

**THE CORPORATION OF
THE TOWNSHIP OF BILLINGS**

Consolidated Financial Statements

Year Ended December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Corporation of the Township of Billings (“the Township”) are the responsibility of the Township’s management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to these consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management’s judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township’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 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 Freelandt Caldwell Reilly LLP, independent external auditors appointed by the Township. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Township’s consolidated financial statements.

Mayor

Clerk-Treasurer

July 6, 2021

Date

INDEPENDENT AUDITOR'S REPORT

To: The Members of Council of the Corporation of the Township of Billings

Opinion

We have audited the consolidated financial statements of **The Corporation of the Township of Billings**, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and changes in accumulated surplus, changes in net 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, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **The Corporation of the Township of Billings** as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 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.

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.

Auditors' 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 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.

INDEPENDENT AUDITORS' REPORT (continued)

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.
- 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.

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.

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
July 6, 2021

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Consolidated Statement of Financial Position

December 31, 2020 with comparative figures for 2019

	2020	2019
	\$	\$
Financial Assets		
Cash and cash equivalents	2,553,132	3,509,289
Term deposits	7,879	7,868
Taxes receivable (note 2)	252,157	276,761
User charges receivable	34,106	43,340
Grants receivable	1,558,416	146,168
Other accounts receivable	194,732	48,012
	4,600,422	4,031,438
Liabilities		
Accounts payable and accrued liabilities	485,745	223,920
Deferred contributions (note 3)	55,132	25,299
Deferred contributions - obligatory reserves (note 4)	26,468	32,233
Long-term debt (note 5)	32,560	48,840
Contaminated site remediation liability (note 6)	212,798	206,600
Landfill closure and post-closure liability (note 7)	189,359	173,055
	1,002,062	709,947
Net Assets (note 8)	3,598,360	3,321,491
Non-financial Assets (note 9)		
Tangible capital assets (note 10)	10,582,437	8,695,558
Inventory	5,661	5,867
Prepaid expenses	19,896	19,663
	10,607,994	8,721,088
Accumulated Surplus	14,206,354	12,042,579

Contingent liabilities (note 12)

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

THE CORPORATION OF THE TOWNSHIP OF BILLINGSConsolidated Statement of Operations and Changes in Accumulated Surplus
Year ended December 31, 2020 with comparative figures for 2019

	2020	2020	2019
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Taxation			
Residential and farm		2,098,724	2,001,996
Commercial, industrial and business		68,862	66,226
Other governments and agencies		7,570	7,816
	2,154,923	2,175,156	2,076,038
Deduct:			
Amounts raised on behalf of the school boards	284,417	288,198	294,212
	1,870,506	1,886,958	1,781,826
Government Transfers			
Government of Canada	844,360	820,718	168,007
Province of Ontario	1,740,100	1,899,619	1,241,326
Other municipalities	-	-	-
	2,584,460	2,720,337	1,409,333
User Charges			
Sewer and water charges	251,800	254,782	250,921
Fees, service charges and donations	59,370	208,883	235,979
	311,170	463,665	486,900
Other			
Licences and permits	14,090	14,105	12,622
Investment income	62,650	24,872	66,770
Penalties and interest charges	44,500	44,495	47,056
Rents, royalties and other	197,000	118,468	169,374
	318,240	201,940	295,822
Total Revenue	5,084,376	5,272,900	3,973,881
Expenditure			
General government	665,819	624,292	822,002
Protection to persons and property	504,382	356,615	339,159
Transportation services	1,181,935	584,766	621,765
Environment services	417,765	450,472	346,567
Health services	262,100	246,757	246,751
Social and family services	165,245	646,060	590,194
Recreation and cultural services	393,340	172,377	250,865
Planning and development	17,490	27,786	27,564
Total Expenditure	3,608,076	3,109,125	3,244,867
Annual Surplus	1,476,300	2,163,775	729,014
Accumulated Surplus, beginning of year	12,042,579	12,042,579	11,313,565
Accumulated Surplus, end of year	13,518,879	14,206,354	12,042,579

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

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2020 with comparative figures for 2019

	2020	2020	2019
	Budget	Actual	Actual
	\$	\$	\$
Annual Surplus	1,476,300	2,163,775	729,014
Acquisition of tangible capital assets	(1,985,300)	(2,332,261)	(344,106)
Amortization of tangible capital assets	-	445,382	431,974
Change in inventory	-	206	(291)
Change in prepaid expenses	-	(233)	38
Change in net assets	(509,000)	276,869	816,629
Net Assets, beginning of year	3,321,491	3,321,491	2,504,862
Net Assets, end of year	2,812,491	3,598,360	3,321,491

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

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Consolidated Statement of Cash Flows

Year ended December 31, 2020 with comparative figures for 2019

	2020	2019
	\$	\$
Cash flows from operations		
Annual Surplus	2,163,775	729,014
Items not involving cash		
Amortization of tangible capital assets	445,382	431,974
Contaminated site remediation liability	6,198	206,600
Landfill closures and post-closure liability	16,304	(108,822)
	2,631,659	1,258,766
Changes in non-cash assets and liabilities		
Taxes receivable	24,604	(57,401)
User charges receivable	9,234	(9,747)
Grants receivable	(1,412,248)	12,505
Other accounts receivable	(146,720)	16,094
Accounts payable and accrued liabilities	261,825	(434,875)
Deferred contributions	29,833	(3,193)
Deferred contributions - obligatory reserves	(5,765)	32,233
Inventory	206	(291)
Prepaid expenses	(233)	38
	1,392,395	814,129
Capital transactions		
Cash used to acquire tangible capital assets	(2,332,261)	(344,106)
Investing transactions		
Redemption of term deposits	(11)	47
Financing transactions		
Repayment of long-term debt	(16,280)	(16,280)
Increase in cash and cash equivalents	(956,157)	453,790
Cash and cash equivalents, beginning of year	3,509,289	3,055,499
Cash and cash equivalents, end of year	2,553,132	3,509,289

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

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township are the representation of management. The financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Basis of Consolidation

i) Joint Local Boards

These consolidated financial statements reflect contributions to the following joint local boards, which are not under the direct control of council, as expenses in the consolidated statement of operations:

Sudbury and District Health Unit
Manitoulin-Sudbury District Services Board

The assets, liabilities, revenues and expenses of the joint local boards have not been proportionally consolidated in these financial statements.

ii) Proportionally Consolidated Entities

These consolidated financial statements reflect proportionally the Township's share of the assets, liabilities, revenues and expenses of the following boards:

Manitoulin Centennial Manor
Manitoulin Planning Board

iii) Accounting for School Board Transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

iv) Trust Funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the Trust Funds financial statements.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Basis of Accounting****i) Accrual Accounting**

The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures 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.

ii) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts held in bank and highly liquid securities with maturities of three months or less.

iii) Tangible Capital Assets

Tangible capital assets are recorded at cost. The Township provides for amortization using the straight-line method designed to amortize the cost, less any residual value, of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

	<u>Years</u>
Land improvement	25 -40
Buildings	20-40
Roads, bridges and culverts	20-40
Vehicles	15-20
Equipment	20
Water treatment and sewer	80
Marina	20

Additions are amortized at one half of the annual rate in the year of acquisition.

iv) Inventory

Inventories held for consumption are recorded at the lower of cost and replacement cost. Inventories held for resale are recorded at the lower of cost and net realizable value. Cost is determined using the actual cost method.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Revenue Recognition

Property tax billings are prepared by the Township 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 amounts the Township 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. Once a supplementary assessment roll is received, the Township determines the taxes applicable and renders supplementary tax billings. Supplementary taxation revenues are recorded at the time these bills are issued.

Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of appeals are recorded when the result of the appeal is known.

The Township 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 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 reasonably estimated. Government transfers received before these criteria have been met are recorded in the accounts as deferred contributions and are recognized as revenue in the period in which all of these criteria are met.

User charges and other revenues are recognized in the period that the goods or services are provided.

vi) 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these consolidated financial statements are the landfill closure and post-closure liability, contaminated site remediation liability, and estimated useful lives of tangible capital assets.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**vii) Financial Instruments**

The Township initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Township subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of operations in the period they occur.

Financial assets measured at amortized cost include cash and cash equivalents, term deposits, taxes receivable, user charges receivable, grants receivable and other account receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

2. TAXES RECEIVABLE

The components of taxes receivable are as follows:

	2020	2019
	\$	\$
Taxes receivable	232,253	250,658
Interest receivable on outstanding tax balances	19,904	26,103
	252,157	276,761

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

3. DEFERRED CONTRIBUTIONS

The balance in deferred contributions is summarized as follows:

	2020	2019
	\$	\$
Deferred contributions, beginning of year	25,299	28,492
Amounts recognized as revenue during year - Association of Municipalities Ontario	-	(26,391)
Contributions received during the year - Ministry of Finance	-	5,000
Amounts received (recognized) during the year - FedNor Industry Canada	(18,358)	18,358
Amounts received (recognized) during the year - Ministry of Municipal Affairs & Housing	32,057	-
Other contributions received (recognized) for future expenditures	16,135	(160)
Deferred contributions, end of year	55,133	25,299

Deferred contributions consists of the following:

Ministry of Municipal Affairs & Housing	32,057	-
Amounts related to Manitoulin Centennial Manor	16,079	-
Ministry of Finance	5,000	5,000
Amounts related to the Manitoulin Planning Board	1,997	1,941
FedNor Industry of Canada	-	18,358
	55,133	25,299

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

4. DEFERRED REVENUE – OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred contributions. 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 balances in the obligatory reserves funds of the Township are summarized below:

	2020	2019
	\$	\$
Deferred contributions - obligatory reserves, beginning of year	32,233	-
Contributions received during the year - Federal Gas Tax	36,585	69,419
Amounts recognized as revenue during year - Federal Gas Tax	(42,350)	(37,186)
Deferred contributions - obligatory reserves, end of year	26,468	32,233

Deferred contributions - obligatory reserves consist of the following:

Federal Gas Tax	26,468	32,233
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5. LONG-TERM DEBT

	2020	2019
	\$	\$
BMO Bank of Montreal fixed rate term loan, repayable in monthly instalments of \$1,356 plus interest at 3.92% per annum, maturing December 2022, unsecured	32,560	48,840

Anticipated principal payments on the long-term debt are as follows:

2021	16,280
2022	16,280
	32,560

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

6. CONTAMINATED SITE REMEDIATION LIABILITY

In the prior year, the Township recognized a contaminated site remediation liability in the amount of \$212,798. This liability is the estimated cost based off the professional assessment of a contracted engineering firm for the in-situ remediation of PHC impacted groundwater and soils located under the municipal office located at 15 Old Mill Road. This cost represents a scope of work including groundwater remediation, cleaning of the crawl space, and continued environmental monitoring of the site. As the Township owns the building and land on which the contamination exists, the Township is directly responsible for its remediation.

In the current year, it was discovered that there is a potential contaminated site remediation liability at a location along Main Street that is owned by the Township. A Phase II Environmental study was performed at the possible contaminated site located along Main Street where there was evidence of hydrocarbon contamination in the ground soil and ground water. The extent of the soil and groundwater contamination has not been delineated laterally and vertically yet and, as such, a reasonable estimate of the clean-up and remediation of this site cannot be determined at this time.

7. LANDFILL SITE CLOSURE AND POST-CLOSURE

Under environmental law in the province of Ontario, there is a requirement for the Town to provide for closure and post-closure care of all active and inactive solid waste landfill sites. Accounting standards require that the costs associated with this requirement are provided for in the accounts over the service life of the landfill site based on its usage on a volumetric basis. The reported liability is based on estimates and assumptions regarding future events using the best information available to management. Actual results will vary from the estimated amounts and the change in the estimate will be recognized on a prospective basis as a change in accounting estimate in the year the change is determined

The liability for closure and post-closure care represents the discounted future cashflows of estimated closure and post-closure care costs using the following rates and assumptions.

Remaining capacity	\$18,404 m ³
Remaining life	18 years
Closure and acquisition costs	\$221,938
Monitoring period post-closure	25 years
Annual monitoring costs	\$8,115
Total estimated liability	\$337,241
Current estimated liability	\$189,359
Amount remaining to be recognized	\$147,882

Future cash flows have been discounted using a long-term interest rate of 4% and an estimated inflation rate of 3%.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

8. NET ASSETS

The balance on the Consolidated Statement of Financial Position of net assets at the end of the year is comprised of the following:

	2020	2019
	\$	\$
To be used:		
- for the general decrease in taxation and user charges	881,266	752,129
- for the recovery from taxation and user charges for the repayment of long-term debt, land fill liability, contaminated site remediation	434,717	428,495
- for the general operations of joint and local boards	56,927	37,968
- for reserves and reserve funds	2,225,450	2,102,899
	<hr/> 3,598,360	<hr/> 3,321,491

9. NON-FINANCIAL ASSETS

Tangible capital assets and other non-financial assets are accounted for as assets by the Township because they can be used to provide services to residents and ratepayers of the Township in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

10. TANGIBLE CAPITAL ASSETS

	Land	Land	Buildings	Roads and	Vehicles	Equipment	Water	Marina	2020
	Land	Improvements		Bridges and			Treatment		Total
	\$	\$	\$	Culverts	\$	\$	and Sewer	\$	\$
				\$					
Cost									
Balance, beginning of year	623,972	129,893	4,442,316	4,441,798	1,280,149	328,480	3,392,647	335,638	14,974,893
Additions	-	-	220,813	276,932	34,664	44,779	-	1,755,073	2,332,261
Disposals	-	-	-	-	-	-	-	-	-
Balance, end of year	623,972	129,893	4,663,129	4,718,730	1,314,813	373,259	3,392,647	2,090,711	17,307,154
Accumulated Amortization									
Balance, beginning of year	-	63,436	1,847,901	2,591,143	681,346	129,453	911,332	54,724	6,279,335
Disposals	-	-	-	-	-	-	-	-	-
Amortization expense	-	4,525	113,798	146,510	66,513	23,401	90,635	-	445,382
Balance, end of year	-	67,961	1,961,699	2,737,653	747,859	152,854	1,001,967	54,724	6,724,717
Net book value	623,972	61,932	2,701,430	1,981,077	566,954	220,405	2,390,680	2,035,987	10,582,437
2019									
	Land	Land	Buildings	Roads and	Vehicles	Equipment	Water	Marina	Total
	Land	Improvements		Bridges and			Treatment		Total
	\$	\$	\$	Culverts	\$	\$	and Sewer	\$	\$
				\$					
Cost									
Balance, beginning of year	623,972	129,893	4,422,018	4,288,076	1,280,149	328,480	3,392,647	197,879	14,663,114
Additions	-	-	20,298	186,049	-	-	-	137,759	344,106
Disposals	-	-	-	(32,327)	-	-	-	-	(32,327)
Balance, end of year	623,972	129,893	4,442,316	4,441,798	1,280,149	328,480	3,392,647	335,638	14,974,893
Accumulated Amortization									
Balance, beginning of year	-	58,911	1,736,698	2,489,406	612,776	106,476	820,697	54,724	5,879,688
Disposals	-	-	-	(32,327)	-	-	-	-	(32,327)
Amortization expense	-	4,525	111,203	134,064	68,570	22,977	90,635	-	431,974
Balance, end of year	-	63,436	1,847,901	2,591,143	681,346	129,453	911,332	54,724	6,279,335
Net book value	623,972	66,457	2,594,415	1,850,655	598,803	199,027	2,481,315	280,914	8,695,558

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

11. TRUST FUND

Trust funds administered by the Township amounting to \$46,044 (2019 - \$45,954) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statements of operations.

12. CONTINGENT LIABILITIES

The Township receives transfers from the governments of Canada and Ontario. Some government transfers are subject to audit by the transferring government with adjustments, if any, repayable to the transferring government. Audit adjustments, if any, are recorded in the accounts in the year in which they become known.

The Township has been named as a defendant in a legal claim for damages in the amount of \$500,000 against a resident, for a fire-related matter. This legal claim is being handled by the Township's insurance provider. It is too early in the proceedings to determine the outcome of the claim and management believes the Township has valid defences in place. As such, no amount has been accrued in the accounts as a result of this claim.

13. SEGMENTED DISCLOSURE

The Township is a diversified municipal government institution that provides a wide range of services to citizens. Services include water, roads, fire, police, waste management, recreation programs, economic development, land use planning and health and social services. For management reporting purposes, the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Township services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information, along with the services they provide, and are as follows:

General Government

General Government consists of office of the Mayor, Council expenses, administrative services (including clerks, elections, communications, legal and information technology services), human resources and financial departments. Areas within the general government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues, relating to governance, strategic planning and service delivery.

Protection Services

This section consists of fire, police, animal control, building services, emergency measures and management of Provincial Offences Act. Police services ensure the safety of the lives and property of citizens; preserve peace and order; prevent crimes from occurring, detect offenders and enforce the law. Fire Services is responsible to provide fire suppression service; fire prevention programs, training and education related to prevention, detection and extinguishment of fires. The building services division processes permit applications and ensure compliance with the Ontario Building Code and with By-Laws enacted by Council.

Transportation Services

This area is responsible for management of Roadways including traffic, bridges and winter control.

13. SEGMENTED DISCLOSURE (continued)

Environmental Services

In addition to the management of waterworks, this area is responsible for waste collection, waste disposal and recycling facilities and programs. This section is responsible for providing clean, potable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water system.

Health and Social Services

This section consists of assistance to aged persons, cemetery services as well as the Township's contribution to the Sudbury and District Health Unit and Manitoulin-Sudbury District Services Board.

Recreation and Cultural Services

This section provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services. This section also contributes to the information needs of the Township's citizens through the provision of library and cultural services and by preserving local history and managing archived data.

Planning and Development

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities, and to ensure that the Township is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles.

Certain allocation methodologies are employed in the preparation of segmented financial information.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

13. SEGMENTED DISCLOSURE (continued)

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health and Social Services \$	Recreation and Cultural Services \$	Planning and Development \$	2020 Total \$	2019 Total \$
Revenues									
Taxation	1,886,958	-	-	-	-	-	-	1,886,958	1,781,826
Grants	652,828	-	97,329	15,832	346,010	1,605,819	2,519	2,720,337	1,409,333
Fees, service charges and donations	12,955	-	1,636	258,208	142,736	41,381	6,749	463,665	486,900
Other	183,668	-	-	6,039	12,203	-	30	201,940	295,822
	2,736,409	-	98,965	280,079	500,949	1,647,200	9,298	5,272,900	3,973,881
Expenditures									
Salaries, wages and benefits	374,360	42,183	218,169	33,132	-	51,808	-	719,652	698,283
Purchase of goods and materials	188,301	34,958	163,035	131,808	70	83,090	2,500	603,762	849,939
Contracts and services	36,632	258,077	-	112,157	-	2,408	-	409,274	380,570
Interest on long-term debt	-	1,532	-	-	-	-	-	1,532	2,150
Amortization	14,443	19,865	203,562	173,375	-	34,092	45	445,382	431,974
Financial expenses	10,556	-	-	-	-	-	-	10,556	22,271
Other transfers	-	-	-	-	892,747	979	25,241	918,967	859,680
	624,292	356,615	584,766	450,472	892,817	172,377	27,786	3,109,125	3,244,867
Excess (deficiency) of revenues over expenditures	2,112,117	(356,615)	(485,801)	(170,393)	(391,868)	1,474,823	(18,488)	2,163,775	729,014

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

14. CONTRIBUTIONS TO JOINT LOCAL BOARDS

Further to note 1(a)(ii), the following contributions were made by the Township to these joint local boards.

	2020	2019
	\$	\$
Sudbury District Health Unit	22,594	24,458
Manitoulin-Sudbury District Services Board	350,481	345,609
	373,075	370,067

The Township's share of the assets, liabilities, revenues and expenses of these joint local boards are as follows:

	2020	2019
	%	%
Sudbury District Health Unit	0.305	0.305
Manitoulin-Sudbury District Services Board	3.310	3.310

15. COMMITMENT

The Township has entered into a management services agreement with the Ontario Clean Water Agency (OCWA) to operate and maintain the Township's water treatment plant and distribution system. The agreement is for a ten-year period ending December 31, 2027, at an annual cost including consumer price index adjustment (years' two through ten) estimated as follows:

	\$
2021	112,837
2022	114,530
2023	116,248
2024	117,992
2025	119,762

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Notes to the Consolidated Financial Statements

December 31, 2020

16. BUDGET

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results in these consolidated financial statements. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require the full accrual basis. The budget figures include principal repayments on long-term debt as well as a transfer of the anticipated annual surplus to reserves. In addition, the budget expenses all tangible capital acquisitions and does not include a provision for amortization expense. As a result, the budget figures presented in the consolidated statements of operations and changes in accumulated surplus represent the budget adopted by Council, adjusted as follows:

	2020
	\$
Budget surplus approved by Council	-
Less: Budgeted transfers to reserves and reserve funds	(509,000)
Add: Budgeted tangible capital asset additions	1,985,300
Budget surplus per consolidated financial statements	1,476,300

17. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring, to another party, financial risks. The Township is exposed to the following risks associated with financial instruments and transactions it is a party to:

a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Township is exposed to this risk relating to its cash, term deposits and accounts receivable.

The Township holds its cash accounts and term deposits with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

The Township is exposed to credit risk in accounts receivable which includes rate payers, government and other receivables. The Township measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts. The Township minimizes this risk through management's on-going monitoring of accounts receivable balances and collections.

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.

17. FINANCIAL INSTRUMENTS (continued)**b) Liquidity risk**

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

The Township reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash to repay creditors as payables become due.

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.

18. COVID-19 PANDEMIC

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada, enacting emergency measures to combat the spread of the virus and protect the economy.

These financial statements have been prepared based upon conditions existing at December 31, 2020, and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date. Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption and related financial impact cannot be reasonably estimated at this time. The Township's ability to continue to service debt and meet obligations as they come due is dependent on its continued ability to generate cash flows. At this time, the full potential impact of COVID-19 on the Township is not known.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS

Schedule of Continuity of Reserves and Reserve Funds

Year ended December 31, 2020

	Total	Working	Asset		Fire		Water Works	CBO
	\$	Fund	Management	Subdivision	Department	Roads	System	Training
		\$	\$	\$	\$	\$	\$	\$
RESERVES								
Balance, beginning of year	1,930,797	1,801,613	-	-	9,617	111,139	5,746	600
Appropriations from (to)								
- current operations	122,551	70,633	54,000	-	-	-	-	-
Balance, end of year	2,053,348	1,872,246	54,000	-	9,617	111,139	5,746	600
RESERVE FUNDS								
Balance, beginning of year	172,102	-	-	172,102	-	-	-	-
Appropriations from (to)								
- current operations	-	-	-	-	-	-	-	-
Balance, end of year	172,102	-	-	172,102	-	-	-	-
Total Reserves and Reserve Funds	<u>2,225,450</u>							

INDEPENDENT AUDITOR'S REPORT

**To: The Members of
Council, Inhabitants and Ratepayers of the Corporation of the Township of Billings**

Opinion

We have audited the financial statements of the **Trust Funds of the Corporation of the Township of Billings**, which comprise the statement of financial position as at December 31, 2020, and the statements of operations, and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Trust funds of the Corporation of the Township of Billings** as at December 31, 2020, and it's the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities 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 entity'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 entity 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.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

INDEPENDENT AUDITORS' REPORT (continued)

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity'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 entity 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.

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
July 6, 2021

THE CORPORATION OF THE TOWNSHIP OF BILLINGS**TRUST FUNDS**

Statement of Financial Position

December 31, 2020 with comparative figures for 2019

	Cemetery Perpetual Care \$	Monument Care \$	Community Centre Replacement \$	Total 2020 \$	Total 2019 \$
Assets					
Cash	42,197	828	2,769	45,794	42,354
Due from municipality	250	-	-	250	3,600
Net Assets	42,447	828	2,769	46,044	45,954

The accompanying notes are in integral part of this financial statements.

THE CORPORATION OF THE TOWNSHIP OF BILLINGS**TRUST FUNDS**

Statement of Operations and Changes in Net Assets

Year ended December 31, 2020 with comparative figures for 2019

	Cemetery Perpetual Care \$	Monument Care \$	Community Centre Replacement \$	Total 2020 \$	Total 2019 \$
Net assets, beginning of year	42,363	826	2,765	45,954	45,757
Revenues					
Plot sales	-	-	-	-	-
Interest income	84	1	4	89	197
	84	1	4	89	197
Expenditures					
	-	-	-	-	-
Excess of revenues over expenditures					
	84	1	4	89	197
Net assets, end of year	42,447	827	2,769	46,043	45,954

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

THE CORPORATION OF THE TOWNSHIP OF BILLINGS
TRUST FUNDS

Notes to the Financial Statements
Year ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The Trust Funds have not been consolidated with the financial statements of the Corporation of the Township of Billings.

b) Basis of accounting

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

2. CASH FLOW STATEMENT

A cash flow statement has not been presented because it would not provide any additional information which is not readily apparent in the financial statements.