Debenture payable, repayable in interest only payments with a variable interest rate. Repaid during the year.	-	500,000
Debenture payable, due December 2029, repayable in semi-annual instalments of \$16,129 including interest at 2.35% per annum.	234,017	260,312
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 \$64,872.	64,299	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 \$22,903.	14,471	19,220
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 \$29,921.	3,465	17,418
Loan payable, due December 2024, unsecured and non-interest bearing, repayable in annual instalments of \$24,244.	72,731	-
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 \$17,221.	7,454	14,127
	396,437	881,872
Less: current portion of long-term debt	73,291	558,075
	323,146	323,797

These long-term liabilities are 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 2021 amounted to \$582,410 (2020 - \$54,286).

Interest expense on long-term liabilities in 2021 amounted to \$10,753 (2020 - \$11,877)

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

2022	73,291
2023	63,908
2024	64,170
2025	36,376
2026	37,333
Thereafter	121,359
	396,437

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

General municipal revenues	396,437
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14. Accumulated surplus

Accumulated surplus consists of the following:

	2021	2020
General revenue fund	(433,133)	75,474
Reserves and reserve funds	954,997	794,770
Invested in tangible capital assets (Note 15)	5,151,727	4,704,579
	5,673,591	5,574,823

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

15. Invested in tangible capital assets

	2021	2020
Tangible capital assets (Schedule 2)	12,955,999	12,882,669
Accumulated amortization (Schedule 2)	(7,480,566)	(7,296,218)
Long-term liabilities (Note 13)	(323,706)	(881,872)
	5,151,727	4,704,579

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 \$15,356 (2020 - \$18,887).

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 the claims are without merit, the outcomes are not practically determinable, and insurance will be sufficient to cover resulting settlements, therefore no further provisions are required.
- c) As at December 31, 2021, 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. 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.

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 were \$94,014 (excluding extra work) in 2021 and will be 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. Payments under this agreement were \$29,940 in 2021.

20. Budget figures

The Township completes separate budget reviews for its operating and capital budgets each year. The operating budget for 2021 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.

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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, with the exception of one loan payable having an outstanding balance of \$72,731 at December 31, 2022 (Note 13) that is non-interest bearing, 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 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 existing debt obligations.

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:

	2021
Budgeted surplus per financial statements	(22,873)
Budgeted tangible capital asset additions	(597,929)
Budget use of funds	620,802
Budget surplus (deficit)	-

The Corporation of the Township of Tehkummah

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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, 2021

24. Library operations

Government transfers for library operations for the year include a Library Per Household grant totalling \$1,611 (2020 - \$1,611).

Total operating costs for the library for the year ended December 31, 2021 amounted to \$17,881 (2020 - \$19,503). Of these costs, \$16,581 (2020 - \$8,431) related to salaries and benefits for employees.

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, 2022. 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, 2022. 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.

26 Comparative figure

Certain comparative figures have been reclassified to conform with current year presentation.

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

For the year ended December 31, 2021

	<i>Total</i>	<i>Working Capital</i>	<i>Fire Equipment</i>	<i>Roads</i>	<i>Recreation</i>	<i>Museum</i>	<i>Library</i>	<i>Water and Sewer</i>	<i>Water and Sewer Capital</i>	<i>Landfill</i>
Reserves										
Balance, beginning of year	529,015	102,783	63,167	20,981	125,736	29,953	23,782	82,122	40,000	40,491
Appropriations to current operations	-	-	-	-	-	-	-	-	-	-
Appropriations from current operations	80,000	-	-	80,000	-	-	-	-	-	-
	609,015	102,783	63,167	100,981	125,736	29,953	23,782	82,122	40,000	40,491
Gas Tax										
Reserve funds										
Balance, beginning of year	154,125									
Interest earned	323									
Appropriation from current operations	29,552									
Balance, end of year	184,000									
Ontario Community Infrastructure Fund										
Reserve funds										
Balance, beginning of year	111,630									
Interest earned	352									
Appropriation from current operations	50,000									
Balance, end of year	161,982									
Total	954,997									

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

For the year ended December 31, 2021

	<i>Land</i>	<i>Buildings</i>	<i>Roads and Bridges</i>	<i>Automotive Equipment</i>	<i>Furniture and Equipment</i>	<i>Water and Sewer</i>	<i>Drains</i>	<i>Assets under Construction</i>	<i>2021 Total</i>
Cost									
Balance, beginning of year	153,288	753,739	5,082,036	913,027	402,523	5,498,000	80,056	-	12,882,669
Additions	-	-	-	-	60,519	-	-	12,811	73,330
Disposals	-	-	-	-	-	-	-	-	-
Assets under construction completed	-	-	-	-	-	-	-	-	-
Balance, end of year	153,288	753,739	5,082,036	913,027	463,042	5,498,000	80,056	12,811	12,955,999
Accumulated amortization									
Balance, beginning of year	-	239,879	989,532	391,987	135,570	5,498,000	41,250	-	7,296,218
Disposals	-	-	-	-	-	-	-	-	-
Amortization expense	-	14,208	64,355	63,534	40,650	-	1,601	-	184,348
Balance, end of year	-	254,087	1,053,887	455,521	176,220	5,498,000	42,851	-	7,480,566
Net book value	153,288	499,652	4,028,149	457,506	286,822	-	37,205	12,811	5,475,433

	<i>Land</i>	<i>Buildings</i>	<i>Roads and Bridges</i>	<i>Automotive Equipment</i>	<i>Furniture and Equipment</i>	<i>Water and Sewer</i>	<i>Drains</i>	<i>Assets under Construction</i>	<i>2020 Total</i>
Cost									
Balance, beginning of year	153,288	753,739	2,052,505	545,674	343,386	5,498,000	80,056	45,135	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	-	-	(45,135)	-
Balance, end of year	153,288	753,739	5,082,036	913,027	402,523	5,498,000	80,056	-	12,882,669
Accumulated amortization									
Balance, beginning of year	-	225,671	945,323	346,311	105,700	5,388,040	39,649	-	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
Net book value	153,288	513,860	4,092,504	521,040	266,953	-	38,806	-	5,586,451

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

For the year ended December 31, 2021

		<i>General Government</i>	<i>Protection Services</i>	<i>Transportation Services</i>	<i>Environmental Services</i>	<i>Health and Social Services</i>	<i>Recreation and Cultural Services</i>	<i>Planning and Development</i>	<i>2021 Total</i>	<i>2020 Total</i>
Revenue										
Taxation	*	301,035	195,409	369,558	146,431	133,836	94,247	13,300	1,253,816	1,208,709
Government transfers		499,478	5,101	-	-	-	3,619	-	508,198	3,248,322
User charges		-	9,915	703	127,356	-	66,791	-	204,765	184,538
Other		31,190	24,829	12,193	6,046	-	2,395	-	76,653	112,777
		831,703	235,254	382,454	279,833	133,836	167,052	13,300	2,043,432	4,754,346
Expenses										
Goods and materials		128,070	128,213	272,455	35,642	3,190	69,095	-	636,665	570,351
Contracts and services		119,573	94,036	616	149,438	-	1,483	12,837	377,983	289,054
Financial expenses		10,373	25	10,826	-	-	25	-	21,249	23,067
Amortization		6,819	29,718	117,646	19,364	-	10,801	-	184,348	249,978
Salaries and benefits		202,072	51,086	171,639	22,670	11,314	64,772	-	523,553	541,337
Other transfers		-	-	-	-	193,075	-	7,791	200,866	202,486
		466,907	303,078	573,182	227,114	207,579	146,176	20,628	1,944,664	1,876,273
Surplus (Deficit)		364,796	(67,824)	(190,728)	52,719	(73,743)	20,876	(7,328)	98,768	2,878,073

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