

**Corporation of the
Municipality of East Ferris**

**Independent Auditor's Report and
Financial Report**

December 31, 2020

**Corporation of the
Municipality of East Ferris**

Financial Report

December 31, 2020

Management Report

Independent Auditor's Report

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of East Ferris (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Baker Tilly SNT LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

A handwritten signature in black ink, consisting of a large loop followed by several horizontal strokes.

Chief Administrative Officer/Treasurer
May 25, 2021

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of East Ferris

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of East Ferris, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, cash flows, and change in net debt for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Municipality of East Ferris as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality 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 opinion.

ACCOUNTING • TAX • ADVISORY

Baker Tilly SNT LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

COMPTABILITÉ • FISCALITÉ • SERVICES-CONSEILS

Baker Tilly SNT s.r.l. est membre de la Coopérative Baker Tilly Canada, qui fait partie du réseau mondial Baker Tilly International Limited. Les membres de la Coopérative Baker Tilly Canada et de Baker Tilly International Limited sont tous des entités juridiques distinctes et indépendantes.

Independent Auditor's Report (continued)

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

Management is responsible for the preparation and fair presentation of these 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality'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 Municipality's internal control.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality'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 Municipality 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 Group 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.

North Bay, Ontario
May 25, 2021

Baker Tilly SNT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Corporation of the Municipality of East Ferris
 Consolidated Statement of Financial Position
 December 31, 2020



	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents (note 4)	\$ -	\$ 37,285
Taxes receivable	469,724	454,010
Accounts receivable (note 5)	<u>2,557,630</u>	<u>967,694</u>
	<u>3,027,354</u>	<u>1,458,989</u>
Liabilities		
Bank indebtedness (note 4)	244,460	-
Accounts payable and accrued liabilities (note 6)	524,978	628,831
Deferred revenues - other (note 7)	1,895	1,844
Deferred revenues - obligatory reserve fund (note 8)	288,429	466,264
Municipal debt (note 9)	1,576,747	1,938,163
Employee future benefits payable (note 10)	334,430	317,909
Landfill closure and post-closure (note 11)	<u>286,870</u>	<u>274,994</u>
	<u>3,257,809</u>	<u>3,628,005</u>
Net Debt	<u>(230,455)</u>	<u>(2,169,016)</u>
Non-Financial Assets		
Tangible capital assets (note 12)	17,629,757	17,422,033
Prepaid expenses	133,907	121,345
Inventories	<u>54,867</u>	<u>64,640</u>
	<u>17,818,531</u>	<u>17,608,018</u>
Accumulated Surplus (note 13)	<u>\$ 17,588,076</u>	<u>\$ 15,439,002</u>
Contingencies (note 14)		
Commitments (note 15)		

Approved by:

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

Corporation of the Municipality of East Ferris
Consolidated Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2020



	<u>2020</u>		<u>2019</u>
	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>
Revenues			
Net taxation	\$ 5,875,429	\$ 5,832,618	\$ 5,742,052
User charges	620,694	628,825	717,088
Government grants and transfers - Provincial	1,002,316	1,125,918	1,595,972
Government grants and transfers - Federal	92,475	26,200	-
Other	<u>656,259</u>	<u>2,751,738</u>	<u>396,532</u>
Total revenues	<u>8,247,173</u>	<u>10,365,299</u>	<u>8,451,644</u>
Expenses			
General government	1,846,428	2,227,406	1,995,076
Protection services	1,214,984	1,168,010	1,160,701
Transportation services	2,091,872	2,025,208	2,196,910
Environmental services	290,972	275,519	278,120
Health services	189,816	176,545	181,967
Social and family services	1,498,599	1,498,599	1,434,200
Recreation and cultural services	1,343,295	1,281,511	1,384,792
Planning and development	<u>224,881</u>	<u>192,160</u>	<u>193,780</u>
Total expenses	<u>8,700,847</u>	<u>8,844,958</u>	<u>8,825,546</u>
Annual surplus (deficit) before other	(453,674)	1,520,341	(373,902)
Other			
Government grants and transfers related to capital - Provincial	50,000	50,000	50,000
Government grants and transfers related to capital - Federal	<u>575,000</u>	<u>578,733</u>	<u>356,512</u>
	<u>625,000</u>	<u>628,733</u>	<u>406,512</u>
Annual surplus	171,326	2,149,074	32,610
Accumulated surplus, beginning of year	<u>15,439,002</u>	<u>15,439,002</u>	<u>15,406,392</u>
Accumulated surplus, end of year	<u><u>\$ 15,610,328</u></u>	<u><u>\$ 17,588,076</u></u>	<u><u>\$ 15,439,002</u></u>

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

Corporation of the Municipality of East Ferris
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2020



	<u>2020</u>	<u>2019</u>
Operating transactions		
Annual surplus	\$ 2,149,074	\$ 32,610
Cash and cash equivalents provided by (applied to)		
Non-cash items:		
Increase in employee future benefits payable	16,520	42,653
Increase in landfill closure and post-closure costs	11,876	11,812
Amortization of tangible capital assets	1,151,716	1,269,686
Gain on disposal of tangible capital assets	(14,000)	(67,446)
Change in non-cash working capital balances		
Increase in taxes receivable	(15,714)	(52,114)
Increase in accounts receivable	(1,589,936)	(256,068)
Decrease in accounts payable and accrued liabilities	(103,853)	(375,711)
Increase (decrease) in deferred revenues - other	51	(41,218)
Increase (decrease) in deferred revenues - obligatory reserve fund	(177,835)	255,311
Increase in prepaid expenses	(12,562)	(31,257)
Decrease in inventories	9,773	8,620
Cash and cash equivalents provided by operating transactions	<u>1,425,110</u>	<u>796,878</u>
Capital transactions		
Acquisition of tangible capital assets	(1,359,440)	(1,167,242)
Proceeds on disposal of tangible capital assets	14,000	130,000
Cash and cash equivalents applied to capital transactions	<u>(1,345,440)</u>	<u>(1,037,242)</u>
Financing transactions		
Municipal debt repaid	(361,415)	(355,429)
Cash and cash equivalents applied to financing transactions	<u>(361,415)</u>	<u>(355,429)</u>
Decrease in cash and cash equivalents	(281,745)	(595,793)
Cash and cash equivalents, beginning of year	<u>37,285</u>	<u>633,078</u>
Cash and cash equivalents (bank indebtedness), end of year	<u>\$ (244,460)</u>	<u>\$ 37,285</u>

Corporation of the Municipality of East Ferris
Consolidated Statement of Change in Net Debt
For The Year Ended December 31, 2020



	<u>2020</u> Budget <small>(Unaudited)</small>	<u>2020</u> Actual	<u>2019</u> Actual
Annual surplus	\$ 171,326	\$ 2,149,074	\$ 32,610
Amortization of tangible capital assets	1,151,716	1,151,716	1,269,686
Proceeds on disposal of tangible capital assets		14,000	130,000
Gain on disposal of tangible capital assets	-	(14,000)	(67,446)
Acquisition of tangible capital assets	(7,133,075)	(1,359,440)	(1,167,242)
Change in prepaid expenses	-	(12,562)	(31,255)
Change in inventories	-	9,773	8,620
Decrease (increase) in net debt	(5,810,033)	1,938,561	174,973
Net debt, beginning of year	<u>(2,169,016)</u>	<u>(2,169,016)</u>	<u>(2,343,989)</u>
Net debt, end of year	<u><u>\$ (7,979,049)</u></u>	<u><u>\$ (230,455)</u></u>	<u><u>\$ (2,169,016)</u></u>

1. Significant Accounting Policies

These consolidated financial statements of the Municipality are the representation of management prepared in accordance with accounting policies recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement.

(a) Basis of Consolidation

- (i) These consolidated financial statements reflect the financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses of the Municipality and include the activities of all committees of Council and of the Bibliothèque East Ferris Public Library.

All interfund assets and liabilities and revenues and expenses have been eliminated.

- (ii) **Non-Consolidated Entities**

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit
District of Nipissing Social Services Administration Board
East Nipissing District Home for the Aged

- (iii) **Accounting for School Board Transactions**

The Municipality is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Municipality has no jurisdiction or control over the school boards operations. Therefore, taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

(b) Basis of Accounting

- (i) **Accrual Basis**

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(ii) Cash and Cash Equivalents

The Municipality's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with maturities of three months from the date of acquisition or less or those that can be readily convertible to cash.

(iii) Deferred Revenues

Deferred revenues represent user charges and fees that have been collected for which the related services have yet to be performed. Revenue is recognized in the period when the services are performed.

(iv) Employee Future Benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred. The costs of other retirement benefits are determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees and health benefits costs. The liabilities are discounted using current interest rates on long-term bonds.

(v) Landfill Closure and Post-Closure

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to operations as the landfill site's capacity is used.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vi) Segmented Information

The Municipality reports its segmented information on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return. These functional areas represent segments for the Municipality:

General Government

General government is comprised of Council, administration, and Ontario Property Assessment.

Protection Services

Protection is comprised of police, fire and other protective services.

Transportation Services

Transportation services are responsible for road maintenance, culverts, bridges, winter control and streetlights.

Environmental Services

Environmental services include waste and recycling services.

Health Services

Health services include public health services and cemetery services.

Social and Family Services

Social and family services include social assistance, long-term care, paramedic services, social housing and child care services.

Recreation and Cultural Services

Recreation and cultural services include parks and recreation, recreation facilities, culture and libraries.

Planning and Development

Planning and development manages development for residential and business interests as well as services related to the Municipality's economic development programs.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vii) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Consolidated Change in Net Debt for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 to 30 years
Roads and bridges	10 to 60 years
Buildings	25 to 75 years
Machinery and equipment	5 to 25 years
Vehicles	10 to 25 years
Computer hardware and software	4 to 10 years

No amortization is recorded in the year of acquisition.

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

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iii) Prepaid Expenses

Prepaid expenses represent amounts paid in advance for a good or service not yet received. The expense is recognized once the goods have been received or the services have been performed.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) Taxation and Other Revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known or based on management's best estimates.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Other income is recognized as revenue when earned. Fines and fees are recognized as revenue when collected.

(ix) Government Grants and Transfers

Government grants and transfers are recognized in the financial statements in the period in which events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. The transfer revenue is recognized in the statement of operations as the stipulations giving rise to the liabilities are settled.

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(x) Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions. These estimates and assumptions are based on management's best information and judgment and may differ significantly from actual results.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and measures introduced at various levels of government to curtail the spread of the virus, such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing has adversely affected workforces, customers, economies and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many entities. This outbreak could adversely impact the results of the Municipality's operations. The extend of the impact of this outbreak and related containment measures on the Municipality's operations cannot be reliably estimated at this time.

2. Measurement Uncertainty

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Municipality's best information and judgment.

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.
- The amounts recorded for retirement allowances are based on estimates of retirement ages of employees and health benefit costs.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

3. Future Accounting Pronouncements

These standards and amendments were not effective in the year ended December 31, 2020, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

Section PS 3450 - Financial Instruments, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments for public sector entities. The standard requires fair value measurement of derivatives and portfolio investments that are equity instruments quoted in an active market. All other non-derivative financial instruments will be measured at cost or amortized cost. A government can elect to record other financial assets or liabilities on a fair value basis, if they manage and evaluate the asset and liability groups on that basis. Unrealized gains and losses are represented in the new statement of re-measurement gains and losses. New requirements clarify when financial liabilities can be de-recognized. Disclosure of the nature and extent of risks arising from holding financial instruments is also required. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

Section PS 1201 - Financial Statement Presentation, was issued in June 2011. This standard requires entities to present a new statement of re-measurement gains and losses separate from the statement of operations. This new statement includes unrealized gains and losses arising from re-measurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 2601 and PS 3450 are adopted.

Section PS 2601 - Foreign Currency Translation, was issued in June 2011 and replaces the existing Section PS 2600. This standard has been revised to ensure consistency with the financial instruments standard. The standard requires that non-monetary items denominated in foreign currency that are included in the fair value category are adjusted to reflect the exchange rate at the financial statement date. Unrealized exchange gains and losses are presented in the new statement of re-measurement gains and losses. This section is effective for fiscal years beginning on or after April 1, 2022. Early adoption is permitted.

4. Cash and Cash Equivalents (Bank Indebtedness)

	<u>2020</u>	<u>2019</u>
Cash	\$ 267,608	\$ 14,357
Operating line of credit	-	(45,000)
Outstanding cheques	(512,068)	(136,272)
Guaranteed Investment Certificate matured April 13, 2020, bearing interest at 2.40%	-	204,200
	<u>\$ (244,460)</u>	<u>\$ 37,285</u>

The Municipality has authorized credit facilities totalling \$1,800,000, which is unsecured. As at December 31, 2020, the Municipality has utilized \$0 (2019 - \$45,000). The interest is calculated at the bank's prime lending rate.

5. Accounts Receivable

	<u>2020</u>	<u>2019</u>
Federal	\$ 56,935	\$ 874,649
Province of Ontario	1,466	3,601
Other Municipalities	5,732	7,273
Other	<u>2,493,497</u>	<u>82,171</u>
	<u>\$ 2,557,630</u>	<u>\$ 967,694</u>

6. Accounts Payable and Accrued Liabilities

	<u>2020</u>	<u>2019</u>
Federal	\$ 32,638	\$ 27,288
Province of Ontario	26,239	47,494
Trade payables	339,522	396,550
Accrued liabilities	<u>126,579</u>	<u>157,499</u>
	<u>\$ 524,978</u>	<u>\$ 628,831</u>

7. Deferred Revenues - Other

	Balance as at December 31, 2019	Amounts received during the year	Recognized as revenues during the year	Balance as at December 31, 2020
Library	\$ 1,844	\$ 51	\$ -	\$ 1,895

8. Deferred Revenues - Obligatory Reserve Fund

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the Municipality are summarized below:

	Balance as at December 31, 2019	Amounts received during the year	Recognized as revenues during the year	Balance as at December 31, 2020
Federal gas tax	\$ 466,264	\$ 298,117	\$ 578,733	\$ 185,648
Safe restart	-	262,500	159,719	102,781
Total Deferred Revenues - Obligatory Reserve Fund	\$ 466,264	\$ 560,617	\$ 738,452	\$ 288,429

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2020



9. Municipal Debt

	<u>2020</u>	<u>2019</u>
Debenture loan, repayable in semi-annual instalments of \$13,689, including interest at the fixed rate of 1.9%, maturing December 20, 2021	\$ 26,993	\$ 53,479
Debenture loan, repayable in semi-annual instalments of \$45,283, including interest at the fixed rate of 2.34%, maturing August 15, 2022	175,954	260,908
Debenture loan, repayable in monthly instalments of \$10,000 plus interest at a rate of 2.58%, maturing December 17, 2022	240,000	360,000
Debenture loan, repayable in semi-annual instalments of \$34,781, including interest at the fixed rate of 2.57%, maturing December 20, 2026	384,509	443,059
Debenture loan, repayable in semi-annual instalments of \$35,864, including interest at the fixed rate of 2.86%, maturing August 15, 2027	452,112	509,671
Debenture loan, repayable in semi-annual instalments of \$12,055, including interest at the fixed rate of 3.33%, maturing December 20, 2036	<u>297,179</u>	<u>311,046</u>
	<u>\$ 1,576,747</u>	<u>\$ 1,938,163</u>

Principal instalments required to be paid over the next five years are as follows:

2021	\$ 367,560
2022	346,354
2023	141,200
2024	145,155
2025	149,221
Thereafter	<u>427,257</u>
Total	<u>\$ 1,576,747</u>

10. Employee Future Benefits Payable

The Municipality provides certain employee benefits which will require funding in future periods, as follows:

	<u>2020</u>	<u>2019</u>
Vacation pay	\$ 176,493	\$ 169,216
Retirement allowance	<u>157,937</u>	<u>148,693</u>
	<u>\$ 334,430</u>	<u>\$ 317,909</u>

The vacation pay liability is accrued using the actual rate of pay at year end and the retirement allowance is accrued using a discount rate of 2.60% (2019 - 2.60%).

11. Landfill Closure and Post-Closure

Under environmental law, there is a requirement for closure and post-closure maintenance of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage. The reported liability is based on estimates and assumptions with respect to events extending over an extended period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The current landfill site is expected to reach capacity in approximately 2083. The main components of the landfill closure plan are final capping using selected specific layers of earthen materials based on an engineered cap design and implementation of a drainage management plan. The post-closure maintenance requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, inspections and annual reports.

The estimated liability for this maintenance is the present value of future cash flows associated with closure and post-closure costs discounted using the Municipality's estimated average borrowing rate of 2.60% (2019 - 2.60%). The change in liability is recorded based on the capacity of the landfill used to date. The recorded liability is \$286,870 (2019 - \$274,994) based on a total estimated liability in the future of \$980,091 (2019 - \$977,943), leaving an amount of \$693,221 (2019 - \$702,949) to be recognized over the remaining expected life of the landfill site. The liability is currently unfunded and is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

The estimated remaining capacity of the site is approximately 71% (2019 - 72%) of its estimated capacity or 246,000 (2019 - 250,000) tonnes, and its remaining life is approximately 63 years (2019 - 64 years). Post-closure care is estimated to continue for a period of approximately 25 years.

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12. Tangible Capital Assets

	<u>Cost</u>			<u>Accumulated Amortization</u>				<u>Net Book Value</u>		
	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Transfers / Disposals</u>	<u>Balance, beginning of year</u>	<u>Amortization</u>	<u>Disposals</u>	<u>Balance, end of year</u>	<u>December 31, 2020</u>	<u>December 31 2019</u>	
Land	\$ 767,498	\$ -	\$ -	\$ 767,498	\$ -	\$ -	\$ -	\$ 767,498	\$ 767,498	
Land improvements	696,478	-	-	696,478	407,078	35,219	-	442,297	289,400	
Roads and bridges	14,759,537	628,733	-	15,388,270	8,925,490	716,734	-	9,642,224	5,834,047	
Buildings	10,752,649	59,051	-	10,811,700	2,787,331	179,306	-	2,966,637	7,965,318	
Machinery and equipment	1,302,021	265,580	(75,946)	1,491,655	611,333	73,539	(75,946)	608,926	690,688	
Vehicles	1,953,674	-	-	1,953,674	467,999	131,856	-	599,855	1,485,675	
Computer hardware and software	130,029	-	-	130,029	23,073	15,062	-	38,135	106,956	
Work in progress	282,451	406,076	-	688,527	-	-	-	-	282,451	
	<u>\$ 30,644,337</u>	<u>\$ 1,359,440</u>	<u>\$ (75,946)</u>	<u>\$ 31,927,831</u>	<u>\$ 13,222,304</u>	<u>\$ 1,151,716</u>	<u>\$ (75,946)</u>	<u>\$ 14,298,074</u>	<u>\$ 17,629,757</u>	<u>\$ 17,422,033</u>

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13. Accumulated Surplus

	<u>2020</u>	<u>2019</u>
Surplus		
Invested in tangible capital assets	\$ 17,629,757	\$ 17,422,033
General (see note (a) below)	611,146	(1,482,135)
Bibliothèque East Ferris Public Library	18,512	13,773
Unfunded Liabilities		
Municipal debt	(1,576,747)	(1,938,163)
Landfill closure and post-closure	(286,870)	(274,994)
Employee future benefits payable	<u>(334,430)</u>	<u>(317,909)</u>
Total surplus	<u>16,061,368</u>	<u>13,422,605</u>
Reserves		
Special purpose reserves		
Operating budget contingency	60,000	60,000
Vacation pay	121,744	121,744
Tax stabilization	154,039	154,039
Retirement allowances	223,332	223,332
Operating stabilization	280,000	280,000
Sustainable capital stabilization	157,051	351,042
Municipal office	351,792	712,847
Ice resurfacer	-	36,643
Cassellholme redevelopment	150,000	75,000
Parkland dedication	<u>28,750</u>	<u>1,750</u>
Total reserves	<u>1,526,708</u>	<u>2,016,397</u>
Accumulated Surplus	<u>\$ 17,588,076</u>	<u>\$ 15,439,002</u>

(a) General Surplus (Deficit):

The general surplus (deficit) of \$611,146 (2019 - \$(1,482,135)) at the end of the year is comprised of the following:

	<u>2020</u>	<u>2019</u>
Opening balance	\$ (1,482,135)	\$ (737,677)
Annual surplus	2,149,074	32,610
Transfer from (to) reserves	489,689	(647,747)
Net change in tangible capital assets	(207,724)	165,000
Decrease in unfunded liabilities	(333,019)	(300,966)
Bibliothèque East Ferris Public Library deficit (surplus)	<u>(4,739)</u>	<u>6,645</u>
Closing balance	<u>\$ 611,146</u>	<u>\$ (1,482,135)</u>

14. Contingencies

Legal Matters

The Municipality is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.

Council is of the opinion that it is unlikely that any liability, to the extent not provided by insurance or otherwise, would be material in relation to the Municipality's consolidated financial position.

Contaminated Sites

The Municipality has identified a potential liability for a contaminated site known as the St. Theresa School Site. It is not possible at this time to determine the amount, if any, of any liability or remediation costs that may be required. The loss, if any, from this contingency will be accounted for in the period in which the liability can be reasonably estimated.

15. Commitments

During 2004, the Municipality passed a resolution committing to pay \$75,000 per year for 10 years for the North Bay Regional Health Centre Hospital capital project. A formal agreement has been executed and payments commenced in May 2008. In May 2011, this resolution was revised and the remaining payments of \$525,000 will be paid over the next 10 years. In April 2015, this resolution was revised and the remaining payments of \$315,000 will be paid over the next 8 years. In May 2018, this resolution was revised and the remaining payments of \$236,250 will be paid over the next 10 years. The remaining balance of the commitment as at December 31, 2020 is \$161,250 (2019 - \$186,250).

The Municipality entered into a contract for the design of a new municipal office and fire hall building for approximately \$324,979 plus applicable taxes. At December 31, 2020, there was approximately \$45,484 plus applicable taxes remaining to be completed.

15. Commitments (Continued)

Equipment Lease

Under the terms of operating leases for equipment and services, the Municipality is committed to make minimum payments as follows:

2021	\$ 9,509
2022	8,114
2023	<u>6,160</u>
	<u>\$ 23,783</u>

16. Operations of School Boards

Further to note 1(a)(iii), the taxation, other revenues, and expenses of the school boards are comprised of the following:

	<u>2020</u>	<u>2019</u>
Taxation and user charges	<u>\$ 1,167,621</u>	<u>\$ 1,192,776</u>
Total amounts received or receivable	<u>1,167,621</u>	<u>1,192,776</u>
Requisitions	<u>1,167,621</u>	<u>1,192,776</u>
	<u>\$ -</u>	<u>\$ -</u>

17. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all qualifying members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, 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. OMERS provides pension services to approximately 526,000 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. On December 31, 2020, the estimated accrued pension obligation for all members of the Plan was \$111,820 million (2019 - \$106,443 million). The Plan had an actuarial value of net assets at that date of \$108,609 million (2019 - \$103,046 million) indicating an actuarial deficit of \$3,211 million (2019 - \$3,397 million). The Plan is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed by the Municipality to OMERS for 2020 was \$161,110 (2019 - \$132,495) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2020 the yearly maximum pension earnings increased to \$58,700 from \$57,400 in 2019. The contributions are calculated at a rate of 9.0% (2019 - 9.0%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2019 - 14.6%) for amounts above the yearly maximum pension earnings.

18. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is developed in accordance with the provincially mandated funding model for municipalities and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with the basis of accounting that is used to prepare the consolidated financial statements. The budget figures are unaudited.

19. Comparative Figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

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20. Segmented Information

	<u>General Government</u>	<u>Protection Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenues										
Net taxation	\$ 1,468,815	\$ 770,219	\$ 1,335,480	\$ 181,685	\$ 116,419	\$ 988,219	\$ 845,065	\$ 126,716	\$ 5,832,618	\$ 5,742,052
User charges	15,109	89,241	-	342,387	-	-	147,243	34,845	628,825	717,088
Government grants and transfers - Provincial	251,253	141,584	228,445	84,820	19,914	169,043	198,703	32,156	1,125,918	1,595,972
Government grants and transfers - Federal	-	-	-	-	-	-	-	26,200	26,200	-
Other	<u>2,675,457</u>	<u>200</u>	<u>32,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,187</u>	<u>1,649</u>	<u>2,751,738</u>	<u>396,532</u>
Total Revenues	<u>4,410,634</u>	<u>1,001,244</u>	<u>1,596,170</u>	<u>608,892</u>	<u>136,333</u>	<u>1,157,262</u>	<u>1,233,198</u>	<u>221,566</u>	<u>10,365,299</u>	<u>8,451,644</u>
Expenses										
Salary, wages and employee benefits	687,142	319,705	622,349	-	-	-	615,494	118,903	2,363,593	2,346,754
Materials, contracted services, rents, and financial expenses	1,508,700	123,356	558,267	275,519	-	-	469,444	73,257	3,008,543	2,958,813
Transfers to other governments and the public	-	645,962	-	-	176,545	1,498,599	-	-	2,321,106	2,250,293
Amortization	<u>31,564</u>	<u>78,987</u>	<u>844,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,573</u>	<u>-</u>	<u>1,151,716</u>	<u>1,269,686</u>
Total expenses	<u>2,227,406</u>	<u>1,168,010</u>	<u>2,025,208</u>	<u>275,519</u>	<u>176,545</u>	<u>1,498,599</u>	<u>1,281,511</u>	<u>192,160</u>	<u>8,844,958</u>	<u>8,825,546</u>
Annual surplus (deficit) before other	2,183,228	(166,766)	(429,038)	333,373	(40,212)	(341,337)	(48,313)	29,406	1,520,341	(373,902)
Other										
Government grants and transfers related to capital - Provincial	-	-	50,000	-	-	-	-	-	50,000	50,000
Government grants and transfers related to capital - Federal	<u>-</u>	<u>-</u>	<u>578,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>578,733</u>	<u>356,512</u>
Annual surplus (deficit)	<u>\$ 2,183,228</u>	<u>\$ (166,766)</u>	<u>\$ 199,695</u>	<u>\$ 333,373</u>	<u>\$ (40,212)</u>	<u>\$ (341,337)</u>	<u>\$ (48,313)</u>	<u>\$ 29,406</u>	<u>\$ 2,149,074</u>	<u>\$ 32,610</u>