

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA**

And Independent Auditors' Report thereon

Year ended December 31, 2021

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2021

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The Municipality of 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.

Maury O'Neill, Chief Administrative Officer / Deputy Clerk

Manuela Batovanja, Treasurer

October 7, 2022



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

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2021 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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



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- 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

October 7, 2022

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 4,993,858	\$ 1,865,277
Investments	4,017,425	4,736,002
Taxes receivable	1,130,314	1,048,581
Accounts receivable	2,039,399	2,472,011
Inventory for resale	67,246	76,789
Loans receivable (note 2)	213,733	111,192
Investment in government business enterprise (note 3)	46,708	29,198
	<u>12,508,683</u>	<u>10,339,050</u>
Financial liabilities		
Accounts payable and accrued liabilities	1,286,093	1,448,860
Deferred revenue - obligatory reserves (note 4)	1,490,325	947,004
Deferred revenue - other (note 4)	43,873	49,600
Employee future benefit obligations (note 6)	1,794,738	2,216,931
Landfill closure and post closure liability (note 7)	1,598,585	1,642,922
Long-term obligations (note 8)	2,332,272	2,429,922
	<u>8,545,886</u>	<u>8,735,239</u>
Net financial assets	3,962,797	1,603,811
Non-financial assets		
Tangible capital assets (note 9)	31,753,138	30,507,523
Prepaid expenses	23,198	22,237
Inventories	56,564	46,871
	<u>31,832,900</u>	<u>30,576,631</u>
Commitments (note 14)		
Accumulated surplus (note 12)	\$ 35,795,697	\$ 32,180,442

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, 2021, with comparative information for 2020

	Budget (note 15)	2021	2020
Revenue:			
Net taxation (note 10)	\$ 4,894,705	\$ 4,992,426	\$ 4,750,506
Government transfers and grants	7,003,603	6,886,012	8,081,306
Fees and user charges	2,330,430	2,495,257	2,216,986
Investment and interest income	108,239	125,596	139,651
Other	850,757	568,321	513,830
Total revenue	15,187,734	15,067,612	15,702,279
Expenses:			
General government	1,973,615	1,963,250	2,060,715
Protection services	1,406,662	1,326,619	1,304,881
Transportation services	2,547,615	2,090,251	2,637,081
Environmental services	2,665,649	2,413,929	2,842,824
Health services	145,819	136,663	135,184
Social and family services	1,571,123	1,554,018	1,553,740
Recreation and cultural services	1,972,008	1,801,377	2,247,175
Planning and development	174,703	166,250	180,354
Total expenses	12,457,194	11,452,357	12,961,954
Annual surplus	2,730,540	3,615,255	2,740,325
Accumulated surplus, beginning of year	32,180,442	32,180,442	29,440,117
Accumulated surplus, end of year	\$ 34,910,982	\$ 35,795,697	\$ 32,180,442

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

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

	Budget (note 15)	2021	2020
Annual surplus	\$ 2,730,540	\$ 3,615,255	\$ 2,740,325
Acquisition of tangible capital assets	(4,994,005)	(3,778,773)	(3,956,568)
Amortization of tangible capital assets	2,086,783	2,086,783	1,957,540
Loss on disposal of tangible capital assets	-	196,375	62,074
Proceeds on sale of tangible capital assets	-	75,000	-
Issuance of promissory note receivable on sale of tangible capital assets	-	175,000	-
	(176,682)	2,369,640	803,371
Change in prepaid supplies	-	(961)	69,797
Change in inventories of supplies	-	(9,693)	33,602
Change in net financial assets	(176,682)	2,358,986	906,770
Net financial assets, beginning of year	1,603,811	1,603,811	697,041
Net financial assets, end of year	\$ 1,427,129	\$ 3,962,797	\$ 1,603,811

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, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,615,255	\$ 2,740,325
Items not involving cash:		
Amortization of tangible capital assets	2,086,783	1,957,540
Loss on disposal of tangible capital assets	196,375	62,074
Change in future employee benefit obligations	(422,193)	308,910
Change in landfill closure and post-closure liability	(44,337)	136,118
	<u>5,431,883</u>	<u>5,204,967</u>
Change in non-cash assets and liabilities:		
Taxes receivable	(81,733)	(116,449)
Accounts receivable	432,612	(1,170,808)
Loans receivable	(102,541)	-
Prepaid expenses	(961)	69,797
Inventories	(150)	17,830
Accounts payable and accrued liabilities	(162,767)	40,145
Deferred revenue - obligatory reserves	543,321	(35,078)
Deferred revenue - other	(5,727)	(1,733,036)
	<u>6,053,937</u>	<u>2,277,368</u>
Capital activities:		
Proceeds on sale of tangible capital assets	75,000	-
Issuance of promissory note receivable on sale of tangible capital assets	175,000	-
Cash used to acquire tangible capital assets	(3,778,773)	(3,956,568)
	<u>(3,528,773)</u>	<u>(3,956,568)</u>
Investing activities:		
Investment in government business enterprise	(17,510)	-
Financing activities:		
Decrease in investments	718,577	1,153,749
Repayment of long-term liabilities	(97,650)	(1,703,923)
	<u>620,927</u>	<u>(550,174)</u>
Net change in cash	3,128,581	(2,229,374)
Cash and cash equivalents, beginning of year	1,865,277	4,094,651
Cash and cash equivalents, end of year	<u>\$ 4,993,858</u>	<u>\$ 1,865,277</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, 2021

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, 2021

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.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessments. Assessments and related property taxes are subject to appeal by ratepayers. Tax adjustments as a result of supplementary assessments and appeals are estimated based on historical results.

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

Government transfers 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.

Government transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

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) Financial Instruments:

The Municipality initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties. The Municipality subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the consolidated statement of operations.

Financial assets measured at amortized cost include cash, taxes receivable, accounts receivable and loans receivable.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(d) Financial Instruments (continued):

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

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial assets, a valuation allowance is used to reflect the financial asset at the lower cost and estimated net recoverable value, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(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.

(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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

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.

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.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies (continued):

(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.

2. Loans receivable:

The Municipality entered into a loan agreement with Michipicoten Golf Club Limited ("Golf Club") related to the purchase of turf equipment. The loan is interest free. A portion of the loan will be forgiven annually in amounts equal to approved capital purchases by the Golf Club. \$77,900 was forgiven in 2021.

In 2021, the Municipality entered into a promissory note in exchange for the sale of certain land and infrastructure. The promissory note bears interest at prime plus 2% per annum and is secured by the related asset. The note is payable upon the third anniversary of the registration of the mortgage.

	2021	2020
Loan receivable from Michipicoten Golf Club Limited	\$ 33,292	\$ 111,192
Promissory note receivable	180,441	–
	<u>\$ 213,733</u>	<u>\$ 111,192</u>

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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 enterprise 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.

	2021	2020
Balance, beginning of year:	\$ 29,198	\$ 29,198
Municipality's contribution	17,510	–
Balance, end of year	\$ 46,708	\$ 29,198

4. Deferred revenue:

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

	2021	2020
Lot levies	\$ 28,209	\$ 28,209
Federal Gas Tax	1,061,696	736,301
Ontario Community Infrastructure Fund	400,420	182,494
	\$ 1,490,325	\$ 947,004

Continuity of deferred revenue - obligatory is as follows:

	2021	2020
Balance, beginning of year	\$ 947,004	\$ 982,082
Contributions deferred	631,561	661,964
Interest	8,115	19,263
	1,586,680	1,663,309
Contributions used	(96,355)	(716,305)
Balance, end of year	\$ 1,490,325	\$ 947,004

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

4. Deferred revenue (continued):

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

	2021	2020
Deferred revenue - non-obligatory	\$ 43,873	\$ 49,600

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

	2021	2020
Balance, beginning of year	\$ 49,600	\$ 1,782,636
Contributions deferred	14,941	13,168
Contributions used	(20,668)	(1,746,204)
Balance, end of year	\$ 43,873	\$ 49,600

5. Trust funds:

The trust funds administered by the Municipality amounting to \$182,577 (2020 – \$181,380) 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, 2021

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:

	2021	2020
Accumulated sick leave benefit plan entitlements	\$ 78,910	\$ 91,658
Vacation pay	187,901	190,694
Medical and dental plan entitlements	1,527,927	1,934,579
Employee future benefit obligations	\$ 1,794,738	\$ 2,216,931

A reserve fund in the amount of \$84,181 (2020 - \$147,432) 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, 2021, this liability is estimated at \$78,910 (2020 - \$91,658).

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, 2021.

At December 31, 2021, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is \$1,527,927 (2020 - \$1,934,579).

The benefit liability continuity is as follows:

	2021	2020
Accrued benefit liability, January 1	\$ 1,934,579	\$ 1,608,420
Expense	74,685	58,091
Payments	(56,348)	(44,697)
Interest accrued	48,594	52,491
Actuarial (gain) loss	(473,583)	260,274
Accrued benefit liability, December 31	\$ 1,527,927	\$ 1,934,579

	2021	2020
<i>Significant assumptions:</i>		
Discount rate	3.00%	2.50%
Health cost increase	3.5 – 6.0%	3.5 – 6.1%

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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 3,757 metric tons (2020 – 1,622 m³). At current average fill rates, the site has a remaining operating life of approximately 1.5 years and expected closure in May 2023. The change in liability is recorded based on the capacity of the landfill sites used to date. At December 31, 2021, an amount of \$1,598,585 (2020 – \$1,642,922) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenue.

A reserve of \$270,476 (2020 – \$183,818) has been established to contribute to the cost of closing and maintaining the landfill sites.

The Municipality has started work to expand the landfill site and received approval from the Ministry of Agriculture, Food and Rural Affairs to continue use of the site until May 30, 2023.

8. Long-term obligations:

	2021	2020
Ontario Infrastructure and Lands Corporation debenture, payable semi-annual \$77,632 with interest at 5.6%, repayable July 2049	\$ 2,210,137	\$ 2,242,280
Loan payable CMHC, \$30,569 annually including interest at 3.59%, repayable December 2025	112,043	137,670
Ontario Infrastructure and Lands Corporation Debenture payable \$2,110 semi-annually with interest at 3.00%, repayable February 2024	10,092	13,922
Ontario Infrastructure and Lands Corporation Debenture payable \$18,409 semi-annually with interest at 2.83%, repayable December 2021	–	36,050
	<u>\$ 2,332,272</u>	<u>\$ 2,429,922</u>

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

8. Long-term obligations (continued):

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

2022	\$	64,460
2023		67,462
2024		68,500
2025		69,598
2026		42,365
Thereafter		2,019,887

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 \$152,559 (2020 – \$207,239).

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

9. Tangible capital assets:

											2021
	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	1,947,514	8,265,292	250,000	62,555,548	1,979,744	307,809	1,202,299	3,588,227	\$ 80,319,677	
Additions	-	16,556	32,295	-	3,439,308	536,779	-	82,776	2,820,457	6,928,171	
Disposals/transfers	-	-	-	(250,000)	(171,475)	-	-	(91,138)	(3,149,398)	(3,662,011)	
Balance, end of year	223,244	1,964,070	8,297,587	-	65,823,381	2,516,523	307,809	1,193,937	3,259,286	83,585,837	
Accumulated amortization											
Balance, beginning of the year	-	(686,052)	(5,655,048)	-	(42,068,859)	(834,192)	(196,687)	(371,316)	-	(49,812,154)	
Disposals/transfers	-	-	-	-	3,975	-	-	62,263	-	66,238	
Amortization expense	-	(107,783)	(229,012)	-	(1,545,673)	(80,094)	(39,388)	(84,833)	-	(2,086,783)	
Balance, end of year	-	(793,835)	(5,884,060)	-	(43,610,557)	(914,286)	(236,075)	(393,886)	-	(51,832,699)	
Net book value, end of year	\$ 223,244	1,170,235	2,413,527	-	22,212,824	1,602,237	71,734	800,051	3,259,286	\$ 31,753,138	
Net book value, beginning of year	\$ 223,244	1,261,462	2,610,244	250,000	20,486,689	1,145,552	111,122	830,983	3,588,227	\$ 30,507,523	

Assets under construction:

Assets under construction having a value of \$3,259,296 (2020 - \$3,588,227) 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, 2021

9. Tangible capital assets (continued):

											2020
		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	691,710	8,219,154	250,000	61,834,156	1,927,628	307,809	690,029	2,427,994	\$ 76,571,724
Additions		-	1,255,804	105,551	-	742,890	179,820	-	512,270	3,187,865	5,984,200
Disposals/transfers		-	-	(59,413)	-	(21,498)	(127,704)	-	-	(2,027,632)	(2,236,247)
Balance, end of year		223,244	1,947,514	8,265,292	250,000	62,555,548	1,979,744	307,809	1,202,299	3,588,227	80,319,677
Accumulated amortization											
Balance, beginning of the year		-	(653,333)	(5,471,584)	-	(40,567,025)	(860,281)	(142,758)	(306,174)	-	(48,001,155)
Disposals/transfers		-	-	41,590	-	17,019	87,932	-	-	-	146,541
Amortization expense		-	(32,719)	(225,054)	-	(1,518,853)	(61,843)	(53,929)	(65,142)	-	(1,957,540)
Balance, end of year		-	(686,052)	(5,655,048)	-	(42,068,859)	(834,192)	(196,687)	(371,316)	-	(49,812,154)
Net book value, end of year	\$	223,244	1,261,462	2,610,244	250,000	20,486,689	1,145,552	111,122	830,983	3,588,227	\$ 30,507,523
Net book value, beginning 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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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 2021.

	2021	2020
Residential and farm taxation	\$ 3,483,233	\$ 3,268,325
Commercial and industrial taxation	1,798,890	1,804,118
Taxation from other governments	228,214	225,998
	5,510,337	5,298,441
Less: Amount levied and remitted to school boards	(517,911)	(547,935)
Net taxation	\$ 4,992,426	\$ 4,750,506

During 2021, the Municipality collected and transferred property taxes totaling \$517,911 (2020 – \$547,935) on behalf of area school boards.

11. Contributions to unconsolidated joint boards:

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

	2021	2020
Algoma District Services Administration Board	\$ 1,537,704	\$ 1,534,829
Algoma Health Unit	106,247	105,694
	\$ 1,643,951	\$ 1,640,523

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

12. Accumulated surplus:

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

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 31,753,138	\$ 30,507,523
Invested in government business enterprise	46,708	29,198
Operating fund	3,025,608	2,532,319
Amounts to be recovered:		
Net long-term obligations	(2,332,272)	(2,429,922)
Landfill closure and post closure liability	(1,598,585)	(1,642,922)
Employee future benefit obligations	(1,794,738)	(2,216,931)
Total surplus	29,099,859	26,779,265
Reserves and reserve funds set aside for specific purpose by Council:		
Working capital	271,490	271,490
Acquisition of tangible capital assets	671,512	696,512
Sick leave	33,335	33,335
Water and sewer	1,164,257	693,182
Other programs	4,555,244	3,706,658
Total reserves and reserve funds	6,695,838	5,401,177
	\$ 35,795,697	\$ 32,180,442

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 2021 was \$210,611 (2020 – \$225,956) 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, 2021

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 2027. The minimum annual payments under these contracts for the next five years are as follows:

2022	\$ 1,325,897
2023	55,510
2024	35,360
2025	34,933
2026	25,974

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 2021 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2021. 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 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	288,879
Acquisition of tangible capital assets	4,994,005
Amortization of tangible capital assets	(2,086,783)
Net transfers to/from reserves and other	(465,561)
Budget surplus per consolidated statement of operations and accumulated surplus	\$ 2,730,540

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, 2021

17. Financial risk:

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

(a) Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from customers and ratepayers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears.

(b) Liquidity risk:

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

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

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

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to this risk mainly in respect of certain bank credit facilities.

The Municipality has interest rate exposure on its credit facilities, which are variable based on the prime rate of interest and at renewal of credit facilities with fixed rates of interest.

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

(d) Other risk:

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

17. Financial risk (continued):

(d) Other risk (continued):

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

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.

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.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

18. Segmented information (continued):

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, 2021

18. Segmented disclosure (continued):

								2021
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 862,379	578,313	911,203	1,045,765	737,018	785,274	72,474	\$ 4,992,426
Government grants	2,521,291	535,922	2,613,178	13,285	1,181,763	20,573	-	6,886,012
Fees and user charges	70,735	46,576	544,147	1,714,237	-	117,362	2,200	2,495,257
Interest income and other	109,759	144,787	119,052	101,022	71,197	140,099	8,001	693,917
	3,564,164	1,305,598	4,187,580	2,874,309	1,989,978	1,063,308	82,675	15,067,612
Expenses:								
Salaries, wages and employee benefits	1,011,771	232,950	534,609	384,847	15,637	614,725	-	2,794,539
Materials, supplies and contracted services	846,445	1,065,956	1,068,286	977,301	1,668,508	778,289	166,250	6,571,035
Amortization of tangible capital assets	105,034	27,713	487,356	1,051,781	6,536	408,363	-	2,086,783
	1,963,250	1,326,619	2,090,251	2,413,929	1,690,681	1,801,377	166,250	11,452,357
Annual surplus (deficit)	\$ 1,600,914	(21,021)	2,097,329	460,380	299,297	(738,069)	(83,575)	\$ 3,615,255

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

18. Segmented disclosure (continued):

	2020							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 773,116	476,095	962,157	1,037,223	616,215	819,897	65,803	\$ 4,750,506
Government grants	2,415,618	705,365	3,513,997	25,103	1,216,022	158,775	46,426	8,081,306
Fees and user charges	66,258	46,783	341,301	1,624,074	-	128,595	9,975	2,216,986
Interest income and other	94,045	98,464	102,475	132,023	57,445	162,406	6,623	653,481
	3,349,037	1,326,707	4,919,930	2,818,423	1,889,682	1,269,673	128,827	15,702,279
Expenses:								
Salaries, wages and employee benefits	1,030,568	240,582	1,336,163	412,973	11,609	601,359	-	3,633,254
Materials, supplies and contracted services	931,319	1,051,145	803,859	1,404,801	1,670,779	1,328,903	180,354	7,371,160
Amortization of tangible capital assets	98,828	13,154	497,059	1,025,050	6,536	316,913	-	1,957,540
	2,060,715	1,304,881	2,637,081	2,842,824	1,688,924	2,247,175	180,354	12,961,954
Annual surplus (deficit)	\$ 1,288,322	21,826	2,282,849	(24,401)	200,758	(977,502)	(51,527)	\$ 2,740,325