

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF TEMAGAMI**

Year ended December 31, 2021

DRAFT

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

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Year ended December 31, 2021

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Municipality of Temagami (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants Canada. A summary of the significant accounting policies are 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 compliance with legislative and regulatory requirements, 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 auditors 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 KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Treasurer/Administrator

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Temagami

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Temagami (the "Municipality"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets 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 responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

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

Management is responsible for the preparation and fair presentation of the 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

financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal 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 purposes of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Municipality's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 16, 2022

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash	\$ 3,440,945	\$ 3,452,757
Taxes receivable	838,294	955,418
Accounts receivable (note 3)	295,775	179,651
	<u>4,575,014</u>	<u>4,587,826</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 4)	498,698	445,928
Deferred revenue	-	181,630
Long-term debt (note 5)	360,395	427,088
Landfill closure liabilities (note 6)	379,000	258,200
	<u>1,238,093</u>	<u>1,312,846</u>
Net financial assets	3,336,921	3,274,980
Non-financial assets		
Tangible capital assets (note 7)	14,785,631	14,769,215
Prepaid expenses	18,275	11,822
	<u>14,803,906</u>	<u>14,781,037</u>
Accumulated surplus (note 8)	<u>\$ 18,140,827</u>	<u>\$ 18,056,017</u>

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

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
	(note 11)		
Revenues:			
Operating revenues:			
Municipal taxation	\$ 4,019,861	\$ 4,027,011	\$ 3,976,472
User charges	972,156	865,064	901,608
Provincial grants	1,792,788	1,839,657	1,973,102
Federal grants	30,000	11,973	48,893
Investment income	36,000	19,642	23,755
Penalties and interest on taxes	80,000	109,181	105,936
Provincial Offences Act	10,000	10,158	5,153
Other	1,719,800	270,114	150,424
	8,660,605	7,152,800	7,185,343
Capital revenues:			
Provincial grants	53,000	53,168	53,168
Federal grants	49,000	99,775	48,659
	102,000	152,943	101,827
Total revenues	8,762,605	7,305,743	7,287,170
Expenses:			
General government	1,652,500	1,117,296	1,187,783
Protection to persons and property	849,720	774,208	795,265
Transportation services	1,641,772	1,199,151	1,101,820
Environmental services	2,881,223	1,367,329	1,326,256
Health services	772,184	796,246	701,831
Social and family services	1,357,641	1,357,607	1,281,726
Recreational and cultural services	451,525	346,919	385,117
Planning and development	236,800	262,177	223,264
Total expenses	9,843,365	7,220,933	7,003,062
Annual surplus (deficit)	(1,080,760)	84,810	284,108
Accumulated surplus, beginning of year	18,056,017	18,056,017	17,771,909
Accumulated surplus, end of year	\$ 16,975,257	\$ 18,140,827	\$ 18,056,017

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

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 84,810	\$ 284,108
Acquisition of tangible capital assets	(1,084,661)	(706,296)
Amortization of tangible capital assets	1,028,348	975,143
Loss on disposition of tangible capital assets	16,700	-
Proceeds on sale of tangible capital assets	23,197	-
Change in prepaid expenses	(6,453)	(11,822)
Change in net financial assets	61,941	541,133
Net financial assets, beginning of year	3,274,980	2,733,847
Net financial assets, end of year	\$ 3,336,921	\$ 3,274,980

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

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THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 84,810	\$ 284,108
Items not involving cash:		
Amortization of tangible capital assets	1,028,348	975,143
Loss on disposition of tangible capital assets	16,700	-
Increase in landfill closure liabilities	120,800	100,300
	<u>1,250,658</u>	<u>1,359,551</u>
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	117,124	(18,885)
(Increase) decrease in accounts receivable	(116,124)	17,918
Increase (decrease) in accounts payable and accrued liabilities	52,770	(230,504)
Increase prepaid expenses	(6,453)	(11,822)
Decrease in deferred revenue	(181,630)	(159,540)
Net change in cash from operating activities	<u>1,116,345</u>	<u>956,718</u>
Financing activities:		
Principal repayment on net long-term debt	(66,693)	(94,017)
Net change in financing activities	<u>(66,693)</u>	<u>(94,017)</u>
Capital activities:		
Proceeds on sale of tangible capital assets	23,197	-
Acquisition of tangible capital assets	(1,084,661)	(706,296)
Net change in cash from capital activities	<u>(1,061,464)</u>	<u>(706,296)</u>
Net change in cash	(11,812)	156,405
Cash, beginning of year	3,452,757	3,296,352
Cash, end of year	<u>\$ 3,440,945</u>	<u>\$ 3,452,757</u>

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

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements

Year ended December 31, 2021

The Corporation of the Municipality of Temagami (the "Municipality") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board and the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses and include the activities of all committees of Council and the following boards which are under the control of Council:

- Parks and Recreation Committee
- Committee of Adjustment
- Planning and Advisory Committee
- Water Supply System
- Temagami Community Library
- Cemetery Board
- Temagami Ambulance Service

All interfund and inter-organizational transactions and balances between these organizations are eliminated.

- (ii) Non-consolidated entities:

The following entities are not consolidated within the consolidated financial statements of the Municipality:

- The District of Nipissing Social Services Administration Board
- Temiskaming Health Unit

- (iii) The Municipality collects taxation revenue on behalf of the school boards.

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances on these financial statements (note 9).

- (iv) Trust funds and their related operations administered by the Municipality are not included in these financial statements but are reported on separately on the Trust Funds Financial Statements.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(a) Reporting entity (continued):

(v) Revenue recognition:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amount 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 assessments. Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of supplementary assessment and appeals are estimated based on historical results.

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

Government transfers which include provincial and federal grants are recognized in the period that the events giving rise to the transfer have occurred as long as: the transfer is authorized; the eligibility criteria, if any, have been met and the amount can be reasonable estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred revenue and are recognized as revenue in the period in which all of these criteria are met.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(b) Basis of accounting:

(i) Accrual accounting:

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Amounts applied to specific operating and capital projects are recorded as revenue in the fiscal period in which the funds are expended on these projects.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(ii) Pension plan and employee benefits:

The Municipality 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 Municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for the past employee service.

Vacation entitlements are accrued for as entitlements are earned.

(c) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	10 - 50
Buildings	10 - 50
Vehicles	10 - 25
Equipment	5 - 20
Heavy equipment	10 - 25
Roads	10 - 30
Water distribution lines	40 - 50
Sewer distribution lines	40 - 50

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Deferred revenues:

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain projects or the completion of specific work. In addition, certain fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, or the services are performed.

A requirement for local governments is that the obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation and other agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. Given the restriction in use until spent on qualifying projects or expenses these amounts are deferred.

(e) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

(f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for 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 combined with the annual surplus provides the change in net financial assets for the year.

(g) Reserves:

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are recorded as an adjustment to the respective fund when approved.

(h) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the valuation allowances for taxes and accounts receivable, the carrying value of tangible capital assets and provisions for accrued liabilities and landfill closure liabilities.

Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Contributions to non-consolidated entities:

Further to note 1(a)(ii), the following contributions were made by the Municipality to these entities:

	2021	2020
The District of Nipissing Social Services Administration Board	\$ 955,621	\$ 933,954
Temiskaming Health Unit	41,884	39,889
	\$ 997,505	\$ 973,843

3. Accounts receivable:

	2021	2020
Government of Canada - HST	\$ 117,181	\$ 78,845
Province of Ontario - Grants	141,018	50,603
Other	47,576	60,203
Allowance for doubtful accounts	(10,000)	(10,000)
	\$ 295,775	\$ 179,651

4. Accounts payable and accrued liabilities:

	2021	2020
Trade and miscellaneous	\$ 351,396	\$ 356,781
Personnel related obligations	147,302	89,147
	\$ 498,698	\$ 445,928

5. Long-term debt:

Municipal debt reported on the consolidated statement of financial position is made up of the following:

	2021	2020
Bank of Nova Scotia demand loan payable \$5,558 monthly plus interest at prime plus 0%, due May 2027	\$ 360,395	\$ 427,088
	\$ 360,395	\$ 427,088

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Long-term debt (continued):

Principal repayments on the municipal debt are as follows:

2022	\$	66,693
2023		66,693
2024		66,693
2025		66,693
Thereafter		93,623
	\$	360,395

6. Landfill closure liabilities:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill sites based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over terms using the best information available to management. Future events may result in significant changes to the estimated total expenditures; capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the risk-free rate adjusted for the effect of the Municipality's credit standing of 4.19%. The estimated total landfill closure and post-closure care expenditures are calculated to be \$260,900 (2020 - \$258,200). The estimated liability for these expenditures is recognized as the landfill site's capacity is used.

The estimated remaining capacity of the landfill sites is 31,150 cubic meters. The Municipality has established a reserve of \$165,000 to date to provide for these obligations.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements

Year ended December 31, 2021

7. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Land	\$ 144,542	\$ -	\$ -	\$ 144,542
Land improvements	2,909,806	530,479	-	3,440,285
Buildings	10,209,750	109,092	-	10,318,842
Vehicles	293,166	-	(113,707)	179,459
Equipment	6,004,292	158,254	(66,340)	6,096,206
Heavy equipment	2,036,592	71,470	(204,595)	1,903,467
Roads	3,891,697	41,289	-	3,932,986
Water distribution lines	3,213,967	-	-	3,213,967
Sewer distribution lines	3,849,902	-	-	3,849,902
Assets under construction	147,181	187,572	(13,495)	321,258
Total	\$ 32,700,895	\$ 1,098,156	\$ (398,137)	\$ 33,400,914

Accumulated Amortization	Balance at December 31, 2020	Disposals	Amortization	Balance at December 31, 2021
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	546,032	-	114,383	660,415
Buildings	3,369,961	-	234,001	3,603,962
Vehicles	223,740	(113,707)	10,114	120,147
Equipment	3,151,060	(26,443)	302,699	3,427,316
Heavy equipment	828,988	(204,595)	107,910	732,303
Roads	3,454,420	-	117,964	3,572,384
Water distribution lines	2,892,568	-	64,279	2,956,847
Sewer distribution lines	3,464,911	-	76,998	3,541,909
Total	\$ 17,931,680	\$ (344,745)	\$ 1,028,348	\$ 18,615,283

	Net book value, December 31, 2020	Net book value, December 31, 2021
Land	\$ 144,542	\$ 144,542
Land improvements	2,363,774	2,779,870
Buildings	6,839,789	6,714,880
Vehicles	69,426	59,312
Equipment	2,853,232	2,668,890
Heavy equipment	1,207,604	1,171,164
Roads	437,277	360,602
Water distribution lines	321,399	257,120
Sewer distribution lines	384,991	307,993
Assets under construction	147,181	321,258
Total	\$ 14,769,215	\$ 14,785,631

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements

Year ended December 31, 2021

7. Tangible capital assets (continued):

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Land	\$ 144,542	\$ -	\$ -	\$ 144,542
Land improvements	2,755,548	154,258	-	2,909,806
Buildings	10,160,029	49,721	-	10,209,750
Vehicles	222,883	70,283	-	293,166
Equipment	5,800,302	237,090	(33,100)	6,004,292
Heavy equipment	2,036,592	-	-	2,036,592
Roads	3,732,859	158,838	-	3,891,697
Water distribution lines	3,213,967	-	-	3,213,967
Sewer distribution lines	3,849,902	-	-	3,849,902
Assets under construction	111,075	39,848	(3,742)	147,181
Total	\$ 32,027,699	\$ 710,038	\$ (36,842)	\$ 32,700,895

Accumulated Amortization	Balance at December 31, 2019	Disposals	Amortization	Balance at December 31, 2020
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	443,128	-	102,904	546,032
Buildings	3,138,142	-	231,819	3,369,961
Vehicles	210,687	-	13,053	223,740
Equipment	2,881,226	(33,100)	302,934	3,151,060
Heavy equipment	728,225	-	100,763	828,988
Roads	3,372,027	-	82,393	3,454,420
Water distribution lines	2,828,289	-	64,279	2,892,568
Sewer distribution lines	3,387,913	-	76,998	3,464,911
Total	\$ 16,989,637	\$ (33,100)	\$ 975,143	\$ 17,931,680

	Net book value, December 31, 2019	Net book value, December 31, 2020
Land	\$ 144,542	\$ 144,542
Land improvements	2,312,420	2,363,774
Buildings	7,021,887	6,839,789
Vehicles	12,196	69,426
Equipment	2,919,076	2,853,232
Heavy equipment	1,308,367	1,207,604
Roads	360,832	437,277
Water distribution lines	385,678	321,399
Sewer distribution lines	461,989	384,991
Assets under construction	111,075	147,181
Total	\$ 15,038,062	\$ 14,769,215

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

8. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2021	2020
Surplus (deficit):		
Invested in tangible capital assets	\$ 14,785,631	\$ 14,769,215
Amounts to be recovered:		
Unfinanced municipal debt – grader and plow	(360,395)	(427,088)
Equity in tangible capital assets	14,425,236	14,342,127
Reserves set aside by Council for:		
Discretionary Capital Reserves:		
- Working capital	390,000	390,000
- Landfill closure costs	165,000	150,000
- Arena	80,474	80,474
- Public Works Complex	509,400	509,400
- Future Improvements Lake Temagami Access Road	200,000	193,000
- Marten River Fire	307,000	257,000
- Official Plan Review	47,230	94,230
- Temagami Fire	130,500	80,500
- Future IPM Town Road	76,095	251,095
- Welcome Centre – Generator Primary EOC	50,000	50,000
- Loan Reserve	112,981	112,981
- Cemetery Columbarium / Memory Wall	4,313	4,313
- Community Improvement Plan	10,000	10,000
- Library	48,369	37,579
- Ambulance Building	32,820	20,820
- Cannabis	10,000	10,000
- COVID Funding	96,652	113,056
- Big Canoe	100	100
	2,270,934	2,364,548
Other Reserves:		
- Discretionary Operating	857,041	757,863
- Tax Rate Stabilization	267,031	267,031
- Dedicated Water and Wastewater Capital	320,585	294,448
- Ambulance Operating	–	30,000
	1,444,657	1,349,342
Total reserves	3,715,591	3,713,890
Accumulated surplus	\$ 18,140,827	\$ 18,056,017

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Operations of school boards:

Further to note 1(a)(iii), the property taxes collected on behalf of the school boards are \$1,870,182 (2020 - \$1,951,572).

10. Pension agreement:

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, 2021. The results of this valuation disclosed total going concern actuarial liabilities of \$120,796 million (2020 - \$113,055 million) in respect of benefits accrued for service with total going concern actuarial assets at that date of \$117,665 million (2020 - \$109,844 million) indicating a going concern actuarial deficit of \$3,131 million (2020 - \$3,211 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees and the Authority's share is not determinable. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2021 was \$118,716 (2020 - \$103,425) and is included as an expense in the consolidated statement of operations and accumulated surplus.

11. Budget figures:

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results according to Public Sector Accounting Standards. As a result, the budget figures presented in the consolidated statement of operations and accumulated surplus and change in net financial assets represent the financial plan adopted by Council with adjustment as follows:

Annual surplus per budget approved by Council	\$	–
Less:		
Internal reserve transfers		(725,260)
Add:		
Investment in tangible capital assets		(355,500)
Deficit per revised budget		<u>\$(1,080,760)</u>

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Public Sector Salary Disclosure:

During 2021, two employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

13. Comparative information:

Certain of the 2021 comparative information have been reclassified to conform to the current year presentation.

14. Financial instruments:

The Municipality is exposed to various risks through its financial instruments. The following analysis provides information about the Municipality's risk exposure and concentration as of December 31, 2021.

(a) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from customers and ratepayers. The Municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

(b) Liquidity risk:

Liquidity risk is the risk that the Municipality cannot repay its obligations when they become due to its creditors. The Municipality is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt.

The Municipality reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and credit facilities available to repay creditors as they become due. In the opinion of management the liquidity risk exposure to the Municipality is low.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

(c) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to various risks through its financial instruments.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Financial instruments (continued):

(d) Other risks:

The Municipality's main sources of revenue are government operating grants, taxation revenue and user charges. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Municipality halted most in-person activity for a period of time and moved to delivery on non-essential services in a virtual environment. All essential services remained provided through in-person service delivery based on recommendations from Public Health Ontario. In the summer of 2020, certain in person services restarted with the organization currently utilizing a hybrid model for the delivery of services in compliance with Public Health regulations.

In response to the adverse impact the pandemic has had on certain revenue streams, the Municipality has undertaken certain cost cutting measures. The Provincial government has provided financial relief in the form of grants totaling \$176,018.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Municipality is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

15. Segmented information:

The Municipality of Temagami is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purposes of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations (see Schedule to note).

Municipal Services are provided by departments and their activities are reported in these Service Areas. Departments disclosed in the Segmented Information, along with the services they provide, are as follows:

General Government Services

The Departments within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing Municipal assets; ensuring effective financial management; monitoring performance and ensuring that high quality Municipal Service standards are met.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information (continued):

Protection Services

Services provided in this segment include the enforcement of laws, prevention of crime, and maintenance of peace, order, and security by protecting life, property and the environment through the provision of emergency response, thus ensuring safe homes and safe communities.

Transportation Services

Areas of responsibility include planning, design, construction, cleaning, repair, snow removal and signage.

Environmental Services

The environmental services include water and sewer services as well as garbage and recycling services.

Water and Sewer services include the operation and distribution of water and networking sewer mains, storm sewers and the pump station.

Health Services

The Municipality funds a range of public health services and provides cemetery services through the health unit.

Social and Family Services

The services are provided indirectly by the Municipality through the District Social Services Board and include family and children's services and housing services.

Recreation and Cultural Services

The Department is responsible for providing, facilitating the development of, and maintaining high quality parks, recreational facilities, and cultural services.

Planning and Development

The Planning and Development Department is responsible for preparing land use plans, bylaws and policies for sustainable development of the Municipality and for reviewing and approving new development.

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Schedule to Note 15 - Segmented Information (continued)

Year ended December 31, 2021

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning and Development	Total 2021
Revenues:									
Operating revenues:									
User charges	\$ 58,538	\$ 29,293	\$ 18,402	\$ 719,588	\$ 10,397	\$ -	\$ 13,642	\$ 15,204	\$ 865,064
Provincial grants	1,183,645	-	-	-	647,376	-	8,636	-	1,839,657
Federal grants	-	-	-	-	-	-	11,973	-	11,973
Investment income	19,642	-	-	-	-	-	-	-	19,642
Penalties and interest on taxes	109,181	-	-	-	-	-	-	-	109,181
Provincial Offences Act	-	10,158	-	-	-	-	-	-	10,158
Other	15,411	17,816	25,363	78,022	77,874	-	7,231	48,397	270,114
Capital revenues:									
Provincial grants	-	-	53,168	-	-	-	-	-	53,168
Federal grants	99,775	-	-	-	-	-	-	-	99,775
Total revenues	1,486,192	57,267	96,933	797,610	735,647	-	41,482	63,601	3,278,732
Expenses:									
Salaries, wages and benefits	504,348	139,270	515,945	74,726	636,854	-	158,094	125,100	2,154,337
Long-term debt interest	-	-	9,659	-	1,928	-	-	-	11,587
Materials	297,143	107,024	316,001	240,320	111,206	-	72,773	15,776	1,160,243
Contracted services	172,867	469,644	41,485	647,607	-	-	8,443	121,301	1,461,347
Rents and financial	5,580	-	-	-	-	-	-	-	5,580
External transfers	-	-	-	-	41,884	1,357,607	-	-	1,399,491
Amortization of tangible capital assets	137,358	58,270	316,061	404,676	4,374	-	107,609	-	1,028,348
Total expenses	1,117,296	774,208	1,199,151	1,367,329	796,246	1,357,607	346,919	262,177	7,220,933
Funded through:									
Taxation									4,027,011
Annual surplus									\$ 84,810

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Schedule to Note 15 - Segmented Information (continued)

Year ended December 31, 2021

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Recreation & Cultural Services	Planning and Development	Total 2020
Revenues:									
Operating revenues:									
User charges	\$ 56,391	\$ 53,395	\$ 18,444	\$ 733,374	\$ 13,903	\$ -	\$ 19,303	\$ 6,798	\$ 901,608
Provincial grants	1,249,013	-	-	-	677,098	-	8,636	38,355	1,973,102
Federal grants	-	-	-	-	-	-	23,184	25,709	48,893
Investment income	23,755	-	-	-	-	-	-	-	23,755
Penalties and interest on taxes	105,936	-	-	-	-	-	-	-	105,936
Provincial Offences Act	-	5,153	-	-	-	-	-	-	5,153
Other	34,041	24,409	10,286	315	-	-	27,445	53,928	150,424
Capital revenues:									
Provincial grants	-	-	53,168	-	-	-	-	-	53,168
Federal grants	48,659	-	-	-	-	-	-	-	48,659
Total revenues	1,517,795	82,957	81,898	733,689	691,001	-	78,568	124,790	3,310,698
Expenses:									
Salaries, wages and benefits	421,412	144,857	484,788	43,898	567,932	-	166,829	143,031	1,972,747
Long-term debt interest	-	-	13,067	572	1,375	-	-	-	15,014
Materials	474,073	106,464	299,999	280,370	88,261	-	102,342	4,343	1,355,852
Contracted services	144,546	489,203	29,748	611,638	-	-	9,108	73,396	1,357,639
Rents and financial	5,052	-	-	-	-	-	-	-	5,052
External transfers	-	-	-	-	39,889	1,281,726	-	-	1,321,615
Amortization of tangible capital assets	142,700	54,741	274,218	389,778	4,374	-	106,838	2,494	975,143
Total expenses	1,187,783	795,265	1,101,820	1,326,256	701,831	1,281,726	385,117	223,264	7,003,062
Funded through:									
Taxation									3,976,472
Annual surplus									\$ 284,108