

**The Corporation of the  
Municipality of Powassan  
Consolidated Financial Statements  
For the year ended December 31, 2018**

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**Consolidated Financial Statements**  
For the year ended December 31, 2018

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## Independent Auditor's Report

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

#### Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Powassan (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations, change in net debt 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 consolidated financial position of the Municipality as at December 31, 2018, and its results of operations, its changes in net debt 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 *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.

#### 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 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.
- 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.



Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario  
August 6, 2019

## The Corporation of the Municipality of Powassan Consolidated Statement of Financial Position

December 31	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents	\$ 1,373,211	\$ 462,611
Temporary investments (Note 2)	715,562	761,911
Taxes receivable (Note 3)	958,217	843,629
Accounts receivable (Note 4)	399,202	591,530
	<b>3,446,192</b>	<b>2,659,681</b>
<b>Liabilities</b>		
Temporary borrowings (Note 13)	1,462,465	2,387,363
Accounts payable and accrued liabilities (Notes 8 and 15)	856,054	864,544
Deferred revenue (Note 7)	1,010,867	331,481
Landfill closure and post-closure costs accrual (Note 14)	175,522	152,438
Long-term debt (Note 9)	4,325,736	1,196,028
Contractual obligations (Note 10)	305,826	344,577
	<b>8,136,470</b>	<b>5,276,431</b>
<b>Net debt</b>	<b>(4,690,278)</b>	<b>(2,616,750)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	18,311,715	16,509,079
Prepaid expenses	62,017	60,574
Inventories (Note 5)	55,690	55,690
	<b>18,429,422</b>	<b>16,625,343</b>
<b>Accumulated surplus (Note 12)</b>	<b>\$ 13,739,144</b>	<b>\$ 14,008,593</b>

Commitments (Note 11)

On behalf of the Council:

\_\_\_\_\_ Treasurer

\_\_\_\_\_ Mayor

## The Corporation of the Municipality of Powassan Consolidated Statement of Operations

For the year ended December 31	2018 Budget (Note 17)	2018 Actual	2017 Actual
<b>Revenues (Note 19)</b>			
Taxation	\$ 3,117,398	\$ 3,121,998	\$ 3,029,664
Grants and transfer payments	3,056,754	1,398,264	1,102,072
Other	1,999,580	1,543,929	941,086
User fees	144,400	135,534	112,690
Water and sewer revenues	-	660,533	604,673
	<u>8,318,132</u>	<u>6,860,258</u>	<u>5,790,185</u>
<b>Expenses (Notes 18 and 19)</b>			
General government	890,000	1,376,798	928,480
Protection to persons and property	933,153	1,073,956	923,530
Transportation services	1,046,100	1,803,872	1,462,134
Environmental services (Note 9)	311,000	839,430	754,889
Health, social and family services	563,601	480,470	544,456
Recreation and culture	1,726,725	1,487,240	1,363,478
Planning and development	89,200	67,941	87,147
	<u>5,559,779</u>	<u>7,129,707</u>	<u>6,064,114</u>
<b>Annual deficit</b>	2,758,353	(269,449)	(273,929)
<b>Accumulated surplus, beginning of year</b>	14,008,593	14,008,593	14,282,522
<b>Accumulated surplus, end of the year</b>	<u>\$ 16,766,946</u>	<u>\$ 13,739,144</u>	<u>\$ 14,008,593</u>

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

## The Corporation of the Municipality of Powassan Consolidated Statement of Change in Net Debt

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
<b>Annual deficit</b>	\$ 2,758,353	\$ (269,449)	\$ (273,929)
Acquisition of tangible capital assets	(4,318,980)	(2,836,852)	(1,571,542)
Amortization of tangible capital assets	-	1,034,216	895,504
Acquisition of prepaid expenses	-	(62,017)	(60,574)
Use of prepaid expenses	-	60,574	60,574
Acquisition of inventories	-	-	(55,690)
Use of inventories	-	-	55,690
<b>Change in net debt</b>	(1,560,627)	(2,073,528)	(949,967)
<b>Net debt, beginning of year</b>	(2,616,750)	(2,616,750)	(1,666,783)
<b>Net debt, end of year</b>	\$ (4,177,377)	\$ (4,690,278)	\$ (2,616,750)

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

## The Corporation of the Municipality of Powassan Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Annual deficit	\$ (269,449)	\$ (273,929)
Items not involving cash		
Amortization of tangible capital assets	1,034,216	895,504
Landfill closure and post-closure costs accrual	23,084	22,823
	<u>787,851</u>	<u>644,398</u>
Changes in non-cash operating balances		
Taxes receivable	(114,588)	314,018
Accounts receivable	192,328	(175,028)
Loan receivable	-	239,518
Prepaid expenses	(1,443)	-
Accounts payable and accrued liabilities	(8,490)	129,421
Deferred revenue	679,386	212,177
	<u>1,535,044</u>	<u>1,364,504</u>
<b>Capital activities</b>		
Purchase of tangible capital assets	<u>(2,836,852)</u>	<u>(1,571,542)</u>
<b>Investing activities</b>		
Change in of temporary investments	<u>46,349</u>	<u>(7,564)</u>
<b>Financing activities</b>		
Proceeds from debt issuance	3,260,000	-
Principal repayments of long-term debt	(130,291)	(377,533)
Net proceeds (repayments) of temporary borrowings	(924,899)	765,209
Payments on contractual obligations	(38,751)	(38,752)
	<u>2,166,059</u>	<u>348,924</u>
<b>Increase in cash and cash equivalents during the year</b>	<b>910,600</b>	<b>134,322</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>462,611</b></u>	<u><b>328,289</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 1,373,211</b></u>	<u><b>\$ 462,611</b></u>

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



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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 1. Significant Accounting Policies

#### Management Responsibility

The consolidated financial statements of The Corporation of the Municipality of Powassan (the "Municipality") are the representations of management. They have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAB). The Municipality provides municipal services such as general government, fire, building, protection to persons, transportation, environmental, health, social, family, recreation, culture, planning and development services.

#### Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues and expenditures of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

The following boards, controlled by Council, have been consolidated:

Powassan & District Union Library (60%)  
Sportsplex  
Trout Creek Community Centre

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit  
District of Parry Sound Services Administration Board  
Eastholme Home for the Aged

#### Cash and Cash Equivalents

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

#### Loans Receivable

The Municipality records loans receivable at cost when the loan is issued. The loan receivable is subsequently measured at the lower of cost and net recoverable value. When the Municipality becomes aware that the loan is no longer recoverable, the loan is reduced by the amount of the loss and any loss is included in expenses for the period.

#### Inventories

Inventory of supplies are stated at the lower of cost and replacement cost. Cost is determined on the first in, first out basis.

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 1. Summary of Significant Accounting Policies (continued)

**Tangible Capital Assets** Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and the site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue, when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 years
Buildings	10 to 50 years
Vehicles	5 to 15 years
Machinery and equipment	10 to 25 years
Office equipment, computer hardware and software	3 to 10 years
Linear assets (roads, bridges and structures)	10 to 50 years
Water and sewer	15 to 100 years
Work in process	no amortization

**Landfill Closure and Post-closure Costs**

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

**Collection of Taxes on**

**Behalf of School Boards**

The Municipality collects taxation revenue on behalf of four school boards. The taxation revenues, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 1. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

- a. Taxation** Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.
- b. User Fee and Other** User fees and other revenue are recognized on an accrual basis as services are rendered and collection is reasonably assured.
- c. Government Transfers** Government transfers, which include legislative grants, are recognized in the financial statements in the period in which the events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be determined.
- d. Grant Revenue** Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.
- Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

#### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant items subject to such estimates include: solid waste landfill closure and post-closure liabilities, allowances for doubtful accounts and other accrued liabilities and/or obligations.

In particular, management's estimate for the landfill closure and post-closure liability is subject to measurement uncertainty. The estimate is based on assumptions and calculations contained in an engineer's report of November 30, 2017, modified as necessary for the passage of time and actual use of the landfill site. Actual results could differ significantly from those estimates because of the uncertainty related to future cost estimates and future use of the landfill site.

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## The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2018

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### 2. Temporary Investments

Temporary investments consist of a Guaranteed Investment Certificate purchased for \$715,562 (2017 - \$761,911) bearing interest of 2.31%, (2017 - 1.56%) maturing May 7, 2019 (2017 - May 7, 2018). At year end, the investment includes accrued interest of \$Nil (2017 - \$Nil).

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### 3. Taxes Receivable

	<u>2018</u>	<u>2017</u>
Current taxes	\$ 374,655	\$ 377,636
Taxes in arrears	481,426	401,984
Interest	203,210	165,083
Less: allowance for uncollectible taxes	<u>(101,074)</u>	<u>(101,074)</u>
	<u>\$ 958,217</u>	<u>\$ 843,629</u>

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the various local boards in respect of Regional 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.

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## The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

**December 31, 2018**

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#### 4. Accounts Receivable

	<u>2018</u>	<u>2017</u>
Due from federal government	\$ -	\$ 39,777
Due from provincial government	-	33,625
Utilities receivable	149,931	100,871
Trade receivables	174,860	296,658
HST receivable	74,411	120,599
	<u>\$ 399,202</u>	<u>\$ 591,530</u>

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#### 5. Inventories

	<u>2018</u>	<u>2017</u>
Sand and gravel	\$ 44,923	\$ 44,923
Fuel	3,653	3,653
Culverts	7,114	7,114
	<u>\$ 55,690</u>	<u>\$ 55,690</u>

**The Corporation of the Municipality of Powassan  
Notes to Consolidated Financial Statements**

**December 31, 2018**

**6. Tangible Capital Assets**

	2018								
	Land & Land Improvement	Buildings	Vehicles	Machinery & Equipment	Office Equipment, Computer Hardware & Software	Linear Assets	Water & Sewer	Work in Process	Total
Cost, beginning of year	\$ 491,184	\$ 8,841,827	\$ 2,325,024	\$ 1,738,540	\$ 245,604	\$ 10,269,798	\$ 5,030,237	\$ 314,496	\$ 29,256,710
Additions	-	2,785,230	-	19,388	-	346,730	-	(314,496)	2,836,852
Cost, end of year	491,184	11,627,057	2,325,024	1,757,928	245,604	10,616,528	5,030,237	-	32,093,562
Accumulated amortization, beginning of year	11,736	2,626,755	1,468,715	1,032,199	245,604	5,388,210	1,974,412	-	12,747,631
Amortization	-	279,589	121,361	87,762	-	426,500	119,004	-	1,034,216
Accumulated amortization, end of year	11,736	2,906,344	1,590,076	1,119,961	245,604	5,814,710	2,093,416	-	13,781,847
Net carrying amount, end of year	\$ 479,448	\$ 8,720,713	\$ 734,948	\$ 637,967	\$ -	\$ 4,801,818	\$ 2,936,821	\$ -	\$ 18,311,715

**The Corporation of the Municipality of Powassan  
Notes to Consolidated Financial Statements**

**December 31, 2018**

**6. Tangible Capital Assets (continued)**

	2017								
	Land & Land Improvements	Buildings	Vehicles	Machinery & Equipment	Office Equipment, Computer Hardware & Software	Linear Assets	Water & Sewer	Work in Process	Total
Cost, beginning of year	\$ 491,184	\$ 7,981,318	\$ 2,325,024	\$ 1,575,424	\$ 245,604	\$ 10,036,377	\$ 5,030,237	\$ -	\$ 27,685,168
Additions	-	860,509	-	163,116	-	233,421	-	314,496	1,571,542
Cost, end of year	491,184	8,841,827	2,325,024	1,738,540	245,604	10,269,798	5,030,237	314,496	29,256,710
Accumulated amortization, beginning of year	11,736	2,438,452	1,357,346	968,661	245,604	4,977,600	1,852,728	-	11,852,127
Amortization	-	188,303	111,369	63,538	-	410,610	121,684	-	895,504
Accumulated amortization, end of year	11,736	2,626,755	1,468,715	1,032,199	245,604	5,388,210	1,974,412	-	12,747,631
Net carrying amount, end of year	\$ 479,448	\$ 6,215,072	\$ 856,309	\$ 706,341	\$ -	\$ 4,881,588	\$ 3,055,825	\$ 314,496	\$ 16,509,079

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## The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

**December 31, 2018**

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### 7. Deferred Revenue

	2018	2017
Obligatory reserve funds - gas tax	\$ 234,555	\$ 331,481
OCIF	776,312	-
	<b>\$ 1,010,867</b>	<b>\$ 331,481</b>

Included in cash and cash equivalents is restricted amounts of \$234,555 (2017 - \$331,481) with respect to the above obligatory reserve funds.

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### 8. Accounts Payable and Accrued Liabilities

	2018	2017
Due to school boards	\$ 212,573	\$ 212,915
Trade accounts payable	643,481	651,629
	<b>\$ 856,054</b>	<b>\$ 864,544</b>

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### 9. Long-term Debt

The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2018	2017
Debenture held by Infrastructure Ontario (OSIFA), repayable in semi-annual payments of principal and interest at 3.88%, due October 15, 2025	\$ 1,065,736	\$ 1,196,028
Debenture held by Ontario Infrastructure and Lands Corporation (OILC), repayable in semi-annual payments of principal and interest at 3.61%, due September 4, 2048	3,260,000	-
	<b>\$ 4,325,736</b>	<b>\$ 1,196,028</b>



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## The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

**December 31, 2018**

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### 9. Long-Term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2019	\$ 195,869
2020	203,372
2021	211,163
2022	219,254
2023	227,654
Thereafter	<u>3,268,424</u>
	<u>\$ 4,325,736</u>

Interest expense paid relating to long-term debt above is \$40,311 (2017 - \$48,980) and has been included in environmental services expense on the consolidated statement of operations.

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### 10. Contractual Obligations

	<u>2018</u>	<u>2017</u>
North Bay Regional Health Centre \$37,359 per year for twenty years (2007-2026)	\$ 298,873	\$ 336,232
Sudbury Regional Hospital \$1,392 per year for twenty years (2003-2022)	<u>6,953</u>	<u>8,345</u>
	<u>\$ 305,826</u>	<u>\$ 344,577</u>

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 11. Commitments

The Municipality has entered into the following agreements:

- a. During 2018, the Municipality entered into an agreement with Ontario Clean Water Agency for water and sewer services. The agreement is effective January 1, 2018 for an initial term of ten years, ending December 31, 2027 at an annual cost of \$159,484 for years one through ten on the contract respectively. Commencing in year two, the price will include a CPI adjustment plus an adjustment for maintaining the insurance which is renewed annually by OWCA. The CPI adjustment shall be calculated as soon as necessary information is available from Statistics Canada. In year two of the agreement, the CPI adjustment shall be added to the annual price for year one of the agreement and for subsequent years, on a cumulative basis.
- b. During 2015, the Municipality entered into a five year commitment for policing services. The agreement is effective January 1, 2015, ending December 31, 2019 for a total of \$479,984 per year indexed annually to inflation rate.
- c. During 2017, the Municipality entered into a contract for bi-weekly recycling services for the period of September 30, 2017 to September 30, 2019. The cost to the Municipality is expected to fluctuate based on the number of pick-ups in the Municipality and annual indexing for inflation.
- d. During 2011, the Municipality entered into a contract for hazmat disposal with the City of North Bay at a cost of \$2 per household (approximately \$2,698 per year).

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## The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2018

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### 12. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	<u>2018</u>	<u>2017</u>
Investment in tangible capital assets	\$ 18,311,717	\$ 16,509,079
General deficit	(2,460,277)	(3,484,381)
Unfunded liabilities		
Landfill closure and post closure costs	(175,522)	(152,438)
Long-term debt	(4,325,736)	(1,196,028)
Contractual obligations	(305,826)	(344,577)
Reserve funds		
Working	100	100
Capital	<u>2,694,688</u>	<u>2,676,838</u>
	<u>\$ 13,739,144</u>	<u>\$ 14,008,593</u>

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 13. Temporary Borrowing

The Municipality has a demand promissory note with the Bank of Nova Scotia with a limit of \$278,680 of which \$254,040 was used at December 31, 2018 (2017 - \$352,597). The demand loan bears interest at the rate of prime plus 0.75%.

The Municipality has a short-term credit facility with the Bank of Nova Scotia with a limit of \$244,336 of which \$234,295 was used at December 31, 2018 (2017 - \$274,460). The demand loan bears interest at the rate of 3.72%

The Municipality has a demand promissory note with the Bank of Nova Scotia with a limit of \$600,000 of which \$500,000 was used at December 31, 2018 (2017 - \$300,000). The demand loan bears interest at the rate of prime plus 0%.

The Municipality has a revolving term loan short-term credit facility with the Bank of Nova Scotia with a limit of \$500,000 of which \$83,232 was used at December 31, 2018 (2017 - \$100,752) to assist with equipment acquisitions at rate of prime plus 1.00%.

The Municipality has a non-revolving credit facility with the Bank of Nova Scotia with a limit of \$393,752 of which \$390,898 was used at December 31, 2018 (2017 - \$408,022) to finance the acquisition of 250 Clark Street at the rate of prime plus 0.50%.

The Municipality has corporate credit cards with a limit of \$100,000.

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### 14. Landfill Closure and Post-Closure Accrual

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Municipality's estimated future liability for this expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities. The reported liability as at year end was \$175,522 (2017 - \$152,438) and reflects a discount rate of 3.75% (2017 - 3.75%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The landfill is expected to reach its capacity in 148.5 years and the estimated remaining capacity is 742,400 cubic metres which is 96.7% (2017 - 97.3%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$3,183,193 leaving an amount to be recognized of \$3,007,671. The estimated length of time needed for post-closure care is 25 years.

Municipal reserves for the landfill site total \$3,701 (2017 - \$3,701).

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 15. Employment Benefits Accrual

Under the employee benefit plan, sick leave and overtime worked can accumulate over years of employment. Employees are not entitled to a cash payment for sick leave when they leave the Municipality's employment.

The liability for accumulated overtime that could be taken in cash by an employee on termination amounted to \$11,979 (2017 - \$11,979) at the end of the year. This amount is included in accounts payable and accrued liabilities on the consolidated statement of financial position. The amount is not expected to be paid out in 2019.

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### 16. Ontario Municipal Employees Retirement Fund

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of 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 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. OMERS provides pension services to almost half a million 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2018 were \$107,614 (2017 - \$92,036).

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## The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2018

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### 17. Budget

The Budget By-law adopted by Council on March 20, 2018 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on March 20, 2018 with adjustments as follows:

	<b>2018</b>
Budget By-law surplus for the year	\$ -
Add:	
Investment in tangible capital assets	4,318,980
Debt repayment	621,000
Transfers to reserve funds	165,023
Less:	
Proceeds from long-term debt	(2,190,000)
Transfers from reserve funds	(156,650)
	<b>\$ 2,758,353</b>

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### 18. Expenses by Object

The following is a summary of the expenses reported on the consolidated statement of operations by object:

	<b>2018</b>	<b>2017</b>
Salaries, wages and employee benefits	\$ 1,860,143	\$ 1,564,151
Materials and supplies	2,894,880	2,269,425
Contracted services	1,315,804	1,249,240
Net long-term debt charges (interest)	73,737	80,237
External transfers	(49,073)	5,557
Amortization expense	1,034,216	895,504
	<b>\$ 7,129,707</b>	<b>\$ 6,064,114</b>

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 19. Trust Funds

Trust funds administered by the Municipality amounting to \$170,237 (2017 - \$153,296) are held in trust by the Municipality for the benefit of others. These funds are included on the statement of financial position as cash and cash equivalents and accounts payable and accrued liabilities.

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### 20. Segmented Information Disclosures

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as police and fire. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

#### **Council**

This relates to the revenues and expenses that are directly attributable to municipal Council functions.

#### **General Government**

This relates to the revenues and expenses of the Municipality itself and cannot be directly attributed to specific segments.

#### **Protection to Persons and Property**

Protection is comprised of police services, building department, fire department, animal control and livestock evaluators. The police services work to ensure the safety and protection of the citizens and their property. The building department provides a number of services including maintenance and enforcement of building and construction codes. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers.

#### **Transportation Services**

Transportation is responsible for maintaining the Municipality's roadway systems.

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2018

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### 20. Segmented Information Disclosures (continued)

#### **Environmental Services**

Environmental services consists of providing recycling and waste disposal to citizens as well as water and sewer services.

#### **Health, Social and Family Services**

Health services are comprised of public health services which works to improve the overall health of the population by providing services to individuals and communities. Social and family services provides services that are meant to help the less fortunate in society. Social housing is provided to help shelter families and elderly in need. Child care funding is provided to subsidize day cares and to provide early learning programs. The ambulance service transports the injured to the hospital and provides emergency medical care to those in distress.

#### **Recreation and Culture**

Recreation and culture represents cultural activity support within the Municipality. This includes maintenance and upkeep of parks, running recreation programs, and providing library services.

#### **Planning and Economic Development**

The planning department provides a number of services including municipal planning and review of all property development plans through its application process. The economic development department provides services to generate opportunities in the community and to strengthen the economic base of the Municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter segment transfers are measured on the basis of the percentage of budgeted expenses.



**The Corporation of the Municipality of Powassan  
Notes to Consolidated Financial Statements**

**December 31, 2018**

**20. Segmented Information Disclosures (continued)**

	Council	General Government	Protection to Persons and Property	Transportation Services	Environmental Water	Environmental Sewer	Environmental Landfill	Health, Social & Family Services	Recreation and Culture	Planning and Economic Development	Unallocated Amounts	2018 Total
<b>Revenues</b>												
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,121,998	\$ 3,121,998
Grants and transfer payments	-	-	-	248,710	-	-	-	-	90,702	-	1,058,852	1,398,264
Other	-	538,359	115,974	25,199	-	-	119,354	346,351	383,889	-	14,803	1,543,929
User fees	-	8,049	45,313	-	-	-	-	-	71,874	10,298	-	135,534
Water and sewer revenues	-	-	-	-	408,048	252,485	-	-	-	-	-	660,533
	-	546,408	161,287	273,909	408,048	252,485	119,354	346,351	546,465	10,298	4,195,653	6,860,258
<b>Expenses</b>												
Salaries and benefits	42,162	370,245	219,434	593,259	41,503	20,037	103,056	41,403	391,548	37,496	-	1,860,143
Materials	54,552	674,042	189,125	674,282	44,365	51,634	244,629	58,888	872,918	30,445	-	2,894,880
Contracted services	-	111,312	567,035	-	99,204	69,782	2,918	435,035	30,518	-	-	1,315,804
Interest	-	5,314	-	-	40,311	-	-	-	28,112	-	-	73,737
External transfers	5,783	-	-	-	-	-	-	(54,856)	-	-	-	(49,073)
Amortization	-	113,388	98,362	536,331	100,575	21,416	-	-	164,144	-	-	1,034,216
	102,497	1,274,301	1,073,956	1,803,872	325,958	162,869	350,603	480,470	1,487,240	67,941	-	7,129,707
Annual (deficit) surplus	\$ (102,497)	\$ (727,893)	\$ (912,669)	\$ (1,529,963)	\$ 82,090	\$ 89,616	\$ (231,249)	\$ (134,119)	\$ (940,775)	\$ (57,643)	\$ 4,195,653	\$ (269,449)

## The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2018

### 20. Segmented Information Disclosures (continued)

	Council	General Government	Protection to Persons and Property	Transportation Services	Environmental Water	Environmental Sewer	Environmental Landfill	Health, Social & Family Services	Recreation and Culture	Planning and Economic Development	Unallocated Amounts	2017 Total
<b>Revenues</b>												
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,029,664	\$ 3,029,664
Grants and transfer payments	-	-	-	-	-	-	-	-	63,220	-	1,038,852	1,102,072
Other	-	117,814	98,542	18,445	-	-	117,817	215,688	357,746	-	15,034	941,086
User fees	-	8,164	43,874	-	-	-	-	-	41,668	18,984	-	112,690
Water and sewer revenues	-	-	-	-	418,348	186,325	-	-	-	-	-	604,673
	-	125,978	142,416	18,445	418,348	186,325	117,817	215,688	462,634	18,984	4,083,550	5,790,185
<b>Expenses</b>												
Salaries and benefits	40,136	353,800	162,403	454,416	27,019	16,827	91,546	40,191	339,749	38,064	-	1,564,151
Materials	35,919	300,379	185,403	512,615	44,477	38,445	204,600	66,854	831,650	49,083	-	2,269,425
Contracted services	-	99,316	516,754	-	99,181	62,852	2,918	437,071	31,148	-	-	1,249,240
Interest	-	8,064	-	-	48,640	-	-	340	23,193	-	-	80,237
External transfers	5,557	-	-	-	-	-	-	-	-	-	-	5,557
Amortization	-	85,309	58,970	495,103	98,048	20,336	-	-	137,738	-	-	895,504
	81,612	846,868	923,530	1,462,134	317,365	138,460	299,064	544,456	1,363,478	87,147	-	6,064,114
Annual (deficit) surplus	\$ (81,612)	\$ (720,890)	\$ (781,114)	\$ (1,443,689)	\$ 100,983	\$ 47,865	\$ (181,247)	\$ (328,768)	\$ (900,844)	\$ (68,163)	\$ 4,083,550	\$ (273,929)