

**The Corporation of
The Township of Red Rock
Consolidated Financial Statements
For the year ended December 31, 2019**

| | Contents |
|--|-----------------|
| Statement of Administrative Responsibility | 2 |
| Independent Auditor's Report | 3 |
| Financial Statements | |
| Consolidated Statement of Financial Position | 6 |
| Consolidated Statement of Operations and Accumulated Surplus | 7 |
| Consolidated Statement of Change in Net Financial Assets | 8 |
| Consolidated Statement of Cash Flows | 9 |
| Notes to the Consolidated Financial Statements | 10 |
| Schedule of Current Fund Operations | 28 |
| Consolidated Schedule of Reserves and Reserve Funds | 29 |
| Schedule of Water Operations | 31 |
| Schedule of Sewer Operations | 31 |

Statement of Administrative Responsibility

The management of the Corporation of the Township of Red Rock have prepared the accompanying financial statements and are responsible for their accuracy and integrity. The financial statements have been prepared by management in accordance with the accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants of Canada.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, Administration has developed and maintains a system of internal control designed to provide reasonable assurance the 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 Chief Administrative Officer reviews the financial statements before such statements are submitted to Council and published for the residents of Red Rock. The external auditors have access to, and meet with Administration and Council to discuss their audit and the results of their examination.

The 2019 financial statements have been reported on by the Corporation of the Township of Red Rock's external auditors, BDO Canada LLP, the auditors appointed by Council. The auditor's report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.



Albert Headrick, Chief Administrative Officer

Independent Auditor's Report

To the Members of Council of The Corporation of the Township of Red Rock

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2019, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The Township has not determined the liabilities which will be associated with the closure and post-closure costs of its solid waste disposal facilities and, consequently, no provision for these liabilities has been made in these financial statements. This is a result of a decision taken by management in a prior year. Canadian public sector accounting standards require that a provision for closure and post-closure costs be provided for in the financial statements. Since we have been unable to obtain satisfactory evidence as to these liabilities, we were not able to determine whether any adjustment might be necessary to expenses, annual surplus, and cash flows from operations for the years ended December 31, 2019 and 2018, liabilities as at December 31, 2019 and 2018, and accumulated surplus as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 consolidated 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 qualified opinion.

Independent Auditor's Report (cont'd)

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Independent Auditor's Report (cont'd)

- 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

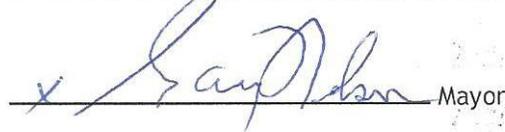
Thunder Bay, Ontario
June 29, 2020

The Corporation of the Township of Red Rock Consolidated Statement of Financial Position

| December 31 | 2019 | 2018 |
|--|----------------------|----------------------|
| Financial assets | | |
| Cash (Note 2) | \$ 1,259,449 | \$ 1,163,649 |
| Portfolio investments | - | 235,271 |
| Taxes receivable | 570,061 | 759,492 |
| Accounts and grants receivable | 4,114,992 | 133,333 |
| User charges receivable | 32,588 | 30,751 |
| | <u>5,977,090</u> | <u>2,322,496</u> |
| Liabilities | | |
| Bank indebtedness (Note 2) | 677,224 | - |
| Accounts payable and accrued liabilities | 3,230,739 | 158,842 |
| Vested sick leave (Note 3) | 82,635 | 73,348 |
| Deferred revenue (Note 4) | 288,528 | 174,312 |
| Long-term debt (Note 5) | 431,652 | 460,495 |
| | <u>4,710,778</u> | <u>866,997</u> |
| Net financial assets | <u>1,266,312</u> | <u>1,455,499</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 6) | 22,307,949 | 11,848,084 |
| Prepaid expenses and inventories of supplies | 56,742 | 45,866 |
| | <u>22,364,691</u> | <u>11,893,950</u> |
| Accumulated surplus (Note 7) | <u>\$ 23,631,003</u> | <u>\$ 13,349,449</u> |



Treasurer



Mayor

The Corporation of the Township of Red Rock Consolidated Statement of Operations and Accumulated Surplus

| For the year ended December 31 | 2019 Budget | 2019 Actual | 2018 Actual |
|--|---------------------|----------------------|----------------------|
| | (Note 15) | | |
| Revenue | | | |
| Taxation and user charges: | | | |
| Residential and farm taxation | \$ 1,143,388 | \$ 1,134,874 | \$ 1,109,323 |
| Commercial and industrial taxation | 386,528 | 386,378 | 385,786 |
| Taxation from other governments | 68,700 | 68,700 | 68,405 |
| Water and sewer billings | 285,826 | 304,654 | 307,171 |
| Other fees and service charges | 140,895 | 193,996 | 176,451 |
| Government grants - Federal (Note 9) | 123,809 | 3,568,338 | 111,886 |
| - Provincial (Note 9) | 1,031,557 | 8,276,607 | 814,518 |
| Permits, licenses and fines | 52,600 | 258,610 | 207,921 |
| Investment income | 23,781 | 7,893 | 32,978 |
| Loss on disposal of tangible capital assets | - | (947) | (10,282) |
| | <u>3,257,084</u> | <u>14,199,103</u> | <u>3,204,157</u> |
| Expenses (Note 8) | | | |
| General government | 552,587 | 1,318,344 | 955,399 |
| Protection to persons and property | 295,069 | 295,087 | 276,440 |
| Transportation services | 599,744 | 678,994 | 586,771 |
| Environmental services | 672,176 | 619,600 | 615,819 |
| Health services | 30,743 | 51,572 | 49,977 |
| Social and family services | 50,769 | 49,441 | 49,662 |
| Recreation and cultural services | 849,806 | 787,195 | 819,453 |
| Planning and development | 99,817 | 117,316 | 112,395 |
| | <u>3,150,711</u> | <u>3,917,549</u> | <u>3,465,916</u> |
| Annual surplus (deficit) | 106,373 | 10,281,554 | (261,759) |
| Accumulated surplus, beginning of year | <u>13,349,449</u> | <u>13,349,449</u> | <u>13,611,208</u> |
| Accumulated surplus, end of year (Note 7) | <u>\$13,455,822</u> | <u>\$ 23,631,003</u> | <u>\$ 13,349,449</u> |

The Corporation of the Township of Red Rock Consolidated Statement of Change in Net Financial Assets

| For the year ended December 31 | 2019 Budget | 2019 Actual | 2018 Actual |
|---|---------------------|---------------------|---------------------|
| | (Note 15) | | |
| Annual surplus (deficit) | \$ 106,373 | \$ 10,281,554 | \$ (261,759) |
| Acquisition of tangible capital assets | (325,000) | (11,043,452) | (232,041) |
| Amortization of tangible capital assets | 603,364 | 582,640 | 603,364 |
| Loss on disposal of tangible capital assets | - | 947 | 10,282 |
| | <u>384,737</u> | <u>(178,311)</u> | <u>119,846</u> |
| Change in prepaid expenses and inventory of supplies | - | (10,876) | (9,824) |
| Net change in net financial assets | 384,737 | (189,187) | 110,022 |
| Net financial assets, beginning of year | 1,455,499 | 1,455,499 | 1,345,477 |
| Net financial assets, end of year | \$ 1,840,236 | \$ 1,266,312 | \$ 1,455,499 |

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

The Corporation of the Township of Red Rock Consolidated Statement of Cash Flows

| For the year ended December 31 | 2019 | 2018 |
|--|----------------------------|----------------------------|
| Operating transactions | | |
| Annual surplus (deficit) | \$ 10,281,554 | \$ (261,759) |
| Items not involving cash | | |
| Amortization | 582,640 | 603,364 |
| Loss on disposal of tangible capital assets | 947 | 10,282 |
| Changes in non-cash operating balances | | |
| Taxes receivable | 189,431 | (88,023) |
| Accounts and grants receivable | (3,981,659) | 77,256 |
| User charges receivable | (1,837) | (1,069) |
| Prepaid expenses and inventories of supplies | (10,876) | (9,824) |
| Accounts payable and accrued liabilities | 3,071,897 | (72,397) |
| Vested sick leave | 9,287 | (1,761) |
| Deferred revenue | 114,216 | 26,166 |
| | <u>10,255,600</u> | <u>282,235</u> |
| Capital transactions | | |
| Acquisition of tangible capital assets | <u>(11,043,452)</u> | <u>(232,041)</u> |
| Investing transactions | | |
| Purchase of portfolio investments | - | (4,422) |
| Proceeds on sale of portfolio investments | 235,271 | - |
| | <u>235,271</u> | <u>(4,422)</u> |
| Financing transactions | | |
| Increase in bank indebtedness | 677,224 | - |
| Repayment of long-term debt | (28,843) | (27,934) |
| | <u>648,381</u> | <u>(27,934)</u> |
| Increase in cash for the year | 95,800 | 17,838 |
| Cash, beginning of year | <u>1,163,649</u> | <u>1,145,811</u> |
| Cash, end of year | <u>\$ 1,259,449</u> | <u>\$ 1,163,649</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements The consolidated 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 Chartered Professional Accountants Canada. The Corporation of the Township of Red Rock (the "Township") is a municipality 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, transportation, planning, social and family, recreation and other general government services.

Reporting Entity 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. The following entities have been consolidated:

Red Rock Public Library Board

All inter-entity transactions and balances have been eliminated with the exception of loans or advances between reserve funds and any other fund of the Township and the resulting interest income and expenditures.

A government partnership exists where the Township has shared control over the board or entity. The Township's pro-rata share of the assets, liabilities, revenues and expenditures is reflected in the financial statements using the proportionate consolidation method. There are no joint local boards accounted for in this manner in these financial statements.

The Township contributes to the following joint local boards, which are not proportionately consolidated in these statements:

Thunder Bay District Health Unit
Thunder Bay Area Emergency Measures Organization
Thunder Bay District Social Services Administration Board

Cash and Cash Equivalents Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Portfolio Investments Portfolio investments are recorded at cost unless there has been a decline in the market value, which is other than temporary in nature, in which case the investments are written down to market value.

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

1. Significant Accounting Policies (cont'd)

| | | | | | | | | | | | | | | | | |
|---|--|-------------------|---|----------------|-----------|---|---------------|-------------------------|---|---------------|----------|---|---------------|---------------|---|---------------|
| Inventories | Inventories held for consumption are recorded at the lower of cost and net realizable value. | | | | | | | | | | | | | | | |
| 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 consolidated 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 on the consolidated balance sheet as due to/from school boards.</p> | | | | | | | | | | | | | | | |
| Tangible Capital Assets | <p>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. 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>Land improvements</td> <td style="text-align: right;">-</td> <td style="text-align: right;">10 to 50 years</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">-</td> <td style="text-align: right;">8 to 60 years</td> </tr> <tr> <td>Machinery and Equipment</td> <td style="text-align: right;">-</td> <td style="text-align: right;">3 to 30 years</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">-</td> <td style="text-align: right;">5 to 20 years</td> </tr> <tr> <td>Linear Assets</td> <td style="text-align: right;">-</td> <td style="text-align: right;">8 to 75 years</td> </tr> </table> <p>Assets under construction are not amortized until the asset is available for use.</p> | Land improvements | - | 10 to 50 years | Buildings | - | 8 to 60 years | Machinery and Equipment | - | 3 to 30 years | Vehicles | - | 5 to 20 years | Linear Assets | - | 8 to 75 years |
| Land improvements | - | 10 to 50 years | | | | | | | | | | | | | | |
| Buildings | - | 8 to 60 years | | | | | | | | | | | | | | |
| Machinery and Equipment | - | 3 to 30 years | | | | | | | | | | | | | | |
| Vehicles | - | 5 to 20 years | | | | | | | | | | | | | | |
| Linear Assets | - | 8 to 75 years | | | | | | | | | | | | | | |
| Trust Funds | 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. | | | | | | | | | | | | | | | |
| Retirement Benefits and Other Employee Benefit Plans | 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 investment of the assets and administration of the benefits. The Township records pension expense when contributions are due. | | | | | | | | | | | | | | | |

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

1. Significant Accounting Policies (cont'd)

- Deferred Revenue** 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 consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
- Government Transfers** 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.
- Revenue Recognition** Charges for water and sewer usage are recorded as user fees on the basis of consumption. Connection fee revenues are recognized when the connection has been established.
- Sales of goods and services are recognized when title is transferred or the services are rendered. Other revenue is recognized on an accrual basis.
- Taxation Revenue** 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. Taxes receivable are recognized net of an allowance for anticipated uncollectible 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.

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

2. Cash and Bank Indebtedness

The Township's bank accounts earn interest at an effective interest rate between 0.00% - 2.45% (2018 - 2.45%).

The Township's credit facilities include a \$300,000 overdraft protection which carries interest at prime plus 0.75%. As at December 31, 2019, the Township utilized \$nil (2018 - \$nil) of this facility.

The Township's credit facilities include a \$1,700,000 line of credit for the purpose of providing bridge financing for the water pollution control plant construction project. Interest is at Northern Credit Union's prime rate. The prime rate was 4.95% at December 31, 2019 (2018 - 4.95%). As at December 31, 2019, the Township utilized \$677,224 (2018 - \$nil) of this facility.

3. Vested Sick Leave Liability

Under the sick leave benefits plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Township's employment.

The liability for these accumulated days, to the extent that they have vested and may be taken in cash by an employee on retirement, amounted to \$82,635 (2018 - \$73,348) at the end of the year.

Anticipated payments to employees who become eligible to retire are:

| | | |
|--------------------|----|--------|
| 2019 | \$ | - |
| Subsequent to 2020 | | 82,635 |
| | | 82,635 |
| | \$ | 82,635 |

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

4. Deferred Revenue

| | 2019 | 2018 |
|-----------------|------------|------------|
| Federal Gas Tax | \$ 258,211 | \$ 147,863 |
| Other | 30,317 | 26,449 |
| | \$ 288,528 | \$ 174,312 |

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Township, the Province of Ontario and the Association of Municipalities of Ontario. Gas tax funding may only be used towards eligible projects as specified in the funding agreement.

5. Long Term Debt

| | 2019 | 2018 |
|--|------------|------------|
| Ontario Infrastructure Debenture | | |
| Loan, unsecured, repayable \$17,470 semi-annually, including interest at 3.49%, maturing 2033 | \$ 373,610 | \$ 394,952 |
| Ontario Infrastructure Debenture | | |
| Loan, unsecured, repayable \$4,543 semi-annually, including interest at 2.49%, maturing 2026 | 58,042 | 65,543 |
| | \$ 431,652 | \$ 460,495 |

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

5. Long Term Debt (cont'd)

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

| Year | Amount |
|------------|-------------------|
| 2020 | \$ 29,782 |
| 2021 | 30,752 |
| 2022 | 31,755 |
| 2023 | 32,791 |
| 2024 | 29,831 |
| Thereafter | <u>276,741</u> |
| | <u>\$ 431,652</u> |

Total payments for the year for Ontario infrastructure debenture debt were as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------|------------------|------------------|
| Principal payments | \$ 28,843 | \$ 27,934 |
| Interest payments | <u>15,185</u> | <u>16,094</u> |
| | <u>\$ 44,028</u> | <u>\$ 44,028</u> |

**The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements**

December 31, 2019

6. Tangible Capital Assets

| | Land | Land Improvements | Buildings | Library Collections, Machinery and Equipment | Vehicles | Bridges and Culverts | Balance Forward |
|--|--------------|----------------------|--------------|---|--------------|-------------------------|--------------------|
| Cost, beginning of year | \$ 1,363,224 | \$ 2,960,285 | \$ 5,601,127 | \$ 3,495,714 | \$ 1,249,780 | \$ 976,145 | \$ 15,646,275 |
| Additions | - | 6,807 | - | 109,325 | 40,297 | - | 156,429 |
| Disposals and write downs | - | - | - | (70,946) | (36,644) | - | (107,590) |
| Cost, end of year | 1,363,224 | 2,967,092 | 5,601,127 | 3,534,093 | 1,253,433 | 976,145 | 15,695,114 |
| Accumulated amortization, beginning of year | - | 1,740,100 | 2,300,605 | 1,826,388 | 1,101,205 | 620,921 | 7,589,219 |
| Amortization | - | 68,070 | 99,535 | 174,500 | 39,293 | 11,446 | 392,844 |
| Disposals and write downs | - | - | - | (69,999) | (36,644) | - | (106,643) |
| Accumulated amortization, end of year | - | 1,808,170 | 2,400,140 | 1,930,889 | 1,103,854 | 632,367 | 7,875,420 |
| Net carrying amount, end of year | \$ 1,363,224 | \$ 1,158,922 | \$ 3,200,987 | \$ 1,603,204 | \$ 149,579 | \$ 343,778 | \$ 7,819,694 |

**The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements**

December 31, 2019

6. Tangible Capital Assets (cont'd)

| | Balance Forward | Road Network | Storm Network | Waste Water Network | Water Network | Assets under Construction | 2019 Total |
|--|--------------------|-----------------|------------------|------------------------|------------------|------------------------------|---------------|
| Cost, beginning of year | \$ 15,646,275 | \$ 2,396,362 | \$ 483,100 | \$ 2,258,672 | \$ 3,435,853 | \$ 843,592 | \$ 25,063,854 |
| Additions | 156,429 | - | - | - | 3,292 | 10,883,731 | 11,043,452 |
| Disposals and write downs | (107,590) | - | - | - | - | - | (107,590) |
| Cost, end of year | 15,695,114 | 2,396,362 | 483,100 | 2,258,672 | 3,439,145 | 11,727,323 | 35,999,716 |
| Accumulated amortization, beginning of year | 7,589,219 | 1,700,710 | 311,786 | 1,416,388 | 2,197,667 | - | 13,215,770 |
| Amortization | 392,844 | 45,195 | 8,100 | 31,100 | 105,401 | - | 582,640 |
| Disposals and write downs | (106,643) | - | - | - | - | - | (106,643) |
| Accumulated amortization, end of year | 7,875,420 | 1,745,905 | 319,886 | 1,447,488 | 2,303,068 | - | 13,691,767 |
| Net carrying amount, end of year | \$ 7,819,694 | \$ 650,457 | \$ 163,214 | \$ 811,184 | \$ 1,136,077 | \$ 11,727,323 | \$ 22,307,949 |

**The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements**

December 31, 2019

6. Tangible Capital Assets (cont'd)

| | Land | Land Improvements | Buildings | Library Collections, Machinery and Equipment | Vehicles | Bridges and Culverts | Balance Forward |
|--|--------------|----------------------|--------------|---|--------------|-------------------------|--------------------|
| Cost, beginning of year | \$ 1,363,224 | \$ 2,960,285 | \$ 5,601,127 | \$ 3,473,681 | \$ 1,249,780 | \$ 976,145 | \$ 15,624,242 |
| Additions | - | - | - | 76,997 | - | - | 76,997 |
| Disposals and write downs | - | - | - | (54,964) | - | - | (54,964) |
| Cost, end of year | 1,363,224 | 2,960,285 | 5,601,127 | 3,495,714 | 1,249,780 | 976,145 | 15,646,275 |
| Accumulated amortization, beginning of year | - | 1,666,583 | 2,199,268 | 1,697,510 | 1,054,817 | 609,475 | 7,227,653 |
| Amortization | - | 73,517 | 101,337 | 176,715 | 46,388 | 11,446 | 409,403 |
| Disposals and write downs | - | - | - | (47,837) | - | - | (47,837) |
| Accumulated amortization, end of year | - | 1,740,100 | 2,300,605 | 1,826,388 | 1,101,205 | 620,921 | 7,589,219 |
| Net carrying amount, end of year | \$ 1,363,224 | \$ 1,220,185 | \$ 3,300,522 | \$ 1,669,326 | \$ 148,575 | \$ 355,224 | \$ 8,057,056 |

**The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements**

December 31, 2019

6. Tangible Capital Assets (cont'd)

| | Balance Forward | Road Network | Storm Network | Waste Water Network | Water Network | Assets under Construction | 2018 Total |
|--|--------------------|-----------------|------------------|------------------------|------------------|------------------------------|---------------|
| Cost, beginning of year | \$ 15,624,242 | \$ 2,325,527 | \$ 483,100 | \$ 2,258,672 | \$ 3,422,270 | \$ 788,648 | \$ 24,902,459 |
| Additions | 76,997 | 86,517 | - | - | 13,583 | 54,944 | 232,041 |
| Disposals and write downs | (54,964) | (15,682) | - | - | - | - | (70,646) |
| Cost, end of year | 15,646,275 | 2,396,362 | 483,100 | 2,258,672 | 3,435,853 | 843,592 | 25,063,854 |
| Accumulated amortization, beginning of year | 7,227,653 | 1,666,159 | 303,688 | 1,384,391 | 2,090,879 | - | 12,672,770 |
| Amortization | 409,403 | 47,078 | 8,098 | 31,997 | 106,788 | - | 603,364 |
| Disposals and write downs | (47,837) | (12,527) | - | - | - | - | (60,364) |
| Accumulated amortization, end of year | 7,589,219 | 1,700,710 | 311,786 | 1,416,388 | 2,197,667 | - | 13,215,770 |
| Net carrying amount, end of year | \$ 8,057,056 | \$ 695,652 | \$ 171,314 | \$ 842,284 | \$ 1,238,186 | \$ 843,592 | \$ 11,848,084 |

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

7. Accumulated Surplus

The Township segregates its accumulated surplus into the following categories:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Investment in tangible capital assets | \$ 22,307,949 | \$ 11,848,084 |
| Current funds to be applied to operations of local boards for the following year | 44,631 | 44,018 |
| Reserves set aside for specific purpose by Council: | | |
| Working capital | 751,133 | 1,224,142 |
| Sewer and water | 63,853 | 63,853 |
| Reserve funds: | | |
| Forest fire costs | 1,230 | 18,307 |
| Project Remove | 6,358 | 6,205 |
| Employee retirement costs | (51,691) | (68,246) |
| Administrative capital expenditure | 50,423 | 24,118 |
| Recreational capital expenditure | 49,167 | 22,893 |
| Library capital expenditure | 37,290 | 13,939 |
| Public works capital expenditure | 40,555 | 14,489 |
| Protection to persons and property | 66,760 | 14,441 |
| Tax refunds | 30,707 | 4,880 |
| Water capital expenditure | 97,440 | 65,120 |
| Sewer capital expenditure | 60,338 | 28,915 |
| Ontario Community Infrastructure | 74,860 | 24,291 |
| | <u>\$ 23,631,003</u> | <u>\$ 13,349,449</u> |

8. Expenses By Object

| | <u>Budget 2019</u> | <u>2019</u> | <u>2018</u> |
|---|------------------------|---------------------|---------------------|
| Salaries, wages and employee benefits | \$ 1,216,224 | \$ 1,309,780 | \$ 1,235,610 |
| Materials and supplies | 582,985 | 730,763 | 733,705 |
| Contracted services | 559,150 | 492,956 | 378,671 |
| Rents and financial expenses | 131,944 | 104,992 | 84,437 |
| Provision for doubtful taxes receivable | - | 620,591 | 354,130 |
| Donations | 6,275 | 6,488 | 6,432 |
| Contributions to unconsolidated joint boards: | | | |
| Thunder Bay District Health Unit | - | 19,898 | 19,905 |
| Thunder Bay District Social Services Administration Board | 50,769 | 49,441 | 49,662 |
| Amortization | 603,364 | 582,640 | 603,364 |
| | <u>\$ 3,150,711</u> | <u>\$ 3,917,549</u> | <u>\$ 3,465,916</u> |

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

9. Government Transfers

| | Budget 2019 | 2019 | 2018 |
|--|---------------------|---------------------|-------------------|
| Federal Transfers | | | |
| Federal Gas Tax | \$ 114,309 | \$ 5,078 | \$ 37,770 |
| Infrastructure Canada | - | 3,555,420 | 19,076 |
| Federation of Canadian Municipalities | - | - | 50,000 |
| Employment and Social Development Canada | 9,500 | 7,840 | 5,040 |
| | 123,809 | 3,568,338 | 111,886 |
| Provincial Transfers | | | |
| Association of Municipalities of Ontario | - | - | 38,437 |
| Ontario Municipal Partnership Fund | 640,600 | 639,400 | 640,600 |
| Ministry of Agriculture, Food and Rural Affairs | 50,000 | 7,355,016 | 50,000 |
| Ministry of Municipal Affairs and Housing | 244,600 | 244,600 | - |
| Northern Ontario Heritage Fund | 31,500 | 23,720 | 63,667 |
| TBDSSAB | 10,115 | 10,115 | 10,750 |
| Other | 54,742 | 3,756 | 11,064 |
| | 1,031,557 | 8,276,607 | 814,518 |
| | \$ 1,155,366 | \$11,844,945 | \$ 926,404 |

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

10. Employee Benefits Plan Liability

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its full time 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 more than 500,000 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 with respect of the employee and employer portions for 2019 was \$138,012 (\$153,784 in 2018), which is included as an expenditure on the consolidated statement of operations and accumulated surplus.

11. Policing

Effective 2015, the OPP provides policing services to the Township by default. The annual cost of policing is determined under the Police Services Act O.Reg 267/14. The total cost of policing services expensed for 2019 was \$150,810 (2018 - \$150,188) after adjusting for rebates.

12. Public Sector Salary Disclosure Act

For 2019, no employees of the Township were paid salaries of \$100,000 or more, as defined in the Public Sector Salary Disclosure Act, 1996.

13. Contingent Liability

As at December 31, 2019, there was an outstanding claim pending against the Township for which the amount of settlement, if any, was not determinable. Consequently, no provision for this claim has been made in these financial statements.

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

14. Contaminated Sites

The Township has evaluated all of its properties and has determined that of the properties not in productive use, none met the applicable criteria of Public Sector Accounting Handbook Standard, PS 3260 Liability for Contaminated Sites. Therefore, no liability has been accrued.

15. Budget

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statements of operations and change in net financial assets for comparative purposes. The 2019 budget amounts for the Township approved by Council have been restated to conform to the basis of preparation of the revenues and expenses on the consolidated statements. As a result, the budget figures presented in the statements of operations and change in net financial assets was adjusted as follows:

| | | |
|--|----|-----------|
| Approved budget surplus for the year | \$ | - |
| Add: | | |
| Capital expenditures | | 325,000 |
| Budgeted transfers to reserves | | 384,737 |
| Less: | | |
| Budgeted transfers from reserves | | - |
| Amortization | | (603,364) |
| | | (603,364) |
| Budget surplus per statement of operations | \$ | 106,373 |

16. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Township, its employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Township's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Township is not known. The Township has temporarily closed operations of some segments, which will impact future revenue. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Township's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government.

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

17. Segmented Information

The Corporation of the Township of Red Rock is a diversified municipal government institution that 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

This area relates to the operations of the Municipality itself and cannot be directly attributed to a specific segment.

b) Protection to Persons and Property

Protection is comprised of police services, fire protection and ambulance services. The police services work is to ensure the safety and protection of the citizens and their property. The fire department is responsible for providing fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The ambulance service transports the injured to the hospital and provides emergency medical care to those in distress.

c) Transportation Services

Transportation is responsible for providing the Municipality's road maintenance services.

d) Environmental Services

Environmental services provides waste disposal services to citizens as well as maintaining the Municipality's sewer and drinking water systems. They process and clean sewage and ensure the Municipality's water system meets all Provincial standards.

e) Health Services

Health services are comprised of public health services, which work to improve the overall health of the population and overcome health inequalities by providing services to individuals and the community.

f) Social and Family Services

Social service provides services that are meant to help the less fortunate in society. Social housing is provided to help shelter families and elderly in need.

The Corporation of the Township of Red Rock Notes to Consolidated Financial Statements

December 31, 2019

17. Segmented Information (cont'd)

g) Recreational and Cultural Services

This service area provides services meant to improve the health and development of the Municipality's citizens. Recreational and cultural programs such as, swimming and skating lessons and English as a second language are provided at arenas, aquatic centres and community centres. Also, the Municipality provides library services to assist with its citizens' informational needs.

h) Planning and Development

This department provides a number of services including municipal planning, maintenance and enforcement of building and construction codes, and review of all property development plans through its application process.

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 Red Rock
Notes to Consolidated Financial Statements**

December 31, 2019

17. Segmented Information (cont'd)

| Expenses | 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 |
|--|-------------------------------|---|------------------------------------|-----------------------------------|----------------------------|---|---|-------------------------------------|-----------------------|
| Salaries, wages and employee benefits | \$ 366,323 | \$ 39,603 | \$ 372,555 | \$ 206,729 | \$ - | \$ - | \$ 264,670 | \$ 59,900 | \$ 1,309,780 |
| Materials and supplies | 123,715 | 50,242 | 112,279 | 198,985 | - | - | 201,104 | 44,438 | 730,763 |
| Contracted services | 134,342 | 158,246 | 89,561 | 50,474 | 31,674 | - | 16,185 | 12,474 | 492,956 |
| Rents and financial | 54,469 | 7,976 | 4,298 | 17,334 | - | - | 20,915 | - | 104,992 |
| Provision for doubtful taxes receivable | 620,591 | - | - | - | - | - | - | - | 620,591 |
| Outside transfers | 6,488 | - | - | - | 19,898 | 49,441 | - | - | 75,827 |
| Amortization | 12,416 | 39,020 | 100,301 | 146,078 | - | - | 284,321 | 504 | 582,640 |
| | \$ 1,318,344 | \$ 295,087 | \$ 678,994 | \$ 619,600 | \$ 51,572 | \$ 49,441 | \$ 787,195 | \$ 117,316 | \$ 3,917,549 |

**The Corporation of the Township of Red Rock
Notes to Consolidated Financial Statements**

December 31, 2019

17. Segmented Information (cont'd)

| | General Governmen t | Protection to Persons and Property | Transportation Services | Environmenta l Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | 2018 Total |
|--|---------------------------|---|----------------------------|----------------------------|--------------------|----------------------------------|--|-----------------------------|-----------------------|
| Expenses | | | | | | | | | |
| Salaries, wages and employee benefits | \$ 358,796 | \$ 39,094 | \$ 340,154 | \$ 212,475 | \$ - | \$ - | \$ 247,638 | \$ 37,453 | \$ 1,235,610 |
| Materials and supplies | 94,549 | 37,979 | 127,426 | 196,037 | - | - | 249,464 | 28,250 | 733,705 |
| Contracted services | 89,371 | 154,734 | 4,834 | 43,449 | 30,072 | - | 9,773 | 46,438 | 378,671 |
| Rents and financial | 39,455 | 7,729 | 3,706 | 15,425 | - | - | 18,122 | - | 84,437 |
| Provision for doubtful taxes receivable | 354,130 | - | - | - | - | - | - | - | 354,130 |
| Outside transfers | 6,432 | - | - | - | 19,905 | 49,662 | - | - | 75,999 |
| Amortization | 12,666 | 36,904 | 110,651 | 148,433 | - | - | 294,456 | 254 | 603,364 |
| | \$ 955,399 | \$ 276,440 | \$ 586,771 | \$ 615,819 | \$ 49,977 | \$ 49,662 | \$ 819,453 | \$ 112,395 | \$ 3,465,916 |

The Corporation of the Township of Red Rock Schedule of Current Fund Operations

| For the year ended December 31 | 2019 Budget | 2019 Actual | 2018 Actual |
|---|---------------------|---------------------|----------------------|
| | (Note 15) | | |
| Revenue | | | |
| Residential and farm taxation | \$ 1,143,388 | \$ 1,134,874 | \$ 1,109,323 |
| Commercial and industrial taxation | 386,528 | 386,378 | 385,786 |
| Taxation from other governments | 68,700 | 68,700 | 68,405 |
| Water and sewer billings | 285,826 | 304,654 | 307,171 |
| Other fees and service charges | 140,895 | 193,996 | 176,451 |
| Government of Canada grants | 123,809 | 3,568,338 | 111,886 |
| Province of Ontario grants | 1,031,557 | 8,276,607 | 814,518 |
| Permits and late penalty charges | 52,600 | 258,610 | 207,921 |
| Investment income | 23,781 | 7,893 | 32,978 |
| Loss on disposal of tangible capital assets | - | (947) | (10,282) |
| | 3,257,084 | 14,199,103 | 3,204,157 |
| Expenses | | | |
| General government | 552,587 | 1,318,344 | 955,399 |
| Protection to persons and property | 295,069 | 295,087 | 276,440 |
| Transportation services | 599,744 | 678,994 | 586,771 |
| Environmental services | 672,176 | 619,600 | 615,819 |
| Health services | 30,743 | 51,572 | 49,977 |
| Social and family services | 50,769 | 49,441 | 49,662 |
| Recreational and cultural services | 849,806 | 787,195 | 819,453 |
| Planning and development | 99,817 | 117,316 | 112,395 |
| | 3,150,711 | 3,917,549 | 3,465,916 |
| Net revenue, for the year | 106,373 | 10,281,554 | (261,759) |
| Financing and transfers | | | |
| Transfers to reserves and reserve funds | (384,737) | (10,706,266) | (550,822) |
| Transfers from reserves and reserve funds | - | 10,885,190 | 431,932 |
| | (384,737) | 178,924 | (118,890) |
| Change in fund balance, for the year | (278,364) | 10,460,478 | (380,649) |
| Current fund, beginning of the year | 11,892,100 | 11,892,100 | 12,272,749 |
| Current fund, end of the year | \$11,613,736 | \$22,352,578 | \$ 11,892,100 |

**The Corporation of the Township of Red Rock
Consolidated Schedule of Reserves and Reserve Funds**

| For the year ended December 31 | 2019 | 2018 |
|---------------------------------------|-------------------|---------------------|
| Reserves | | |
| Balance, beginning of year | \$ 1,287,999 | \$ 1,153,207 |
| Transfers to/from other funds | | |
| Contributions from current operations | 10,290,228 | 412,508 |
| Contributions to current operations | (10,763,241) | (277,716) |
| | (473,013) | 134,792 |
| Balance, end of year | \$ 814,986 | \$ 1,287,999 |
| Reserve Funds | | |
| Balance, beginning of year | \$ 169,350 | \$ 185,252 |
| Transfers from other funds | | |
| Contributions from current operations | 415,543 | 127,707 |
| Interest earned | 9,782 | 8,846 |
| Change in vested sick leave liability | (9,287) | 1,761 |
| | 416,038 | 138,314 |
| Transfers to other funds | | |
| Contributions to current operations | (121,949) | (154,216) |
| Balance, end of year | \$ 463,439 | \$ 169,350 |

**The Corporation of the Township of Red Rock
Schedule of Water Operations
(Unaudited)**

| For the year ended December 31 | 2019 | 2018 |
|---|---------------------|---------------------|
| Revenue | | |
| Residential/Commercial | \$ 188,269 | \$ 190,079 |
| Other | 27,969 | 25,774 |
| | <u>216,238</u> | <u>215,853</u> |
| Expenses | | |
| Administration | 22,014 | 5,398 |
| Generating plant | 33,479 | 33,640 |
| Hydrants | 3,815 | 4,824 |
| Laterals | 9,646 | 7,747 |
| Mains | 1,942 | 7,262 |
| Meter reading | - | 260 |
| Plant | 170,609 | 158,023 |
| Pumping stations | 866 | 1,085 |
| Tower | 8,751 | 8,817 |
| | <u>251,122</u> | <u>227,056</u> |
| Surplus (deficiency) of revenue over expenses for the year before amortization | (34,884) | (11,203) |
| Amortization | | |
| Pumping station | 11,272 | 13,210 |
| Plant | 76,993 | 76,512 |
| Mains | 8,119 | 8,119 |
| Hydrants | 938 | 938 |
| Tower | 15,877 | 15,877 |
| Generating plant | 960 | 960 |
| | <u>114,159</u> | <u>115,616</u> |
| Deficiency of revenue over expenses for the year | \$ (149,043) | \$ (126,819) |

**The Corporation of the Township of Red Rock
Schedule of Sewer Operations
(Unaudited)**

| For the year ended December 31 | 2019 | 2018 |
|---|---------------------|-------------------|
| Revenue | | |
| Residential/Commercial | \$ 115,775 | \$ 116,543 |
| Grants | 10,860,436 | 19,076 |
| Other | 225 | 206 |
| | <u>10,976,436</u> | <u>135,825</u> |
| Expenses | | |
| Laterals | 6,826 | 3,010 |
| Mains | 357 | 746 |
| Plant | 101,395 | 101,309 |
| Pumping station | 993 | 2,655 |
| | <u>109,571</u> | <u>107,720</u> |
| Excess of revenue over expenses for the year before amortization | <u>10,866,865</u> | <u>28,105</u> |
| Amortization | | |
| Mains | 23,219 | 23,219 |
| Plants | 8,700 | 9,598 |
| | <u>31,919</u> | <u>32,817</u> |
| Surplus (deficiency) of revenue over expenses for the year | <u>\$10,834,946</u> | <u>\$ (4,712)</u> |