

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

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

The Corporation of the Township of Red Rock Statement of Administrative Responsibility

December 31, 2020

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 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 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 2020 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.

Mark Figliomeni, 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, 2020 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, 2020, 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, 2020 and 2019, liabilities as at December 31, 2020 and 2019, and accumulated surplus as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 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
September 28, 2021

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

December 31	2020	2019
Financial assets		
Cash (Note 2)	\$ 1,600,964	\$ 1,259,449
Taxes receivable	551,158	570,061
Accounts and grants receivable	2,162,232	4,114,992
User charges receivable	<u>29,374</u>	<u>32,588</u>
	<u>4,343,728</u>	<u>5,977,090</u>
Liabilities		
Bank indebtedness (Note 2)	289,587	677,224
Accounts payable and accrued liabilities	1,962,449	3,230,739
Vested sick leave (Note 3)	68,011	82,635
Deferred revenue (Note 4)	340,569	288,528
Long-term debt (Note 5)	<u>401,870</u>	<u>431,652</u>
	<u>3,062,486</u>	<u>4,710,778</u>
Net financial assets	<u>1,281,242</u>	<u>1,266,312</u>
Non-financial assets		
Tangible capital assets (Note 6)	28,649,346	22,307,949
Prepaid expenses and inventories of supplies	<u>60,030</u>	<u>56,742</u>
	<u>28,709,376</u>	<u>22,364,691</u>
Accumulated surplus (Note 7)	<u>\$ 29,990,618</u>	<u>\$ 23,631,003</u>

Chief Administrative Officer

Mayor

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

For the year ended December 31	2020 Budget	2020 Actual	2019 Actual
(Note 15)			
Revenue			
Taxation and user charges:			
Residential and farm taxation	\$ 1,169,822	\$ 1,160,328	\$ 1,134,874
Commercial and industrial taxation	200,211	229,079	386,378
Taxation from other governments	73,084	69,366	68,700
Water and sewer billings	334,500	315,255	304,654
Other fees and service charges	597,500	88,800	193,996
Government grants - Federal (Note 8)	61,200	2,288,125	3,568,338
- Provincial (Note 8)	917,332	5,310,649	8,276,607
Permits, licenses and fines	79,681	25,945	258,610
Investment income	(4,700)	17,282	7,893
Loss on disposal of tangible capital assets	-	(2,400)	(947)
	3,428,630	9,502,429	14,199,103
Expenses (Note 9)			
General government	734,416	867,652	1,318,344
Protection to persons and property	284,120	276,983	295,087
Transportation services	642,001	821,499	678,994
Environmental services	710,178	439,104	619,600
Health services	51,100	51,349	51,572
Social and family services	50,400	43,555	49,441
Recreation and cultural services	838,121	560,761	787,195
Planning and development	133,304	81,911	117,316
	3,443,640	3,142,814	3,917,549
Annual surplus (deficit)	(15,010)	6,359,615	10,281,554
Accumulated surplus, beginning of year	23,631,003	23,631,003	13,349,449
Accumulated surplus, end of year (Note 7)	\$ 23,615,993	\$ 29,990,618	\$ 23,631,003

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

For the year ended December 31	2020 Budget	2020 Actual	2019 Actual
(Note 15)			
Annual surplus (deficit)	\$ (15,010)	\$ 6,359,615	\$ 10,281,554
Acquisition of tangible capital assets	(186,300)	(6,893,912)	(11,043,452)
Amortization of tangible capital assets	582,640	550,116	582,640
Loss on disposal of tangible capital assets	-	2,399	947
Change in prepaid expenses and inventory of supplies	-	(3,288)	(10,876)
Net change in net financial assets	381,330	14,930	(189,187)
Net financial assets, beginning of year	1,266,312	1,266,312	1,455,499
Net financial assets, end of year	\$ 1,647,642	\$ 1,281,242	\$ 1,266,312

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

For the year ended December 31	2020	2019
Operating transactions		
Annual surplus	\$ 6,359,615	\$ 10,281,554
Items not involving cash		
Amortization	550,116	582,640
Loss on disposal of tangible capital assets	2,399	947
Changes in non-cash operating balances		
Taxes receivable	18,903	189,431
Accounts and grants receivable	1,952,760	(3,981,659)
User charges receivable	3,214	(1,837)
Accounts payable and accrued liabilities	(1,268,290)	3,071,897
Vested sick leave	(14,624)	9,287
Deferred revenue	52,041	114,216
Prepaid expenses and inventories of supplies	<u>(3,288)</u>	<u>(10,876)</u>
	<u><u>7,652,846</u></u>	<u><u>10,255,600</u></u>
Capital transactions		
Acquisition of tangible capital assets	<u>(6,893,912)</u>	<u>(11,043,452)</u>
Investing transactions		
Proceeds on sale of portfolio investments	<u>-</u>	<u>235,271</u>
Financing transactions		
Increase (decrease) in bank indebtedness	(387,637)	677,224
Repayment of long-term debt	<u>(29,782)</u>	<u>(28,843)</u>
	<u><u>(417,419)</u></u>	<u><u>648,381</u></u>
Increase in cash for the year	341,515	95,800
Cash, beginning of year	<u>1,259,449</u>	<u>1,163,649</u>
Cash, end of year	\$ 1,600,964	\$ 1,259,449

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

December 31, 2020

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 public sector accounting standards. 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.

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

December 31, 2020

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	The Township collects taxation revenue on behalf of the school boards. 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 that are 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.
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. 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:
Land Improvements	- 20 years
Buildings	- 15 to 60 years
Library Collections, Machinery and Equipment	- 3 to 40 years
Vehicles	- 5 to 20 years
Linear Assets	- 15 to 75 years

Assets under construction are not amortized until the asset is available for use.

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

December 31, 2020

1. Significant Accounting Policies (cont'd)

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.
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 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.
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. Other user charges and fees are recognized as revenue in the period in which the related services are performed. 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. Sales of goods and services are recognized when title is transferred or the services are rendered. Other revenue is recognized on an accrual basis.

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

December 31, 2020

1. Significant Accounting Policies (cont'd)

Taxation Revenue 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 meet 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.

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 municipality are provided to the Township in the form of the returned assessment roll in December of each year.

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 vested sick leave.

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

December 31, 2020

2. Cash and Bank Indebtedness

The Township's bank accounts earn interest at an effective interest rate between 0.00% - 0.95% (2019 - between 0.00% - 2.45%).

The Township's credit facilities include a \$300,000 overdraft protection which carries interest at prime plus 0.75%. The prime rate was 2.45% at December 31, 2020 (2019 - 4.95%). As at December 31, 2020, the Township utilized \$nil (2019 - \$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 2.45% at December 31, 2020 (2019 - 4.95%). As at December 31, 2020, the Township utilized \$289,587 (2019 - \$677,224) of this facility.

3. Vested Sick Leave Liability

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

The significant assumptions adopted and estimated for the calculation of the vested sick leave liability are as follows:

Discount rate	2.49%
Inflation rate	2.40%
Retirement age	65

The liability for these accumulated days, to the extent that they have vested and may be taken in cash by an employee on retirement or his/her voluntary or involuntary termination amount to \$68,011 (2019 - \$82,635) at the end of the year.

Anticipated payments to employees who become eligible to retire are:

2021	\$	-
Subsequent to 2021		68,011
	\$	<u>68,011</u>

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

December 31, 2020

4. Deferred Revenue

	2020	2019
Federal Gas Tax	\$ 315,493	\$ 258,211
Other	<u>25,076</u>	<u>30,317</u>
	\$ 340,569	\$ 288,528

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

	2020	2019
Ontario Infrastructure Debenture Loan, unsecured, repayable \$17,470 semi-annually, including interest at 3.49%, maturing 2033	\$ 351,517	\$ 373,610
Ontario Infrastructure Debenture Loan, unsecured, repayable \$4,543 semi-annually, including interest at 2.49%, maturing 2026	<u>50,353</u>	<u>58,042</u>
	\$ 401,870	\$ 431,652

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

December 31, 2020

5. Long Term Debt (cont'd)

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

Year	Amount
2021	\$ 30,752
2022	31,755
2023	32,791
2024	33,861
2025	34,967
Thereafter	<u>237,744</u>
	<u>\$ 401,870</u>

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

	2020	2019
Principal payments	\$ 29,782	\$ 28,843
Interest payments	<u>14,246</u>	<u>15,185</u>
	<u>\$ 44,028</u>	<u>\$ 44,028</u>

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

December 31, 2020

6. Tangible Capital Assets

	Land	Improvements	Buildings	Library Collections, Machinery and Equipment	Vehicles	Bridges and Culverts	Balance Forward
Cost, beginning of year	\$ 1,363,224	\$ 2,967,092	\$ 5,601,127	\$ 3,534,093	\$ 1,253,433	\$ 976,145	\$ 15,695,114
Additions	-	-	56,136	31,635	-	60,675	148,446
Disposals and write downs	-	-	-	(25,844)	-	-	(25,844)
Cost, end of year	1,363,224	2,967,092	5,657,263	3,539,884	1,253,433	1,036,820	15,817,716
Accumulated amortization, beginning of year	-	1,808,170	2,400,140	1,930,889	1,103,854	632,367	7,875,420
Amortization	-	68,071	100,147	166,837	34,358	11,484	380,897
Disposals and write downs	-	-	-	(23,445)	-	-	(23,445)
Accumulated amortization, end of year	-	1,876,241	2,500,287	2,074,281	1,138,212	643,851	8,232,872
Net carrying amount, end of year	\$ 1,363,224	\$ 1,090,851	\$ 3,156,976	\$ 1,465,603	\$ 115,221	\$ 392,969	\$ 7,584,844

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

December 31, 2020

6. Tangible Capital Assets (cont'd)

	Balance Forward	Road Network	Storm Network	Waste Water Network	Water Network	Assets under Construction	2020 Total
Cost, beginning of year	\$ 15,695,114	\$ 2,396,362	\$ 483,100	\$ 2,258,672	\$ 3,439,145	\$ 11,727,323	\$ 35,999,716
Additions	148,446	-	-	-	2,374	6,743,092	6,893,912
Disposals and write downs	(25,844)	-	-	-	-	-	(25,844)
Cost, end of year	<u>15,817,716</u>	<u>2,396,362</u>	<u>483,100</u>	<u>2,258,672</u>	<u>3,441,519</u>	<u>18,470,415</u>	<u>42,867,784</u>
Accumulated amortization, beginning of year	7,875,420	1,745,905	319,886	1,447,488	2,303,068	-	13,691,767
Amortization	380,897	40,204	8,099	30,395	90,521	-	550,116
Disposals and write downs	(23,445)	-	-	-	-	-	(23,445)
Accumulated amortization, end of year	<u>8,232,872</u>	<u>1,786,109</u>	<u>327,985</u>	<u>1,477,883</u>	<u>2,393,589</u>	<u>-</u>	<u>14,218,438</u>
Net carrying amount, end of year	<u>\$ 7,584,844</u>	<u>\$ 610,253</u>	<u>\$ 155,115</u>	<u>\$ 780,789</u>	<u>\$ 1,047,930</u>	<u>\$ 18,470,415</u>	<u>\$ 28,649,346</u>

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

December 31, 2020

6. Tangible Capital Assets (cont'd)

	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 the Consolidated Financial Statements**

December 31, 2020

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 the Consolidated Financial Statements

December 31, 2020

7. Accumulated Surplus

The Township segregates its accumulated surplus into the following categories:

	2020	2019
Investment in tangible capital assets	\$ 28,649,346	\$ 22,307,949
Current funds to be applied to operations of local boards for the following year	56,762	44,631
Reserves set aside for specific purpose by Council:		
Working capital	491,985	751,133
Sewer and water	63,853	63,853
Reserve funds:		
Forest fire costs	1,230	1,230
Project Remove	6,439	6,358
Employee retirement costs	(6,096)	(51,691)
Administrative capital expenditure	50,955	50,423
Recreational capital expenditure	80,371	49,167
Library capital expenditure	68,344	37,290
Public works capital expenditure	71,650	40,555
Protection to persons and property	98,163	66,760
Tax refunds	61,677	30,707
Water capital expenditure	134,344	97,440
Sewer capital expenditure	96,771	60,338
Ontario Community Infrastructure	64,824	74,860
	<hr/>	<hr/>
	<hr/>	<hr/>
	\$ 29,990,618	\$ 23,631,003

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

December 31, 2020

8. Government Transfers

	Budget 2020	2020	2019
Federal Transfers			
Federal Gas Tax	\$ 54,300	\$ -	\$ 5,078
Infrastructure Canada	-	2,269,049	3,555,420
Employment and Social Development Canada	<u>6,900</u>	<u>19,076</u>	<u>7,840</u>
	<u>61,200</u>	<u>2,288,125</u>	<u>3,568,338</u>
Provincial Transfers			
Ontario Municipal Partnership Fund	656,000	637,500	639,400
Ministry of Agriculture, Food and Rural Affairs	50,000	4,200,152	7,355,016
Ministry of Infrastructure	-	397,228	-
Ministry of Municipal Affairs and Housing	176,700	57,200	244,600
Northern Ontario Heritage Fund	17,600	7,779	23,720
TBDSSAB	10,100	-	10,115
Other	<u>6,932</u>	<u>10,790</u>	<u>3,756</u>
	<u>917,332</u>	<u>5,310,649</u>	<u>8,276,607</u>
	\$ 978,532	\$ 7,598,774	\$ 11,844,945

9. Expenses By Object

	Budget 2020	2020	2019
Salaries, wages and employee benefits	\$ 1,329,500	\$ 1,200,802	\$ 1,309,780
Materials and supplies	723,200	578,762	730,763
Contracted services	615,700	572,698	492,956
Rents and financial expenses	122,900	123,172	104,992
Provision for doubtful taxes receivable	(6,300)	51,304	620,591
Donations	3,200	517	6,488
Contributions to unconsolidated joint boards:			
Thunder Bay District Health Unit	20,400	21,888	19,898
Thunder Bay Area Emergency Measures Organization	2,000	-	-
Thunder Bay District Social Services Administration Board	50,400	43,555	49,441
Amortization	<u>582,640</u>	<u>550,116</u>	<u>582,640</u>
	\$ 3,443,640	\$ 3,142,814	\$ 3,917,549

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

December 31, 2020

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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113.1 billion (\$107.7 billion in 2019) in respect of benefits accrued for service with actuarial assets at that date of \$109.8 billion (\$104.3 billion in 2019) indicating an actuarial deficit of \$3.3 billion (\$3.4 billion in 2019). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Township to OMERS with respect of the employee and employer portions for 2020 was \$132,765 (\$138,012 in 2019), 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 2020 was \$149,655 (2019 - \$150,810) after adjusting for rebates.

12. Contingent Liability

As at December 31, 2020, there was outstanding claims pending against the Township for which the amount of settlement, if any, was not determinable. Consequently, no provision for these claim has been made in these financial statements.

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

December 31, 2020

13. 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 2020 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	186,300
Budgeted transfers to reserves	521,298
Less:	
Budgeted transfers from reserves	(139,968)
Amortization	<u>(582,640)</u>
Budget surplus per statement of operations	\$ <u>(15,010)</u>

14. Impact of COVID-19

On March 11, 2020, the World Health Organization ("WHO") classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. On March 17, 2020, the Province of Ontario declared a state of emergency which was shortly followed by the closure of all non-essential workplaces. This resulted in the Township temporarily closing operations of some segments during the year, affecting the ability to deliver services and projects. No interest and penalties on taxes owing were charged between April and July during the year in case residents were faced by financial hardship. Additional funding has been provided for COVID relief. The Ministry of Municipal Affairs and Housing provided funding to assist with the purchase of items needed for the Township employees and Council members to work safely and remotely when needed.

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

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

December 31, 2020

15. Subsequent Events

Subsequent to year end, the Township entered into a nine year agreement for wastewater treatment plant management services. The following are the future minimum annual payments due over the next five years, and thereafter:

Year	Amount
2021	\$ 247,630
2022	291,885
2023	296,228
2024	300,636
2025	305,110
Thereafter	<u>1,595,051</u>
	<u>\$ 3,036,540</u>

16. 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 Township 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.

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

December 31, 2020

16. Segmented Information (cont'd)

c) Transportation Services

Transportation is responsible for providing the Township'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.

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 the Consolidated Financial Statements**

December 31, 2020

16. 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	2020 Total
Expenses									
Salaries, wages and employee benefits	\$ 333,926	\$ 41,357	\$ 581,770	\$ 73,935	- \$	- \$	\$ 111,290	\$ 58,524	\$ 1,200,802
Materials and supplies	118,907	34,019	101,086	162,504	-	-	139,539	22,707	578,762
Contracted services	284,462	152,409	40,910	56,101	29,461	-	9,355	-	572,698
Rents and financial	68,493	8,313	5,165	18,255	-	-	22,946	-	123,172
Provision for doubtful taxes receivable	51,304	-	-	-	-	-	-	-	51,304
Outside transfers	517	-	-	-	21,888	43,555	-	-	65,960
Amortization	10,043	40,885	92,568	128,309	-	-	277,631	680	550,116
	\$ 867,652	\$ 276,983	\$ 821,499	\$ 439,104	\$ 51,349	\$ 43,555	\$ 560,761	\$ 81,911	\$ 3,142,814

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

December 31, 2020

16. 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
Expenses									
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
Schedule of Water Operations
(Unaudited)**

For the year ended December 31	2020	2019
Revenue		
Residential/Commercial	\$ 197,315	\$ 188,269
Other	3,039	27,969
	<hr/>	<hr/>
	200,354	216,238
Expenses		
Administration	8,524	22,014
Generating plant	31,690	33,479
Hydrants	490	3,815
Laterals	1,033	9,646
Mains	654	1,942
Plant	93,445	170,609
Pumping stations	1,190	866
Tower	9,043	8,751
	<hr/>	<hr/>
	146,069	251,122
Surplus (deficiency) of revenue over expenses for the year before amortization	<hr/>	<hr/>
	54,285	(34,884)
Amortization		
Generating plant	960	960
Hydrants	851	938
Mains	7,523	8,119
Plant	60,612	76,993
Pumping station	11,272	11,272
Tower	15,877	15,877
	<hr/>	<hr/>
	97,095	114,159
Deficiency of revenue over expenses for the year	<hr/>	<hr/>
	\$ (42,810)	\$ (149,043)

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

For the year ended December 31	2020	2019
Revenue		
Residential/Commercial	\$ 119,627	\$ 115,775
Grants	6,816,429	10,860,436
Other	160	225
	6,936,216	10,976,436
Expenses		
Laterals	1,081	6,826
Mains	-	357
Plant	70,207	101,395
Pumping station	957	993
	72,245	109,571
Excess of revenue over expenses for the year before amortization	6,863,971	10,866,865
Amortization		
Mains	22,514	23,219
Plants	8,700	8,700
	31,214	31,919
Surplus of revenue over expenses for the year	\$ 6,832,757	\$ 10,834,946