

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA**

And Independent Auditors' Report thereon

Year ended December 31, 2019

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2019

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality") are the responsibility of the Municipality'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 the consolidated financial statements. The preparation of the 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.

The finance committee 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.

Chief Administrative Officer – Treasurer



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets (debt) 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, 2019 and its consolidated results of operations, its consolidated changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***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 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 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 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 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 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 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
- 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 within 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
June 9, 2020

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash and cash equivalents	4,094,651	\$ 1,691,723
Investments	5,889,751	5,760,091
Taxes receivable	932,132	693,799
Accounts receivable	1,301,203	598,974
Inventory for resale	61,017	91,745
Loans receivable (note 2)	111,192	1,038,759
Investment in government business enterprise (note 3)	29,198	-
	<u>12,419,144</u>	<u>9,875,091</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,408,715	1,680,298
Deferred revenue - obligatory reserves (note 4)	982,082	1,030,322
Deferred revenue - other (note 4)	1,782,636	425,101
Employee future benefit obligations (note 6)	1,908,021	1,680,286
Landfill closure and post closure liability (note 7)	1,506,804	1,364,596
Long-term obligations (note 8)	4,133,845	4,334,196
	<u>11,722,103</u>	<u>10,514,799</u>
Net financial assets (debt)	697,041	(639,708)
Non-financial assets		
Tangible capital assets (note 9)	28,570,569	27,721,763
Prepaid expenses	92,034	148,382
Inventories	80,473	53,998
	<u>28,743,076</u>	<u>27,924,143</u>
Commitments (note 14)		
Subsequent event and contingencies (note 17)		
Accumulated surplus (note 12)	<u>\$ 29,440,117</u>	<u>\$ 27,284,435</u>

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 15)	2019	2018
Revenue:			
Net taxation (note 10)	\$ 4,767,224	\$ 4,798,434	\$ 4,561,811
Government transfers and grants	8,626,611	6,783,144	6,654,048
Fees and user charges	2,530,573	2,655,130	2,694,851
Investment and interest income	106,430	166,607	129,925
Other	754,748	633,766	459,969
Total revenue	16,785,586	15,037,081	14,500,604
Expenses:			
General government	2,332,186	2,089,292	2,030,617
Protection services	1,294,472	1,218,676	1,384,056
Transportation services	2,671,351	2,755,986	2,654,931
Environmental services	2,550,850	2,637,974	2,434,802
Health services	133,459	135,612	135,183
Social and family services	1,558,864	1,550,721	1,536,763
Recreation and cultural services	2,419,248	2,319,868	2,317,673
Planning and development	184,776	173,270	181,680
Total expenses	13,145,206	12,881,399	12,675,705
Annual surplus before undernoted	3,640,380	2,155,682	1,824,899
Other income:			
Reversal of provision on mortgage receivable	-	-	532,383
Annual surplus	3,640,380	2,155,682	2,357,282
Accumulated surplus, beginning of year	27,284,435	27,284,435	24,927,153
Accumulated surplus, end of year	\$ 30,924,815	\$ 29,440,117	\$ 27,284,435

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 15)	2019	2018
Annual surplus	\$ 3,640,380	\$ 2,155,682	\$ 2,357,282
Acquisition of tangible capital assets	(4,875,086)	(2,816,336)	(3,162,343)
Amortization of tangible capital assets	1,958,268	1,958,268	1,857,086
Loss on disposal of tangible capital assets	-	9,262	16,070
	723,562	1,306,876	1,068,095
Change in prepaid supplies	-	56,348	(30,641)
Change in inventories of supplies	-	(26,475)	30,980
Change in net financial assets	723,562	1,336,749	1,068,434
Net debt, beginning of year	(639,708)	(639,708)	(1,708,142)
Net financial assets (debt), end of year	\$ 83,854	\$ 697,041	\$ (639,708)

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement in Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,155,682	\$ 2,357,282
Items not involving cash:		
Amortization of tangible capital assets	1,958,268	1,857,086
Loss on disposal of tangible capital assets	9,262	16,070
Change in future employee benefit obligations	227,735	150,040
Change in landfill closure and post-closure liability	142,208	(9,349)
	<u>4,493,155</u>	<u>4,371,129</u>
Change in non-cash assets and liabilities:		
Taxes receivable	(238,333)	437,655
Accounts receivable	(702,229)	488,359
Loans receivable	927,567	(518,391)
Prepaid expenses	56,348	(30,641)
Inventories	4,253	18,733
Accounts payable and accrued liabilities	(271,583)	808,334
Deferred revenue - obligatory reserves	(48,240)	(117,085)
Deferred revenue - other	1,357,535	304,319
	<u>5,578,473</u>	<u>5,762,412</u>
Capital activities:		
Cash used to acquire tangible capital assets	(2,816,336)	(3,162,343)
Investing activities:		
Investment in government business enterprise	(29,198)	-
Financing activities:		
Increase in investments	(129,660)	(853,114)
Repayment of long-term liabilities	(200,351)	(191,928)
	<u>(330,011)</u>	<u>(1,045,042)</u>
Net change in cash	2,402,928	1,555,027
Cash and cash equivalents, beginning of year	1,691,723	136,696
Cash and cash equivalents, end of year	<u>\$ 4,094,651</u>	<u>\$ 1,691,723</u>

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

The Municipality of Wawa (the “Municipality”) is a municipality in the Province of Ontario, Canada. The Municipality provides municipal services such as public works, planning, parks and recreation, library and other general government operations in accordance with the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and 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 governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses 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.

These entities and organizations include:

Wawa Public Library Board

Board of Management for the Wawa Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Investment in Government Business Enterprise:

The Municipality’s investment in a Government Business Enterprise (GBE), is accounted for by the modified equity method. Under the modified equity method, the business enterprise’s accounting principles are not adjusted to conform with those of the Municipality and inter-organization transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of the GBE in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from the GBE will be reflected as reductions in the investment asset account.

(iii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Health Unit

Algoma District Social Services Administration Board

(iv) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

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.

(d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value.

(e) Inventories:

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

(f) Deferred revenue:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible capital assets:

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

Asset	Useful Life - Years
Machinery, equipment and computers	3 - 20 years
Library collection	5 years
Land improvements	10 years
Vehicles	5 - 15 years
Buildings and building improvements	20 - 40 years
Infrastructure	25 - 50 years

Assets are amortized in the month following purchase or in-service date. Assets under construction are not amortized until the asset is available for productive use.

The Municipality of Wawa has a capitalization threshold between \$5,000 and \$75,000 for various categories of tangible capital assets. Individual assets below the threshold are expensed, unless they are pooled, because collectively, they have significant value. The Municipality's threshold for pooled assets is \$5,000.

ii. Contributions for tangible capital assets:

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

iii. Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

iv. Works of art and historical treasures:

Works of art and historical treasures are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be determined. Disclosure of the existence of such property is required under PSAB.

Tangible capital assets meeting the aforementioned description for the Municipality of Wawa are:

Wawa Goose Monument	\$ 275,000
Drill Rig Monument	50,000
Train Display	5,000

(h) Surplus land:

The carrying value of surplus land is based on the purchase and development costs and does not reflect any gain that may arise if the land sells for more than the carrying value.

(i) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(j) Employee future benefits:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

(k) 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.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

2. Promissory notes receivable:

The promissory note receivable is interest free and was repaid in full in 2019.

The Municipality entered into a loan agreement with Michipicoten Golf Club Limited related to the purchase of turf equipment. The loan is interest free with repayment based on proceeds of specific programs and no set regular repayment terms.

	2019	2018
Promissory notes receivable	\$ –	\$ 914,000
Loan receivable from Michipicoten Golf Club Limited	111,192	124,759
	\$ 111,192	\$ 1,038,759

3. Investment in government business enterprise:

The Municipality has a 20% equity share of 2729028 Ontario Inc. (the "Corporation"). The Corporation will construct natural gas storage facilities (above ground storage tanks and associated vaporization systems) as well as local natural gas distribution systems (gas mains and laterals) to service businesses and residents in municipalities of the North Shore. The corporation is a business enterprises of the Municipality and is accounted for on a modified equity basis in the consolidated financial statements. The Municipality has committed to contributing \$100,000 to the corporation.

	2019
Balance, beginning of year:	\$ –
Municipality's contribution	29,198
Balance, end of year	\$ 29,198

4. Deferred revenue:

The balances in the deferred revenue - obligatory of the Municipality consist of:

	2019	2018
Lot levies	\$ 28,209	\$ 28,209
Federal Gas Tax	953,873	1,002,113
	\$ 982,082	\$ 1,030,322

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

4. Deferred revenue (continued):

Continuity of deferred revenue - obligatory is as follows:

	2019	2018
Balance, beginning of year	\$ 1,030,322	\$ 1,147,407
Contributions deferred	369,296	189,513
Interest	20,354	16,187
	1,419,972	1,353,107
Contributions used	(437,890)	(322,785)
Balance, end of year	\$ 982,082	\$ 1,030,322

The balances in the deferred revenue - other of the Municipality consist of:

	2019	2018
Deferred revenue - non-obligatory	\$ 1,782,636	\$ 417,601
Prepaid rent	–	7,500
	\$ 1,782,636	\$ 425,101

Continuity of deferred revenue - other of the Municipality is as follows:

	2019	2018
Balance, beginning of year	\$ 425,101	\$ 120,782
Contributions deferred	1,708,243	341,352
Contributions used	(350,708)	(37,033)
Balance, end of year	\$ 1,782,636	\$ 425,101

5. Trust funds:

The trust funds administered by the Municipality amounting to \$164,704 (2018 - \$153,627) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Municipality for the benefit of others; they are not presented as part of the Municipality's financial position or financial activities.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

6. Employee future benefit obligations:

Employee future benefits are liabilities of the Municipality to its employees and early retirees for the following benefits earned but not taken as at December 31 are as follows:

	2019	2018
Accumulated sick leave benefit plan entitlements	\$ 84,288	\$ 78,930
Vacation pay	215,313	253,792
Medical and dental plan entitlements	1,608,420	1,347,564
Employee future benefit obligations	\$ 1,908,021	\$ 1,680,286

A reserve fund in the amount of \$147,432 (2018 - \$201,815) has been established to fund this liability.

Accumulated sick leave payable

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2019, this liability is estimated at \$84,288 (2018 - \$78,930).

Employee health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The valuation of the employee future benefits was completed effective December 31, 2019.

At December 31, 2019, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is \$1,608,420 (2018 - \$1,347,564).

The benefit liability continuity is as follows:

	2019	2018
Accrued benefit liability, January 1	\$ 1,347,564	\$ 1,202,427
Expense	44,946	38,603
Payments	(42,624)	(41,881)
Interest accrued	53,949	48,032
Actuarial loss	204,585	100,383
Accrued benefit liability, December 31	\$ 1,608,420	\$ 1,347,564

	2019	2018
<i>Significant assumptions:</i>		
Discount rate	3.25%	4.0%
Health cost increase	3.5 – 6.1%	3.5 – 6.1%

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

7. Landfill closure and post-closure liability:

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 site 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 a thirty year period 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.

The Municipality operates one open landfill site and it owns and monitors two closed landfill sites. The open site has a remaining capacity of approximately 6,141 metric tons (2018 – 12,205 m³). At current average fill rates, the site has a remaining operating life of approximately 1.5 years and expected closure in May 2021. The change in liability is recorded based on the capacity of the landfill sites used to date. At December 31, 2019, an amount of \$1,506,804 (2018 - \$1,364,596) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenue.

A reserve of \$151,173 (2018 - \$131,784) has been established to contribute to the cost of closing and maintaining the landfill sites.

8. Long-term obligations:

	2019	2018
Ontario Infrastructure and Lands Corporation debenture, payable semi-annual \$77,632 with interest at 5.6%, repayable July 2049	\$ 2,272,694	\$ 2,301,474
Debentures, payable approximately \$185,000 annually Including interest ranging from 4.15% to 4.50%, due August 2020	1,610,000	1,720,000
Loan payable CMHC, \$30,569 annually including interest at 3.59%, repayable December 2025	162,409	186,290
Ontario Infrastructure and Lands Corporation Debenture payable \$18,409 semi-annually with interest at 2.83%, repayable December 2021	71,102	105,182
Ontario Infrastructure and Lands Corporation Debenture payable \$2,110 semi-annually with interest at 3.00%, repayable February 2024	17,640	21,250
	<u>\$ 4,133,845</u>	<u>\$ 4,334,196</u>

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

8. Long-term obligations (continued):

Principal due on long-term debt is approximately as follows:

2020	\$ 1,703,923
2021	97,650
2022	64,460
2023	67,462
2024	68,500
Thereafter	2,131,850

The annual principal and interest payments required to service the long-term obligations of the Municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

Interest paid in the year and included in current expenses is \$215,536 (2018 - \$223,160)

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

9. Tangible capital assets:

											2019
		Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost											
Balance, beginning of the year	\$	223,244	273,237	7,684,538	250,000	44,704,574	1,517,040	245,158	622,137	3,687,225	\$ 59,207,153
Additions		-	11,611	284,905	-	3,463,346	185,162	62,651	67,892	1,535,551	5,611,118
Disposals/transfers		-	-	-	-	-	(34,169)	-	-	(2,794,782)	(2,828,951)
Balance, end of year		223,244	284,848	7,969,443	250,000	48,167,920	1,668,033	307,809	690,029	2,427,994	61,989,320
Accumulated amortization											
Balance, beginning of the year		-	(230,084)	(5,006,231)	-	(25,365,904)	(548,740)	(85,133)	(249,298)	-	(31,485,390)
Disposals/transfers		-	-	-	-	-	24,907	-	-	-	24,907
Amortization expense		-	(16,387)	(215,642)	-	(1,534,885)	(76,853)	(57,625)	(56,876)	-	(1,958,268)
Balance, end of year		-	(246,471)	(5,221,873)	-	(26,900,789)	(600,686)	(142,758)	(306,174)	-	(33,418,751)
Net book value, end of year	\$	223,244	38,377	2,747,570	250,000	21,267,131	1,067,347	165,051	383,855	2,427,994	\$ 28,570,569
Net book value, beginning of year	\$	223,244	43,153	2,678,307	250,000	19,338,670	968,300	160,025	372,839	3,687,225	\$ 27,721,763

Assets under construction:

Assets under construction having a value of \$2,457,192 (2018 - \$3,687,225) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

9. Tangible capital assets (continued):

	2018									
	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost										
Balance, beginning of the year	\$ 223,244	273,237	7,638,602	250,000	44,002,239	1,397,472	127,914	545,786	1,711,364	\$ 56,169,858
Additions	-	-	45,936	-	752,706	177,202	134,287	76,351	1,975,861	3,162,343
Disposals/transfers	-	-	-	-	(50,371)	(57,634)	(17,043)	-	-	(125,048)
Balance, end of year	223,244	273,237	7,684,538	250,000	44,704,574	1,517,040	245,158	622,137	3,687,225	59,207,153
Accumulated amortization										
Balance, beginning of the year	-	(201,823)	(4,793,172)	-	(23,934,160)	(541,391)	(69,609)	(197,127)	-	(29,737,282)
Disposals/transfers	-	-	-	-	37,359	55,712	15,907	-	-	108,978
Amortization expense	-	(28,261)	(213,059)	-	(1,469,103)	(63,061)	(31,431)	(52,171)	-	(1,857,086)
Balance, end of year	-	(230,084)	(5,006,231)	-	(25,365,904)	(548,740)	(85,133)	(249,298)	-	(31,485,390)
Net book value, end of year	\$ 223,244	43,153	2,678,307	250,000	19,338,670	968,300	160,025	372,839	3,687,225	\$ 27,721,763
Net book value, beginning of year	\$ 223,244	71,414	2,845,430	250,000	20,068,079	856,081	58,305	348,659	1,711,364	\$ 26,432,576

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

10. Tax revenues:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the property tax bills for 2018.

	2019	2018
Residential and farm taxation	\$ 3,271,144	\$ 3,225,637
Commercial and industrial taxation	1,817,302	1,619,201
Taxation from other governments	230,703	232,498
	5,319,149	5,077,336
Less: Amount levied and remitted to school boards	(520,715)	(515,525)
Net taxation	\$ 4,798,434	\$ 4,561,811

During 2019, the Municipality collected and transferred property taxes totaling \$520,715 (2018 - \$515,525) on behalf of area school boards.

11. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these unconsolidated boards:

	2019	2018
Algoma District Services Administration Board	\$ 1,523,423	\$ 1,515,880
Algoma Health Unit	98,195	97,704
	\$ 1,621,618	\$ 1,613,584

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

12. Accumulated surplus:

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

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 28,570,569	\$ 27,721,763
For general reduction of taxation or user charges and local boards	(3,305)	20,970
Other	2,141,228	1,137,665
Amounts to be recovered:		
Net long-term obligations	(4,133,845)	(4,334,196)
Landfill closure and post closure liability	(1,506,804)	(1,364,596)
Employee future benefit obligations	(1,908,021)	(1,680,286)
Total surplus	23,159,822	21,501,320
Reserves and reserve funds set aside for specific purpose by Council:		
Working capital	250,969	250,969
Acquisition of tangible capital assets	469,835	518,983
Sick leave	33,335	33,335
Water and sewer	542,051	489,711
Other programs	4,984,105	4,490,117
Total reserves and reserve funds	6,280,295	5,783,115
	\$ 29,440,117	\$ 27,284,435

13. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2019 was \$215,927 (2018 - \$221,829) and is included as an expense on the consolidated statement of operations and accumulated surplus.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

14. Commitments:

The Municipality has entered into various contracts for services as well as long-term lease agreements for office equipment and services which extend to 2022. The minimum annual payments under the terms of these leases are as follows:

2020	\$ 1,327,638
2021	389,569
2022	285,784

The Municipality has entered into long-term agreements for license fees and roadway access with Algoma Central Railway which extend indefinitely. The minimum annual payments under the terms of these arrangements is \$2,100.

15. Budget figures:

The operating budget approved by Council for 2019 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2019. The budget established does not include a budget for the amortization of tangible capital assets and includes allocations from reserves.

The budget figures presented in the statement of operations and accumulated surplus and the statement of change in net financial assets (debt) have been restated to be comparable with the Canadian public sector accounting standards. A reconciliation of the Council approved budget and the budget presented in these financial statements is presented below:

Adopted budget:	
Budgeted annual surplus for the year	\$ -
Adjustments to adopted budget:	
Principal payments on long-term debt	200,351
Acquisition of tangible capital assets	4,875,086
Amortization of tangible capital assets	(1,958,268)
Net transfers to/from reserves and other	523,211
Restated budgeted surplus	\$ 3,640,380

16. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

17. Subsequent event and contingencies:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in the fair value of investments and investment income
- Closure of certain municipal facilities from March 25, 2020 to the date of the auditors' report based on public health recommendations
- Mandatory working from home requirements for those able to do so

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

18. Segmented information:

The Municipality of Wawa is a diversified municipal government institution that provides a wide range of services to its citizens. Municipality services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are:

General Government

General Government is comprised of Municipal Council, the Chief Administrators' Office (CAO), Clerks Department, Legal Department, Human Resources Department, Information Technology Services and the Finance Department. Each of these departments provides program support to various other areas. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Council.

Protection Services

Protection to persons and property is comprised of police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens, preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection, or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation Services

The transportation department is responsible for the delivery of Municipal public works services related to the planning, development, and maintenance of roadway systems, winter control and street lighting. Transportation department is responsible for the operation of small aircraft airport and fueling depot in Wawa.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

18. Segmented information (continued):

Environmental Services

In addition to the management of Waterworks and Sanitary Systems, the environmental department is responsible for waste disposal and recycling facilities. This section is responsible for providing clean, portable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system.

Health and Social Services

This section consists of Ambulance services, Social Services including Housing Services, Childcare, Assistance to aged persons, Cemetery Services as well as the Municipality's contributions to the Health Unit.

Recreation and Cultural Services

This section provides public services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services such as fitness and other programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Municipality's citizens through the provision of the library and cultural services and by preserving local history and managing archived data.

Engineering and Planning

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development ensures that the Municipality of Wawa is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that Municipality is an enjoyable and beautiful community to live, work and play. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

18. Segmented disclosure (continued):

	2019							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 778,279	453,968	1,026,629	982,669	628,173	864,171	64,545	\$ 4,798,434
Government grants	3,288,010	515,051	1,552,495	88,589	1,262,390	76,609	-	6,783,144
Fees and user charges	63,275	37,667	422,502	1,713,599	-	407,687	10,400	2,655,130
Interest income and other	213,329	75,423	138,430	106,183	67,878	192,156	6,974	800,373
	4,342,893	1,082,109	3,140,056	2,891,040	1,958,441	1,540,623	81,919	15,037,081
Expenses:								
Salaries, wages and employee benefits	1,188,927	214,092	1,360,941	393,435	13,296	750,522	-	3,921,213
Materials, supplies and contracted services	817,178	976,071	862,416	1,234,993	1,666,501	1,277,195	167,564	7,001,918
Amortization of tangible capital assets	83,187	28,513	532,629	1,009,546	6,536	292,151	5,706	1,958,268
	2,089,292	1,218,676	2,755,986	2,637,974	1,686,333	2,319,868	173,270	12,881,399
Annual surplus (deficit)	\$ 2,253,601	(136,567)	384,070	253,066	272,108	(779,245)	(91,351)	\$ 2,155,682

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2019

18. Segmented disclosure (continued):

	2018							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 730,791	498,103	955,473	876,252	601,710	834,099	65,383	\$ 4,561,811
Government grants	2,668,331	678,980	1,872,743	93,347	1,292,316	48,331	-	6,654,048
Fees and user charges	60,436	55,149	533,152	1,614,708	-	414,896	16,510	2,694,851
Interest income and other	79,273	71,443	129,872	77,591	53,281	171,559	6,875	589,894
	3,538,831	1,303,675	3,491,240	2,661,898	1,947,307	1,468,885	88,768	14,500,604
Expenses:								
Salaries, wages and employee benefits	1,156,923	227,519	1,218,241	410,470	19,991	767,216	-	3,800,360
Materials, supplies and contracted services	794,836	1,133,934	967,197	1,017,433	1,645,419	1,281,245	178,195	7,018,259
Amortization of tangible capital assets	78,858	22,603	469,493	1,006,899	6,536	269,212	3,485	1,857,086
	2,030,617	1,384,056	2,654,931	2,434,802	1,671,946	2,317,673	181,680	12,675,705
Other income:								
Reversal of provision on mortgage receivable	532,383	-	-	-	-	-	-	532,383
Annual surplus (deficit)	\$ 2,040,597	(80,381)	836,309	227,096	275,361	(848,788)	(92,912)	\$ 2,357,282