

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA**

And Independent Auditors' Report thereon

Year ended December 31, 2018

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2018

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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 City of The Municipality of Wawa (the Municipality), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net 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, 2018 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our 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.



Emphasis of Matter – Restatement of Financial Statements

We draw attention to Note 15 to the consolidated financial statements which describes i) that the consolidated financial statements that we originally reported on September 4, 2018 have been amended, and ii) the matter that gives rise to the amendment of the consolidated financial statements.

Our opinion is not modified in respect of this matter.

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
August 28, 2019

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
		(restated) (note 15)
Financial assets		
Cash and cash equivalents	\$ -	\$ 136,696
Investments	7,545,298	4,906,977
Taxes receivable	693,799	1,131,454
Accounts receivable	598,974	1,087,333
Inventory for resale	91,745	79,498
Loans receivable (note 2)	1,038,759	520,368
	<u>9,968,575</u>	<u>7,862,326</u>
Financial liabilities		
Bank indebtedness	93,484	-
Accounts payable and accrued liabilities	1,680,298	871,964
Deferred revenue - obligatory reserves (note 3)	1,030,322	1,147,407
Deferred revenue - other (note 3)	425,101	120,782
Employee future benefit obligations (note 5)	1,680,286	1,530,246
Landfill closure and post closure liability (note 6)	1,364,596	1,373,945
Long-term obligations (note 7)	4,334,196	4,526,124
	<u>10,608,283</u>	<u>9,570,468</u>
Net debt	(639,708)	(1,708,142)
Non-financial assets		
Tangible capital assets (note 8)	27,721,763	26,432,576
Prepaid expenses	148,382	117,741
Inventories	53,998	84,978
	<u>27,924,143</u>	<u>26,635,295</u>
Commitments (note 13)		
Accumulated surplus (note 11)	\$ 27,284,435	\$ 24,927,153

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, 2018, with comparative information for 2017

	Budget (note 14)	2018	2017 (restated) (note 15)
Revenue:			
Net taxation (note 9)	\$ 4,545,833	\$ 4,561,811	\$ 4,412,181
Government transfers and grants	6,286,885	6,654,048	5,995,833
Fees and user charges	2,474,973	2,694,851	2,525,839
Investment and interest income	45,750	129,925	51,882
Other	693,771	459,969	874,177
Total revenue	14,047,212	14,500,604	13,859,912
Expenses:			
General government	2,210,829	2,030,617	1,976,981
Protection services	1,314,187	1,384,056	2,457,616
Transportation services	2,589,360	2,654,931	2,168,508
Environmental services	2,398,804	2,434,802	2,407,286
Health services	117,950	135,183	126,622
Social and family services	1,553,319	1,536,763	1,517,006
Recreation and cultural services	2,392,330	2,317,673	2,504,662
Planning and development	201,040	181,680	212,704
Total expenses	12,777,819	12,675,705	13,371,385
Annual surplus before undernoted	1,269,393	1,824,899	488,527
Other income (expense):			
Reversal of provision on mortgage receivable	-	532,383	-
Donation revenue	-	-	4,237,796
Tax write-off on MPAC settlement	-	-	(4,237,796)
Annual surplus	1,269,393	2,357,282	488,527
Accumulated surplus, beginning of year			
As previously reported	-	24,927,153	38,123,226
Adjustment to correct value of tangible capital asset (note 15)	-	-	(13,684,600)
As restated	24,927,153	24,927,153	24,438,626
Accumulated surplus, end of year	\$ 26,196,546	\$ 27,284,435	\$ 24,927,153

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 Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 14)	2018	2017 (restated) (note 15)
Annual surplus	\$ 1,269,393	\$ 2,357,282	\$ 488,527
Acquisition of tangible capital assets	(2,674,185)	(3,162,343)	(1,249,181)
Amortization of tangible capital assets	1,857,086	1,857,086	1,886,906
Loss on disposal of tangible capital assets	-	16,070	-
	452,294	1,068,095	1,126,252
Change in prepaid supplies	-	(30,641)	(37,138)
Change in inventories of supplies	-	30,980	(12,138)
Change in net financial assets	452,294	1,068,434	1,076,976
Net debt, beginning of year	(1,708,142)	(1,708,142)	(2,785,118)
Net debt, end of year	\$ (1,255,848)	\$ (639,708)	\$ (1,708,142)

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, 2018, with comparative information for 2017

	2018	2017
		(restated) (note 15)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,357,282	\$ 488,527
Items not involving cash:		
Amortization of tangible capital assets	1,857,086	1,886,906
Loss on disposal of tangible capital assets	16,070	-
Change in future employee benefit obligations	150,040	18,528
Change in landfill closure and post-closure liability	(9,349)	80,335
	<u>4,371,129</u>	<u>2,474,296</u>
Change in non-cash assets and liabilities:		
Taxes receivable	437,655	576,802
Accounts receivable	488,359	448,059
Loans receivable	(518,391)	(387,109)
Other	-	5,875
Prepaid expenses	(30,641)	(37,138)
Inventories	18,733	(11,383)
Accounts payable and accrued liabilities	808,334	(204,348)
Deferred revenue - obligatory reserves	(117,085)	192,824
Deferred revenue - other	304,319	112,486
	<u>5,762,412</u>	<u>3,170,364</u>
Capital activities:		
Cash used to acquire tangible capital assets	(3,162,343)	(1,249,181)
Financing activities:		
Increase in investments	(2,638,321)	(1,718,584)
Repayment of long-term liabilities	(191,928)	(187,550)
	<u>(2,830,249)</u>	<u>(1,906,134)</u>
Net change in cash	(230,180)	15,049
Cash and cash equivalents, beginning of year	136,696	121,647
(Bank indebtedness) cash and cash equivalents, end of year	\$ (93,484)	\$ 136,696

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, 2018

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) 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

(iii) 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, 2018

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, 2018

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, 2018

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, 2018

2. Promissory notes receivable:

The promissory note receivable is interest free and payable in full on September 29, 2017. Subsequent to year end, the Municipality received full repayment of the promissory notes receivable.

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.

	2018	2017
Promissory notes receivable	\$ 914,000	\$ 1,113,547
Loan receivable from Michipicoten Golf Club Limited	124,759	132,259
Less: allowance for possible impairment	-	(725,438)
	<u>\$ 1,038,759</u>	<u>\$ 520,368</u>

3. Deferred revenue:

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

	2018	2017
Lot levies	\$ 28,209	\$ 28,496
Federal Gas Tax	1,002,113	1,118,911
	<u>\$ 1,030,322</u>	<u>\$ 1,147,407</u>

Continuity of deferred revenue - obligatory is as follows:

	2018	2017
Balance, beginning of year	\$ 1,147,407	\$ 954,583
Contributions deferred	189,513	184,102
Interest	16,187	8,722
	<u>1,353,107</u>	<u>1,147,407</u>
Contributions used	(322,785)	-
Balance, end of year	<u>\$ 1,030,322</u>	<u>\$ 1,147,407</u>

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

3. Deferred revenue (continued):

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

	2018	2017
Deferred revenue - non-obligatory	\$ 417,601	\$ 99,282
Prepaid rent	7,500	21,500
	\$ 425,101	\$ 120,782

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

	2018	2017
Balance, beginning of year	\$ 120,782	\$ 8,296
Contributions deferred	341,352	120,666
Contributions used	(37,033)	(8,180)
Balance, end of year	\$ 425,101	\$ 120,782

4. Trust funds:

The trust funds administered by the Municipality amounting to \$153,627 (2017 - \$209,315) 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.

5. 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:

	2018	2017
Accumulated sick leave benefit plan entitlements	\$ 78,930	\$ 81,270
Vacation pay	253,792	246,549
Medical and dental plan entitlements	1,347,564	1,202,427
Employee future benefit obligations	\$ 1,680,286	\$ 1,530,246

A reserve fund in the amount of \$201,815 (2017 - \$247,877) 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, 2018, this liability is estimated at \$78,930 (2017 - \$81,270).

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

5. Employee future benefit obligations (continued):

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, 2018.

At December 31, 2018, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is \$1,347,564 (2017 - \$1,202,427).

The benefit liability continuity is as follows:

	2018	2017
Accrued benefit liability, January 1	\$ 1,202,427	\$ 1,152,835
Expense	38,603	37,118
Payments	(41,881)	(33,708)
Interest accrued	48,032	46,182
Actuarial loss	100,383	—
Accrued benefit liability, December 31	\$ 1,347,564	\$ 1,202,427

	2018	2017
<i>Significant assumptions:</i>		
Discount rate	4.0%	4.0%
Health cost increase	3.5 – 6.1%	3.5% – 8.0%

6. 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 CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

6. Landfill closure and post-closure liability (continued):

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 12,205 metric tons (2017 – 14,962 m³). At current average fill rates, the site has a remaining operating life of approximately three years and expected closure in June 2021. The change in liability is recorded based on the capacity of the landfill sites used to date. At December 31, 2018, an amount of \$1,364,596 (2017 - \$1,373,945) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenue.

A reserve of \$131,784 (2017 - \$115,747) has been established to contribute to the cost of closing and maintaining the landfill sites.

7. Long-term obligations:

	2018	2017
Ontario Infrastructure and Lands Corporation debenture, payable semi-annual \$77,632 with interest at 5.6%, repayable July 2049	\$ 2,301,474	\$ 2,328,708
Debentures, payable approximately \$185,000 annually including interest ranging from 4.15% to 4.50%, due August 2020	1,720,000	1,825,000
Loan payable CMHC, \$30,569 annually including interest at 3.59%, repayable December 2025	186,290	209,345
Ontario Infrastructure and Lands Corporation Debenture payable \$18,409 semi-annually with interest at 2.83%, repayable December 2021	105,182	138,317
Ontario Infrastructure and Lands Corporation Debenture payable \$2,110 semi-annually with interest at 3.00%, repayable February 2024	21,250	24,754
	\$ 4,334,196	\$ 4,526,124

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

2019	\$ 200,351
2020	1,703,923
2021	97,650
2022	64,460
2023	67,462
Thereafter	2,200,350

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.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

8. Tangible capital assets (continued):

	2017									
	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost										(restated) (note 15)
Balance, beginning of the year	\$ 223,244	273,237	7,548,503	250,000	41,711,205	1,397,472	127,914	341,297	3,047,805	\$ 54,920,877
Additions	-	-	90,099	-	2,291,034	-	-	204,489	-	2,585,622
Disposals/transfers	-	-	-	-	-	-	-	-	(1,336,441)	(1,336,441)
Balance, end of 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
Accumulated amortization										
Balance, beginning of the year	-	(173,562)	(4,581,615)	-	(22,415,161)	(476,315)	(45,034)	(158,889)	-	(27,850,376)
Disposals/transfers	-	-	-	-	-	-	-	-	-	-
Amortization expense	-	(28,261)	(211,557)	-	(1,518,999)	(65,076)	(24,575)	(38,438)	-	(1,886,906)
Balance, end of year	-	(201,823)	(4,793,172)	-	(23,934,160)	(541,391)	(69,609)	(197,127)	-	(29,737,282)
Net book value, end 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
Net book value, beginning of year	\$ 223,244	43,153	2,723,972	250,000	21,512,397	791,005	33,730	514,710	374,923	\$ 26,467,134

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

9. 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.

	2018	2017
Residential and farm taxation	\$ 3,225,637	\$ 3,436,327
Commercial and industrial taxation	1,619,201	1,247,545
Taxation from other governments	232,498	245,773
	5,077,336	4,929,645
Less: Amount levied and remitted to school boards	(515,525)	(517,464)
Net taxation	\$ 4,561,811	\$ 4,412,181

During 2018, the Municipality collected and transferred property taxes totaling \$515,525 (2017 - \$517,464) on behalf of area school boards.

10. Contributions to unconsolidated joint boards:

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

	2018	2017
Algoma District Services Administration Board	\$ 1,515,880	\$ 1,494,278
Algoma Health Unit	97,704	97,600
	\$ 1,613,584	\$ 1,591,878

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

11. Accumulated surplus:

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

	2018	2017 (restated) (note 15)
Surplus:		
Invested in tangible capital assets	\$ 27,721,763	\$ 26,432,576
For general reduction of taxation or user charges and local boards	20,970	29,553
Other	1,137,665	(111,803)
Amounts to be recovered:		
Net long-term obligations	(4,334,196)	(4,526,124)
Landfill closure and post closure liability	(1,364,596)	(1,373,945)
Employee future benefit obligations	(1,680,286)	(1,530,246)
Total surplus	21,501,320	18,920,011
Reserves and reserve funds set aside for specific purpose by Council:		
Working capital	250,969	250,969
Acquisition of tangible capital assets	518,983	393,983
Sick leave	33,335	33,335
Water and sewer	489,711	443,280
Other programs	4,490,117	4,885,575
Total reserves and reserve funds	5,783,115	6,007,142
	\$ 27,284,435	\$ 24,927,153

12. 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 2018 was \$221,829 (2017 - \$205,841) 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, 2018

13. 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:

2019	\$ 1,221,089
2020	31,765
2021	18,807
2022	11,118

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.

14. Budget figures:

The operating budget approved by Council for 2018 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2018. 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	191,927
Acquisition of tangible capital assets	2,674,185
Amortization of tangible capital assets	(1,857,086)
Net transfers to/from reserves and other	260,367
Restated budgeted surplus	\$ 1,269,393

15. Correction of valuation of tangible capital asset:

Subsequent to year end, the Municipality accepted an offer to purchase the rail bed. The sale is expected to close in 2019. As a result the future economic benefit associated with the tangible capital asset has been determined based on the accepted offer price. The difference between the offer price and the carrying value has been retroactively restated as a correction of an error in the prior year's carrying value at January 1, 2017. As a result, the accumulated surplus at January 1, 2017 was decreased by \$13,684,600, tangible capital assets – rail bed was decreased by \$12,951,200 at January 1, 2017, amortization and transportation services expenses were decreased by \$733,400 for 2017 and surplus for the 2017 year was increased by \$733,400.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

16. 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.

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 City's contributions to the Health Unit.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

16. Segmented information (continued):

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 City 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, 2018

16. 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	\$ 611,282	666,025	1,249,937	670,586	556,541	716,204	91,236	\$ 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
	3,419,322	1,471,597	3,785,704	2,456,232	1,902,138	1,350,990	114,621	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 (expense):								
Reversal of provision on mortgage receivable	532,383	-	-	-	-	-	-	532,383
Annual surplus (deficit)	\$ 1,921,088	87,541	1,130,773	21,430	230,192	(966,683)	(67,059)	\$ 2,357,282

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2018

16. Segmented disclosure (continued):

	2017							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
								(restated) (note 15)
Revenue:								
Taxation	\$ 591,232	644,178	1,208,937	648,591	538,286	692,712	88,245	\$ 4,412,181
Government grants	2,475,901	1,596,823	38,232	275,627	1,356,058	230,304	22,888	5,995,833
Fees and user charges	58,548	68,876	340,382	1,582,139	-	433,263	42,631	2,525,839
Interest income and other	126,990	163,556	179,165	125,788	85,885	232,283	12,392	926,059
	3,252,671	2,473,433	1,766,716	2,632,145	1,980,229	1,588,562	166,156	13,859,912
Expenses:								
Salaries, wages and employee benefits	1,053,217	331,118	1,023,515	395,559	15,426	719,662	-	3,538,497
Materials, supplies and contracted services	846,239	2,103,895	533,781	1,091,204	1,627,113	1,533,758	209,992	7,945,982
Amortization of tangible capital assets	77,525	22,603	611,212	920,523	1,089	251,242	2,712	1,866,906
	1,976,981	2,457,616	2,168,508	2,407,286	1,643,628	2,504,662	212,704	13,371,385
Other income (expense):								
Donation revenue	4,237,796	-	-	-	-	-	-	4,237,796
Tax write-off on MPAC settlement	(4,237,796)	-	-	-	-	-	-	(4,237,796)
	-	-	-	-	-	-	-	-
Annual surplus (deficit)	\$ 1,275,690	15,817	(401,792)	224,859	336,601	(916,100)	(46,548)	\$ 488,527

Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA**
Trust Funds

And Independent Auditors' Report thereon

Year ended December 31, 2018



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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 financial statements of the trust funds of The Corporation of The Municipality of Wawa (the "Trust"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of changes in fund balances for the year then ended
- and notes to the 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 financial position of the Trust as at December 31, 2018 and its results of operations 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 Trust 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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust'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 Trust'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 Trust'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 Trust 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
August 28, 2019

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Trust Funds

Statement of Financial Position

December 31, 2018, with comparative information for 2017

			2018	2017
	Flood Fund	Perpetual Care	Total	Total
Financial Assets				
Cash	\$ -	\$ 2,350	\$ 2,350	\$ 49,220
Investments (note 4)	-	151,277	151,277	149,550
Due from the Municipality of Wawa	-	-	-	10,545
Fund balance	\$ -	\$ 153,627	\$ 153,627	\$ 209,315

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Trust Funds

Statement of Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

			2018	2017
	Flood Fund	Perpetual Care	Total	Total
Revenue:				
Government grants	-	-	-	10,655
Contributions from revenue fund	-	2,350	2,350	3,263
Interest earned and other	-	1,837	1,837	2,825
	-	4,187	4,187	16,743
Expenditures:				
Disbursement for capital project	59,875	-	59,875	-
Bank fees	-	-	-	20
Change in fund balances in year	(59,875)	4,187	(55,688)	16,723
Fund balance, beginning of the year	\$ 59,875	\$ 149,440	\$ 209,315	\$ 192,592
Fund balance, end of year	\$ -	\$ 153,627	\$ 153,627	\$ 209,315

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Trust Funds

Notes to Financial Statements

Year ended December 31, 2018

The Corporation of the Municipality of Wawa Trust Funds (the “Funds”) consist of various trust funds administered by the Municipality of Wawa (the “Municipality”). The Funds are not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

1. Summary of Significant Accounting Policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Basis of accounting:

The financial statements are prepared by management and are reported on the accrual 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 a legal obligation to pay.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Trust has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial assets is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Trust Funds

Notes to Financial Statements

Year ended December 31, 2018

1. Summary of Significant Accounting Policies (continued):

(c) Use of estimates

The preparation of the financial statements 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Flood Fund:

The Municipality in conjunction with the Province of Ontario (ODRAP) established a flood fund whereby businesses and individuals provided contributions for the inhabitants of Wawa that were affected by the flood disaster.

3. Perpetual Care:

Perpetual Care funds are invested and earnings derived are used to perform perpetual care maintenance to the Municipality's cemeteries. The operations and investments of the Trust Funds are undertaken by the Municipality in accordance with the regulations of the Funeral, Burial and Cremation Services Act.

4. Investments:

Total investments by the trust funds of \$151,277 (2017 - \$149,550) on the Statement of Financial Position are recorded at market value. Cost of the investment is \$147,951 (2017 - \$144,273).