

**The Corporation of
the Township of Gillies**
Financial Statements
For the year ended December 31, 2019

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

December 31, 2019

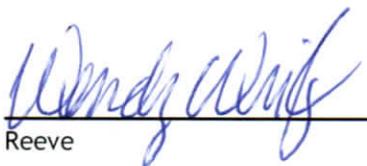
The accompanying financial statements of the Corporation of the Township of Gillies are the responsibility of management and have been approved by the Reeve and Council.

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's 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, Inhabitants and Ratepayers 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, 2019 and the statements of operations and accumulated surplus, change in net assets (debt) 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, 2019 and the results of its operations, its change in net 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 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.

Other Matter

The financial statements of the Corporation of the Township of Gillies for the year ended December 31, 2018, were reported on under an unqualified independent auditor's report dated May 13, 2019 by another public accounting firm.

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
June 22, 2020

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

	2019	2018
Financial assets		
Cash (Note 3)	\$ 470,332	\$ 288,353
Taxes receivable	66,993	65,757
Accounts and grants receivable (Note 4)	133,893	57,859
	<u>671,218</u>	<u>411,969</u>
Liabilities		
Accounts payable and accrued liabilities	36,189	72,367
Taxation revenue paid in advance	7,776	4,703
Deferred revenue (Note 5)	131,140	74,968
Landfill closure and post-closure liability (Note 6)	52,269	49,561
Debt (Note 7)	230,416	256,477
	<u>457,790</u>	<u>458,076</u>
Net assets (debt)	<u>213,428</u>	<u>(46,107)</u>
Non-financial assets		
Tangible capital assets (Note 8)	1,838,202	1,869,719
Prepaid expenses	2,336	2,268
Inventory - supplies	5,245	5,245
	<u>1,845,783</u>	<u>1,877,232</u>
Accumulated surplus (Note 9)	<u>\$ 2,059,211</u>	<u>\$ 1,831,125</u>



Reeve



Clerk-Treasurer

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

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
	(Note 13)		
Revenue			
Taxation			
Residential and farm	\$ 427,207	\$ 424,334	\$ 415,218
Commercial and industrial	7,908	7,855	7,729
Taxation from other governments	-	4,305	4,481
User charges			
Other fees and service charges	35,840	8,181	5,153
Government transfers (Note 10)			
Government of Canada	60,262	10,306	31,579
Province of Ontario	457,407	510,278	274,791
Other municipalities	2,000	2,528	2,033
Other			
Insurance proceeds	-	35,812	-
Investment income	7,600	8,973	3,327
Penalties and late payment charges	3,500	6,037	5,081
Other revenues	-	25,013	2,540
	1,001,724	1,043,622	751,932
Expenses (Note 11)			
General government	243,090	231,274	227,323
Protection to persons and property	133,074	128,872	125,862
Transportation services	304,768	346,305	276,898
Environmental services	17,114	21,840	31,886
Health services	39,449	42,001	38,017
Social and family services	43,493	43,493	40,938
Recreation and cultural services	1,984	1,501	1,666
Planning and development	250	250	250
	783,222	815,536	742,840
Annual surplus before undernoted item	218,502	228,086	9,092
Loss on disposal of tangible capital assets	-	-	(5,366)
Annual surplus	218,502	228,086	3,726
Accumulated surplus, beginning of year	1,831,125	1,831,125	1,827,399
Accumulated surplus, end of year	\$ 2,049,627	\$ 2,059,211	\$ 1,831,125

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

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

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
	(Note 13)		
Annual surplus	\$ 218,502	\$ 228,086	\$ 3,726
Net acquisition of tangible capital assets	(196,379)	(49,449)	(334,926)
Amortization of tangible capital assets	80,966	80,966	82,214
Loss on disposal of tangible capital assets	-	-	5,366
Change in prepaid expenses	-	(68)	(192)
Change in inventory - supplies	-	-	(809)
Net change in net assets (debt)	103,089	259,535	(244,621)
Net assets (debt), beginning of year	(46,107)	(46,107)	198,514
Net assets (debt), end of year	\$ 56,982	\$ 213,428	\$ (46,107)

The Corporation of the Township of Gillies Statement of Cash Flows

For the year ended December 31	2019	2018
Operating transactions		
Annual surplus	\$ 228,086	\$ 3,726
Items not involving cash		
Amortization	80,966	82,214
Loss on sale of tangible capital assets	-	5,366
Landfill closure and post-closure liabilities	2,708	12,062
	<u>311,760</u>	103,368
Changes in non-cash operating balances		
Taxes receivable	(1,236)	1,439
Accounts and grants receivable	(76,034)	60,552
Accounts payable and accrued liabilities	(36,178)	15,521
Deferred taxation revenue	3,073	19,432
Deferred revenue	56,172	-
Inventory - supplies	-	(809)
Prepaid expenses	(68)	(192)
	<u>257,489</u>	199,311
Capital transactions		
Acquisition of tangible capital assets	<u>(49,449)</u>	(334,926)
Financing transactions		
Advances of debt	-	175,000
Repayment of debt	(26,061)	(10,705)
	<u>(26,061)</u>	164,295
Increase in cash for the year	181,979	28,680
Cash, beginning of year	<u>288,353</u>	<u>259,673</u>
Cash, end of year	<u>\$ 470,332</u>	<u>\$ 288,353</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, 2019

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="text-align: center;">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, 2019

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																				
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																				
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, 2019

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, 2019

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. Subsequent Event

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, while the landfill was able to remain open for regular hours as it is outdoors and physical distancing can be maintained. The tax instalment with a May 6, 2020 due date was deferred to August 7, 2020 in case residents were faced by financial hardship due to loss of employment. The final instalment due dates are yet to be determined. No changes to funding have been announced by the various government departments.

The closures and government restrictions are expected to be temporary. Given the dynamic nature of these circumstances and the duration of business disruption, the related financial impact cannot be reasonably estimated at this time.

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2019

3. Cash

	<u>2019</u>	<u>2018</u>
Operating accounts	\$ 57,144	\$ 111,964
High interest savings account	411,799	-
Reserve account	<u>1,389</u>	<u>176,389</u>
	<u>\$ 470,332</u>	<u>\$ 288,353</u>

The Township's high interest savings account earns interest at an effective interest rate of 2.415%.

4. Accounts and Grants Receivable

	<u>2019</u>	<u>2018</u>
Trade	\$ 585	\$ 1,594
Ministry of Municipal Affairs and Housing		
Municipal Disaster Recovery Assistance	54,498	-
Northern Ontario Heritage Fund Corporation	16,351	-
Other government transfers	1,062	408
GST/HST public service bodies' rebate	25,585	55,857
Insurance claim	<u>35,812</u>	<u>-</u>
	<u>\$ 133,893</u>	<u>\$ 57,859</u>

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2019

5. Deferred Revenue

	<u>2019</u>	<u>2018</u>
Federal Gas Tax	\$ 79,038	\$ 29,893
Ornge - helipad maintenance	12,012	9,092
Main Street Revitalization	-	35,983
Ontario Community Infrastructure Fund	<u>40,090</u>	-
	<u>\$ 131,140</u>	<u>\$ 74,968</u>

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

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 74,968	\$ 55,213
Transfers from revenue	573,200	122,707
Transfers to revenue	<u>(517,028)</u>	<u>(102,952)</u>
Balance, end of year	<u>\$ 131,140</u>	<u>\$ 74,968</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.

6. 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 \$25,162 (2018 - \$23,727) has been provided to fund this liability and future landfill expansion and is included in a reserve fund for landfill (Note 9). The unfunded portion of the liability will be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

Total estimated expenses for closure and post-closure costs as at December 31, 2019	\$133,089
Landfill closure and post-closure liabilities as at December 31, 2019	\$52,269
Total expenditures remaining to be recognized	\$80,820
Remaining capacity of the site (cubic metres)	10,931
Remaining landfill site life (years)	24
Number of years required for post-closure care	20
Discount rate	3.46%

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2019

7. Debt

	2019	2018
Royal Bank of Canada		
Term loan payable in bi-weekly instalments of \$527 including interest at 3.46%, maturing October 2020	\$ 70,396	\$ 81,477
Ontario Infrastructure Debenture		
Debenture payable in semi-annually instalments of \$10,385, including interest at 3.38%, maturing November 2028	160,020	175,000
	\$ 230,416	\$ 256,477

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

	Current Banking Agreements
<u>Year</u>	<u>Amount</u>
2020	\$ 85,887
2021	16,019
2022	16,565
2023	17,130
2024	17,714
Thereafter	77,101
	\$ 230,416

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

December 31, 2019

8. Tangible Capital Assets

	General						Infrastructure					2019 Total	2018 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	\$ 661,441	\$ 3,656,404	\$ 3,471,503
Additions	-	-	-	-	-	-	-	-	-	-	49,449	49,449	334,926
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	(150,025)
Cost, end 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
Accumulated amortization, beginning of year	-	11,373	4,144	30,122	68,823	8,271	-	39,786	1,155,479	241,782	226,905	1,786,685	1,849,130
Amortization	-	1,137	2,443	1,258	10,137	752	-	321	30,070	21,903	12,945	80,966	82,214
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	(144,659)
Accumulated amortization, end 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
Net carrying amount, end of year	\$ 32,546	\$ 10,236	\$ 9,770	\$ 29,994	\$ 198,013	\$ 12,426	\$ 392,018	\$ 7,393	\$ 327,048	\$ 347,718	\$ 471,040	\$ 1,838,202	\$ 1,869,719

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2019

9. Accumulated Surplus

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

	2019	2018
Surpluses (deficits)		
General fund	\$ 115,185	\$ 7,241
Investment in tangible capital assets	1,838,202	1,869,719
Unfunded		
Debt	(230,416)	(256,477)
Landfill closure and post-closure liability	(27,107)	(25,834)
Total surpluses	1,695,864	1,594,649
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 contingencies	194,748	112,358
For volunteer fire department	31,920	10,931
For roads	59,014	26,879
For infrastructure	240	240
For centenary	3,057	2,535
For office construction	26,606	36,606
For landfill	25,762	24,927
Total reserve funds	341,347	214,476
Accumulated surplus	\$ 2,059,211	\$ 1,831,125

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, 2019

10. Government Transfers

	Budget 2019	2019	2018
Federal			
Federal Gas Tax Fund	\$ 60,262	\$ 10,306	\$ 29,899
Other	-	-	1,680
	60,262	10,306	31,579
Provincial			
Main Street Revitalization Initiative	-	35,983	-
Municipal Disaster Recovery Assistance	-	54,498	-
Municipal Modernization Program	192,800	192,800	-
Ontario Municipal Partnership Fund	181,600	181,600	190,600
Ontario Community Infrastructure Fund	-	9,910	57,668
Other	83,007	35,487	26,523
	457,407	510,278	274,791
Other Municipalities			
Provincial Offences Act	2,000	2,528	2,033
	\$ 519,669	\$ 523,112	\$ 308,403

11. Expenses By Object

	Budget 2019	2019	2018
Salaries, wages and employee benefits	\$ 332,847	\$ 331,364	\$ 276,371
Interest on debt	8,490	8,418	3,004
Materials and supplies	159,153	210,811	185,656
Contracted services	105,052	85,195	102,153
Rents and financial expenses	13,600	13,686	13,835
External transfers	83,114	85,096	79,607
Amortization	80,966	80,966	82,214
	\$ 783,222	\$ 815,536	\$ 742,840

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2019

12. 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, 2019. The results of this valuation disclosed total actuarial liabilities of \$107.7 billion (\$100.1 billion in 2018) in respect of benefits accrued for service with actuarial assets at that date of \$104.3 billion (\$95.9 billion in 2018) indicating an actuarial deficit of \$3.4 billion (\$4.2 billion in 2018). 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 2019 were \$18,514 (\$11,701 in 2018), which is included as an expense on the statement of operations and accumulated surplus. Employee contributions for 2019 were \$18,514 (\$11,701 in 2018).

13. Budget

The Financial Plan (Budget) By-Law adopted by Council on June 24, 2019 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 June 24, 2019, with adjustments as follows:

Financial Plan (Budget) Bylaw surplus for the year	\$	-
Add:		
Capital expenses		196,379
Budgeted transfers to reserve funds		231,242
Debt repayment		25,989
Less:		
Budgeted transfers from reserve funds		(115,693)
Amortization		(80,966)
Prior year surplus included in budget		(38,449)
		<hr/>
Budget surplus per statement of operations	\$	<u>218,502</u>

The Corporation of the Township of Gillies Notes to Financial Statements

December 31, 2019

14. Trust Fund

The Township of Gillies Cemetery Perpetual Care Trust Fund administered by the Township amounting to \$17,913 (2018 - \$15,227) has not been included in the statement of financial position nor have the operations been included in the statement of operations and accumulated surplus.

15. 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.

16. Commitments

The Corporation of the Township of Gillies leases office space under an operating lease expiring August 31, 2023 and a photocopier expiring November 2021. The future minimum annual lease payments are as follows:

2020	15,790
2021	15,180
2022	13,350
2023	<u>8,900</u>
	<u>\$ 53,220</u>

17. Comparative Amounts

The comparative amounts presented in the financial statements have been reclassified to conform to the current year's presentation.

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, 2019

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, 2019

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-Paipoonge 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	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2019 Total
Revenue									
Taxation	\$ 436,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	436,494
Government transfers	481,812	15,000	20,216	2,572	-	-	984	-	520,584
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>992,612</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>1,043,622</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>\$ 761,338</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>228,086</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	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenue									
Taxation	\$ 427,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	427,428
Government transfers	199,928	12,876	90,361	2,221	-	-	984	-	306,370
User fees and service charges	-	2,728	-	-	2,425	-	-	-	5,153
Investment income	3,327	-	-	-	-	-	-	-	3,327
Other municipalities	-	2,033	-	-	-	-	-	-	2,033
Other revenues	5,520	769	-	1,332	-	-	-	-	7,621
	<u>636,203</u>	<u>18,406</u>	<u>90,361</u>	<u>3,553</u>	<u>2,425</u>	<u>-</u>	<u>984</u>	<u>-</u>	<u>751,932</u>
Expenses									
Salaries, wages and employee benefits	138,644	11,190	114,455	11,592	-	-	490	-	276,371
Interest on debt	-	3,004	-	-	-	-	-	-	3,004
Materials and supplies	40,377	28,949	98,354	16,016	1,768	-	192	-	185,656
Contracted services	31,414	66,229	-	3,526	-	-	984	-	102,153
Rents and financial	13,835	-	-	-	-	-	-	-	13,835
External transfers	-	2,170	-	-	36,249	40,938	-	250	79,607
Amortization	3,053	14,320	64,089	752	-	-	-	-	82,214
	<u>227,323</u>	<u>125,862</u>	<u>276,898</u>	<u>31,886</u>	<u>38,017</u>	<u>40,938</u>	<u>1,666</u>	<u>250</u>	<u>742,840</u>
Annual surplus (deficit) before undernoted item	408,880	(107,456)	(186,537)	(28,333)	(35,592)	(40,938)	(682)	(250)	9,092
Loss on disposal of tangible capital assets	-	(5,366)	-	-	-	-	-	-	(5,366)
Annual surplus (deficit)	<u>\$ 408,880</u>	<u>\$ (112,822)</u>	<u>\$ (186,537)</u>	<u>\$ (28,333)</u>	<u>\$ (35,592)</u>	<u>\$ (40,938)</u>	<u>\$ (682)</u>	<u>\$ (250)</u>	<u>\$ 3,726</u>