

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

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The Corporation of the Township of Gillies Management's Statement of Responsibility for Financial Reporting

December 31, 2020

The accompanying financial statements of the Corporation of the Township of Gillies are the responsibility of management and have been approved by the Reeve and Council.

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards and include certain amounts based on estimates and judgments. When alternative accounting methods exist management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal control designed to provide reasonable assurance that the Corporation's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of the financial statements.

The Reeve and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been reported on by the Corporation of the Township of Gillies external auditor, BDO Canada LLP in accordance with Canadian generally accepted auditing standards. The auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements. BDO Canada LLP have access to financial management and the Reeve and Council of the Corporation of the Township of Gillies and meet when required.


Reeve


Clerk-Treasurer

Independent Auditor's Report

To the Members of Council of The Corporation of the Township of Gillies

Opinion

We have audited the financial statements of the Corporation of the Township of Gillies (the Township), which comprise the statement of financial position as at December 31, 2020 and the statements of operations and accumulated surplus, change in net assets and the cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying 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, its change in net 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 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 2 to the financial statements, which explains that certain comparative information for the year ended December 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these 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 the 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 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.

Independent Auditor's Report (cont'd)

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 Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
September 13, 2021

**The Corporation of the Township of Gillies
Statement of Financial Position**

December 31	2020	2019
		Restated (Note 2)
Financial assets		
Cash (Note 4)	\$ 595,470	\$ 470,332
Taxes receivable	87,939	66,993
Accounts and grants receivable (Note 5)	95,081	133,893
	<u>778,490</u>	<u>671,218</u>
Liabilities		
Accounts payable and accrued liabilities	140,584	36,189
Taxation revenue paid in advance	9,468	7,776
Deferred revenue (Note 6)	199,472	158,887
Landfill closure and post-closure liability (Note 7)	53,180	52,269
Debt (Note 8)	202,905	230,416
	<u>605,609</u>	<u>485,537</u>
Net financial assets	<u>172,881</u>	<u>185,681</u>
Non-financial assets		
Tangible capital assets (Note 9)	1,857,150	1,838,202
Prepaid expenses	1,221	2,336
Inventory - supplies	5,245	5,245
	<u>1,863,616</u>	<u>1,845,783</u>
Accumulated surplus (Note 10)	\$ 2,036,497	\$ 2,031,464


_____ Reeve


_____ Clerk-Treasurer

The Corporation of the Township of Gillies Statement of Operations and Accumulated Surplus

For the year ended December 31	2020 Budget	2020 Actual	2019 Actual
	(Note 14)		Restated (Note 2)
Revenue			
Taxation			
Residential and farm	\$ 435,874	\$ 428,482	\$ 424,334
Commercial and industrial	7,658	7,528	7,855
Taxation from other governments	-	5,228	4,305
User charges			
Other fees and service charges	29,900	11,889	8,181
Government transfers (Note 11)			
Government of Canada	383,818	63,806	10,306
Province of Ontario	290,882	275,750	482,531
Other municipalities	2,000	1,174	2,528
Other			
Investment income	8,000	5,664	8,973
Penalties and late payment charges	4,500	4,328	6,037
Other revenues	-	15,807	60,825
	1,162,632	819,656	1,015,875
Expenses (Note 12)			
General government	301,884	289,031	231,274
Protection to persons and property	137,734	130,333	128,872
Transportation services	322,403	286,288	346,305
Environmental services	25,062	18,026	21,840
Health services	41,512	43,951	42,001
Social and family services	45,565	45,163	43,493
Recreation and cultural services	1,984	1,581	1,501
Planning and development	250	250	250
	876,394	814,623	815,536
Annual surplus	286,238	5,033	200,339
Accumulated surplus, beginning of year	2,031,464	2,031,464	1,831,125
Accumulated surplus, end of year	\$ 2,317,702	\$ 2,036,497	\$ 2,031,464

**The Corporation of the Township of Gillies
Statement of Change in Net Assets**

For the year ended December 31	2020 Budget	2020 Actual	2019 Actual
	(Note 14)		Restated (Note 2)
Annual surplus	\$ 286,238	\$ 5,033	\$ 200,339
Net acquisition of tangible capital assets	(523,188)	(105,241)	(49,449)
Amortization of tangible capital assets	87,803	86,293	80,966
Change in prepaid expenses	-	1,115	(68)
Net change in net assets	(149,147)	(12,800)	231,788
Net assets (debt), beginning of year	185,681	185,681	(46,107)
Net financial assets, end of year	\$ 36,534	\$ 172,881	\$ 185,681

The accompanying notes are an integral part of these financial statements.

The Corporation of the Township of Gillies Statement of Cash Flows

For the year ended December 31	2020	2019
		Restated (Note 2)
Operating transactions		
Annual surplus	\$ 5,033	\$ 200,339
Items not involving cash		
Amortization	86,293	80,966
Landfill closure and post-closure liabilities	911	2,708
	<u>92,237</u>	284,013
Changes in non-cash operating balances		
Taxes receivable	(20,946)	(1,236)
Accounts and grants receivable	38,812	(76,034)
Accounts payable and accrued liabilities	104,395	(36,178)
Deferred taxation revenue	1,692	3,073
Deferred revenue	40,585	83,919
Prepaid expenses	1,115	(68)
	<u>257,890</u>	257,489
Capital transactions		
Acquisition of tangible capital assets	<u>(105,241)</u>	(49,449)
Financing transactions		
Repayment of debt	<u>(27,511)</u>	(26,061)
Increase in cash for the year	125,138	181,979
Cash, beginning of year	<u>470,332</u>	<u>288,353</u>
Cash, end of year	<u>\$ 595,470</u>	<u>\$ 470,332</u>

The accompanying notes are an integral part of these financial statements.

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements	The financial statements of the Township are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada. The Corporation of the Township of Gillies (the "Township") is a township in the Province of Ontario and operates under the provisions of Provincial statutes, such as the Municipal Act and related legislation. The Township provides municipal services such as protection to persons and property, public works, planning, recreation and other general government services.
Reporting Entity	<p>The financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Township.</p> <p>The Township contributes to the following joint local boards, which are not proportionately consolidated in these statements:</p> <p style="margin-left: 40px;">Thunder Bay District Health Unit The District of Thunder Bay Social Services Administration Board Lakehead Rural Planning Board Lakehead Police Services Board</p>
Accounting for School Board Transactions	<p>The Township collects taxation revenue on behalf of the school boards.</p> <p>The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the current fund balances of these financial statements. Education taxes collected by the Township and over-remitted or not remitted to the respective school boards as at December 31 are reported as a financial asset or liability on the statement of financial position.</p>
Tangible Capital Assets	Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue.

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (cont'd)

Tangible Capital Assets (cont'd)	<p>Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the assets are available for productive use as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Buildings</td> <td style="text-align: right;">-</td> <td style="text-align: right;">40 to 70 years</td> </tr> <tr> <td>Leasehold improvements</td> <td style="text-align: right;">-</td> <td style="text-align: right;">5 years</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">-</td> <td style="text-align: right;">15 to 25 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">-</td> <td style="text-align: right;">10 to 30 years</td> </tr> <tr> <td>Land improvements</td> <td style="text-align: right;">-</td> <td style="text-align: right;">25 to 75 years</td> </tr> <tr> <td>Roads</td> <td style="text-align: right;">-</td> <td style="text-align: right;">15 to 60 years</td> </tr> <tr> <td>Bridges and other structures</td> <td style="text-align: right;">-</td> <td style="text-align: right;">35 to 80 years</td> </tr> </table> <p>Assets under construction are not amortized until the asset is available for use.</p> <p>Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation. The most significant of such assets are the Township's road allowances and landfill site.</p>	Buildings	-	40 to 70 years	Leasehold improvements	-	5 years	Vehicles	-	15 to 25 years	Machinery and equipment	-	10 to 30 years	Land improvements	-	25 to 75 years	Roads	-	15 to 60 years	Bridges and other structures	-	35 to 80 years
Buildings	-	40 to 70 years																				
Leasehold improvements	-	5 years																				
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Machinery and equipment	-	10 to 30 years																				
Land improvements	-	25 to 75 years																				
Roads	-	15 to 60 years																				
Bridges and other structures	-	35 to 80 years																				
Trust Funds	<p>Any funds held in trust by the Township, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.</p>																					
Inventory	<p>Inventory supplies are recorded at the lower of cost or replacement cost.</p>																					
Pension and Employee Benefits	<p>The Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investments of the assets and administration of the benefits. The Township records pension expense when contributions are due.</p>																					
Deferred Revenue	<p>Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.</p>																					
Landfill Closure and Post-Closure Liability	<p>The obligation to close and maintain solid waste landfill sites is based on the estimated future expenses in current dollars, adjusted for estimated inflation and is charged to expense as the landfill site's capacity is used.</p>																					

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (cont'd)

Revenue Recognition	<p>User charges and fees are recognized as revenue in the period in which the related services are performed. Amounts collected for which the related services have yet to be performed are recognized as a liability and recognized as revenue when the related services are performed.</p> <p>Interest is recognized as it is earned. Interest earned on deferred revenue is added to the fund balance and forms part of the deferred revenue balance. Investment income earned on reserve funds is added to the fund balance and forms part of the reserve fund balance.</p> <p>Funds received, other than government transfers and tax revenue, for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations and accumulated surplus in the year in which it is used for the specified purpose.</p>
Government Transfers	<p>Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.</p>
Taxation Revenue	<p>The amount of the total property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenues required to meeting operating budget requirements. Education tax rates are established by the Province each year in order to fund the costs of education on a Province wide basis.</p> <p>Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed value for all properties within the Township are provided to the Township in the form of the returned assessment roll in December of each year.</p>

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

1. Significant Accounting Policies (cont'd)

Taxation Revenue (cont'd) The amount of property taxes levied on an individual property is the product of the CVA of the property and the tax rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Use of Estimates The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in these financial statements include assumptions used in estimating provisions for doubtful taxes and accounts receivable, useful lives of tangible capital assets and landfill closure and post closure liabilities.

2. Prior Period Adjustment

A prior period adjustment was made to correct a revenue overstatement. This misstatement resulted in deferred revenue being understated by \$27,747 and government transfers - province of Ontario, accumulated surplus and net financial assets being overstated by \$27,747.

The prior year figures have been retroactively adjusted as follows:

	Previously Reported	Adjustment	As Restated
Deferred revenue	131,140	27,747	158,887
Government transfers province of Ontario	510,278	(27,747)	482,531
Accumulated surplus, December 31, 2019	2,059,211	(27,747)	2,031,464
Net financial assets, December 31, 2019	213,428	(27,747)	185,681

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

3. Impact of COVID-19

On March 11, 2020, the World Health Organization ("WHO") classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. On March 17, 2020, the Province of Ontario declared a state of emergency which was shortly followed by the closure of all non-essential workplaces. This resulted in the closure of the Township office to the public for non-essential services, while the landfill was able to remain open for regular hours as it is outdoors and physical distancing can be maintained. No interest and penalties on current year taxes owing were charged during the year in case residents were faced by financial hardship due to loss of employment. Additional funding has been provided for COVID relief. The Ministry of Municipal Affairs and Housing provided funding to assist with the purchase of personal protective equipment and other items needed for the Municipality employees and Council members to work safely and remotely when needed.

The pandemic and its impacts continue to persist beyond the December 31, 2020 year-end. The closures and government restrictions are expected to be temporary and fluid based on the course of the virus. Given the dynamic nature of these circumstances and the duration of business disruptions, the related financial impact cannot be reasonably estimated at this time.

4. Cash

	2020	2019
Operating accounts	\$ 176,618	\$ 57,144
High interest savings account	417,463	411,799
Reserve account	1,389	1,389
	\$ 595,470	\$ 470,332

The Township's high interest savings account earns interest at an effective interest rate of 0.9150%.

5. Accounts and Grants Receivable

	2020	2019
GST/HST public service bodies' rebate	\$ 30,879	\$ 25,585
Investing in Canada Infrastructure Program	50,852	-
Insurance claim	-	35,812
Ministry of Municipal Affairs and Housing Municipal Disaster Recovery Assistance	-	54,498
Municipal Modernization Program	7,500	-
Northern Ontario Heritage Fund Corporation	-	16,351
Other government transfers	1,471	1,062
Trade	4,379	585
	\$ 95,081	\$ 133,893

The Corporation of the Township of Gillies
Notes to Financial Statements

December 31, 2020

6. Deferred Revenue

	<u>2020</u>	<u>2019</u>
		Restated (Note 2)
Federal Gas Tax	\$ 95,736	\$ 79,038
Main Street Revitalization	-	27,747
Ornge - helipad maintenance	11,765	12,012
COVID-19 Recovery Funding - 2020	19,391	-
Ontario Community Infrastructure Fund	72,580	40,090
	<u>\$ 199,472</u>	<u>\$ 158,887</u>

The net change during the year in the deferred revenue is made up as follows:

	<u>2020</u>	<u>2019</u>
		Restated (Note 2)
Balance, beginning of year	\$ 158,887	\$ 74,968
Transfers from revenue	376,878	573,200
Transfers to revenue	(336,293)	(489,281)
	<u>\$ 199,472</u>	<u>\$ 158,887</u>

Federal Gas Tax

The Ministry requires the Township to put unspent gas tax funding into a reserve fund. The funding and interest earned in the reserve must be spent on approved projects.

7. Landfill Closure and Post-Closure Liability

The statement of financial position reflects liabilities for anticipated future costs related to the closing and monitoring of the existing landfill site. This liability is recognized over the operating life of the waste disposal site, in proportion to the site's utilized capacity.

An amount of \$28,999 (2019 - \$25,162) has been provided to fund this liability and future landfill expansion and is included in a reserve fund for landfill (Note 10). The unfunded portion of the liability will be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

7. Landfill Closure and Post-Closure Liability (cont'd)

Total estimated expenses for closure and post-closure costs as at December 31, 2020	\$120,750
Landfill closure and post-closure liabilities as at December 31, 2020	\$53,180
Total expenditures remaining to be recognized	\$67,570
Remaining capacity of the site (cubic metres)	10,073
Remaining landfill site life (years)	23
Number of years required for post-closure care	20
Discount rate	3.38%

8. Debt

	<u>2020</u>	<u>2019</u>
Royal Bank of Canada		
Term loan payable in bi-weekly instalments of \$520 including interest at 2.52%, maturing October 2021	\$ 58,376	\$ 70,396
Ontario Infrastructure Debenture		
Debenture payable in semi-annually instalments of \$10,385, including interest at 3.38%, maturing November 2028	<u>144,529</u>	<u>160,020</u>
	<u>\$ 202,905</u>	<u>\$ 230,416</u>

Principal payments due in the next five years and thereafter are as follows:

	<u>Current Banking Agreements</u>
<u>Year</u>	<u>Amount</u>
2021	\$ 74,395
2022	16,565
2023	17,130
2024	17,714
2025	18,317
Thereafter	<u>58,784</u>
	<u>\$ 202,905</u>

**The Corporation of the Township of Gillies
Notes to Financial Statements**

December 31, 2020

9. Tangible Capital Assets

	General						Infrastructure					2020 Total	2019 Total
	Land	Land Improvements	Leasehold Improvements	Buildings	Vehicles	Machinery and Equipment	Land	Buildings	Roads	Equipment, Machinery and Vehicles	Bridges and Other Structures		
Cost, beginning of year	\$ 32,546	\$ 22,746	\$ 16,357	\$ 61,374	\$ 276,973	\$ 21,449	\$ 392,018	\$ 47,500	\$ 1,512,597	\$ 611,403	\$ 710,890	\$ 3,705,853	\$ 3,656,404
Additions	-	-	-	-	-	18,135	-	18,081	55,271	800	12,954	105,241	49,449
Cost, end of year	32,546	22,746	16,357	61,374	276,973	39,584	392,018	65,581	1,567,868	612,203	723,844	3,811,094	3,705,853
Accumulated amortization, beginning of year	-	12,510	6,587	31,380	78,960	9,023	-	40,107	1,185,549	263,685	239,850	1,867,651	1,786,685
Amortization	-	1,137	1,954	1,258	12,221	1,205	-	548	32,237	22,632	13,101	86,293	80,966
Accumulated amortization, end of year	-	13,647	8,541	32,638	91,181	10,228	-	40,655	1,217,786	286,317	252,951	1,953,944	1,867,651
Net carrying amount, end of year	\$ 32,546	\$ 9,099	\$ 7,816	\$ 28,736	\$ 185,792	\$ 29,356	\$ 392,018	\$ 24,926	\$ 350,082	\$ 325,886	\$ 470,893	\$ 1,857,150	\$ 1,838,202

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

10. Accumulated Surplus

The Township segregates its accumulated surplus (deficit) into the following categories:

	2020	2019
		Restated (Note 2)
Surpluses (deficits)		
General fund	\$ (26,078)	\$ 87,438
Investment in tangible capital assets	1,857,150	1,838,202
Unfunded		
Debt	(202,905)	(230,416)
Landfill closure and post-closure liability	(24,181)	(27,107)
Total surpluses	1,603,986	1,668,117
Reserves set aside for specific purposes by Council		
For working capital	22,000	22,000
Reserve funds set aside for specific purposes by Council		
For official plan	10,138	-
For contingencies	235,524	194,748
For volunteer fire department	33,887	31,920
For roads	66,415	59,014
For infrastructure	243	240
For centenary	5,133	3,057
For office construction	26,972	26,606
For landfill	32,199	25,762
Total reserve funds	410,511	341,347
Accumulated surplus	\$ 2,036,497	\$ 2,031,464

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

11. Government Transfers

	Budget 2020	2020	2019 Restated (Note 2)
Federal			
Federal Gas Tax Fund	\$ 57,818	\$ 12,954	\$ 10,306
Investing in Canada Infrastructure Program	326,000	50,852	-
	<u>383,818</u>	<u>63,806</u>	<u>10,306</u>
Provincial			
Main Street Revitalization Initiative	-	27,747	8,236
Municipal Disaster Recovery Assistance	-	-	54,498
Municipal Modernization Program	30,005	30,000	192,800
Ontario Municipal Partnership Fund	173,800	173,800	181,600
Ontario Community Infrastructure Fund	50,400	18,080	9,910
Other	36,677	26,123	35,487
	<u>290,882</u>	<u>275,750</u>	<u>482,531</u>
Other Municipalities			
Provincial Offences Act	2,000	1,174	2,528
	<u>\$ 676,700</u>	<u>\$ 340,730</u>	<u>\$ 495,365</u>

12. Expenses By Object

	Budget 2020	2020	2019
Salaries, wages and employee benefits	\$ 331,501	\$ 321,914	\$ 331,364
Interest on debt	7,529	7,453	8,418
Materials and supplies	243,848	186,350	210,811
Contracted services	105,325	107,316	85,195
Rents and financial expenses	13,962	14,521	13,686
External transfers	86,426	90,776	85,096
Amortization	87,803	86,293	80,966
	<u>\$ 876,394</u>	<u>\$ 814,623</u>	<u>\$ 815,536</u>

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

13. Pension and Employee Benefits

The Township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The Plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

OMERS provides pension services to almost half a million active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of \$113.1 billion (\$107.7 billion in 2019) in respect of benefits accrued for service with actuarial assets at that date of \$109.8 billion (\$104.3 billion in 2019) indicating an actuarial deficit of \$3.3 billion (\$3.4 billion in 2019). Because OMERS is a multi-employer Plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Township to OMERS for 2020 were \$19,449 (\$19,449 in 2019), which is included as an expense on the statement of operations and accumulated surplus. Employee contributions for 2020 were \$18,190 (\$18,514 in 2019).

14. Budget

The Financial Plan (Budget) By-Law adopted by Council on July 13, 2020 was not prepared on a basis consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis, while Canadian public sector accounting standards require a full accrual basis. The budget figures anticipated using surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues. In addition, the budget expensed all tangible capital expenses rather than including amortization expense. As a result, the budget figures presented in the statements of operations and accumulated surplus and changes in net assets (debit) represent the Financial Plan adopted by Council on July 13, 2020, with adjustments as follows:

Financial Plan (Budget) Bylaw surplus for the year	\$	40
Add:		
Capital expenses		523,188
Budgeted transfers to reserve funds		155,375
Debt repayment		86,165
Less:		
Budgeted transfers from reserve funds		(281,348)
Amortization		(87,803)
Prior year surplus included in budget		(109,379)
		<hr/>
Budget surplus per statement of operations	\$	<u>286,238</u>

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

15. Trust Fund

The Township of Gillies Cemetery Perpetual Care Trust Fund administered by the Township amounting to \$19,012 (2019 - \$17,763) has not been included in the statement of financial position nor have the operations been included in the statement of operations and accumulated surplus.

16. Contingency

A claim has been filed against the Township, but management believes that the claim is without merit. No liability has been recorded in these financial statements and any costs to be incurred are expected to be covered by insurance.

17. Commitments

The Corporation of the Township of Gillies leases office space under an operating lease expiring August 31, 2023 and a photocopier expiring November 2025. The future minimum annual lease payments are as follows:

2021	15,180
2022	15,800
2023	11,300
2024	2,400
2025	1,800
	<hr/>
	\$ 46,480

18. Segmented Information

The Corporation of the Township of Gillies provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

a) General Government

General government is comprised of various administrative services including general administration and finance, the services of the Reeve and Council, the health and safety program, and the operation and maintenance of the Township Office. Township office staff provide a variety of services for citizens plus provide support for other departments and programs. Assessment services, provided by Municipal Property Assessment Corporation, are responsible for providing services to both citizens and the Township.

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

18. Segmented Information (cont'd)

b) Protection to Persons and Property

Protection services include police services, fire services and protective inspection and control and services provided by the Lakehead Region Conservation Authority. The volunteer fire department is responsible for being the first response to emergencies in the Township and is responsible for staffing, training, and the maintenance of the fire hall, fleet, and personal protective and fire fighting equipment. Police services are contracted through the Ontario Provincial Police and building inspections are currently contracted out to ensure compliance with building code and zoning requirements.

c) Transportation Services

Transportation services include roadway maintenance of the Township roadway systems, culverts, signage and winter control that includes plowing, salt/sand application, snow removal and flood control. Included in this segment is maintenance of all public works equipment and the garage.

d) Environmental Services

The Township provides waste disposal at a landfill site and includes recycling and landfill site operations and waste minimization programs.

e) Health Services

Health services include public health services and ambulance services. Public health services cover the Township's contribution to the activities to the Thunder Bay District Health Unit. The Thunder Bay District Health Unit provides health information and prevention-related clinical services; advocates for healthy public policy; investigates reportable diseases; and upholds regulations that apply to public health. Ambulance services represents the Township's contribution to the activities of the Superior North Emergency Medical Services ("SNEMS"). SNEMS is responsible for providing emergency medical and ambulatory services to the residents of the District of Thunder Bay. This reporting segment also covers the operation and maintenance of the Riverside Cemetery and Pinegrove Cemetery.

f) Social and Family Services

Social and family services represent the Township's contribution to the activities of the District of Thunder Bay Social Services Administration Board ("TBDSSAB"). TBDSSAB is responsible for Ontario Works program delivery, child care services and social housing.

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2020

18. Segmented Information (cont'd)

g) Recreational and Cultural Services

Recreation and cultural services includes parks, recreation programs and facilities and public library services. The Township provides for the development and maintenance of various recreational facilities, and the maintenance of parks and open spaces. The public library services are contracted with the Oliver-Paipouge Public Library Board and provides community access to local and global information resources that support lifelong learning, research and leisure activities.

h) Planning and Development

Planning and development manages rural development for business interest, environmental concerns, local community, and overall planning and community development including approval of all land development plans. The Township's contribution to activities of the Lakehead Rural Planning Board are included in the planning activities.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Corporation of the Township of Gillies
Notes to Financial Statements

18. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmenta l Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2020 Total
Revenue									
Taxation	\$ 441,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	441,238
Government transfers	254,406	-	81,886	2,280	-	-	984	-	339,556
User fees and service charges	-	8,324	2,040	-	1,525	-	-	-	11,889
Investment income	5,664	-	-	-	-	-	-	-	5,664
Other municipalities	-	1,174	-	-	-	-	-	-	1,174
Other revenues	19,068	-	-	1,067	-	-	-	-	20,135
	<u>720,376</u>	<u>9,498</u>	<u>83,926</u>	<u>3,347</u>	<u>1,525</u>	<u>-</u>	<u>984</u>	<u>-</u>	<u>819,656</u>
Expenses									
Salaries, wages and employee benefits	152,613	11,858	145,831	10,232	827	-	553	-	321,914
Interest on debt	-	7,453	-	-	-	-	-	-	7,453
Materials and supplies	86,840	22,460	71,940	961	260	-	44	-	182,505
Contracted services	29,258	71,446	-	5,628	-	-	984	-	107,316
Rents and financial	14,521	-	-	-	-	-	-	-	14,521
External transfers	-	2,499	-	-	42,864	45,163	-	250	90,776
Bad debt	3,845	-	-	-	-	-	-	-	3,845
Amortization	1,954	14,617	68,517	1,205	-	-	-	-	86,293
	<u>289,031</u>	<u>130,333</u>	<u>286,288</u>	<u>18,026</u>	<u>43,951</u>	<u>45,163</u>	<u>1,581</u>	<u>250</u>	<u>814,623</u>
Annual surplus (deficit)	<u>\$ 431,345</u>	<u>\$ (120,835)</u>	<u>\$ (202,362)</u>	<u>\$ (14,679)</u>	<u>\$ (42,426)</u>	<u>\$ (45,163)</u>	<u>\$ (597)</u>	<u>\$ (250)</u>	<u>5,033</u>

The Corporation of the Township of Gillies
Notes to Financial Statements

18. Segmented Information (cont'd)

	General Government	Protection to Persons and Property	Transportation Services	Environmenta l Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2019 Total
	Restated (Note 2)								Restated (Note 2)
Revenue									
Taxation	\$ 436,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	436,494
Government transfers	454,065	15,000	20,216	2,572	-	-	984	-	492,837
User fees and service charges	-	971	-	20	7,190	-	-	-	8,181
Investment income	8,973	-	-	-	-	-	-	-	8,973
Other municipalities	-	2,528	-	-	-	-	-	-	2,528
Other revenues	65,333	306	-	1,223	-	-	-	-	66,862
	<u>964,865</u>	<u>18,805</u>	<u>20,216</u>	<u>3,815</u>	<u>7,190</u>	<u>-</u>	<u>984</u>	<u>-</u>	<u>1,015,875</u>
Expenses									
Salaries, wages and employee benefits	155,879	12,958	144,484	14,556	2,970	-	517	-	331,364
Interest on debt	-	8,418	-	-	-	-	-	-	8,418
Materials and supplies	44,208	32,043	131,595	2,965	-	-	-	-	210,811
Contracted services	15,059	60,599	4,986	3,567	-	-	984	-	85,195
Rents and financial	13,686	-	-	-	-	-	-	-	13,686
External transfers	-	2,322	-	-	39,031	43,493	-	250	85,096
Amortization	2,442	12,532	65,240	752	-	-	-	-	80,966
	<u>231,274</u>	<u>128,872</u>	<u>346,305</u>	<u>21,840</u>	<u>42,001</u>	<u>43,493</u>	<u>1,501</u>	<u>250</u>	<u>815,536</u>
Annual surplus (deficit)	<u>\$ 733,591</u>	<u>\$ (110,067)</u>	<u>\$ (326,089)</u>	<u>\$ (18,025)</u>	<u>\$ (34,811)</u>	<u>\$ (43,493)</u>	<u>\$ (517)</u>	<u>\$ (250)</u>	<u>\$ 200,339</u>