



TOWN OF PETAWAWA

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements:

The accompanying consolidated financial statements of the **CORPORATION OF THE TOWN OF PETAWAWA** are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the 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 Town'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 Town's Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Council's approval of the financial statements.

The consolidated financial statements have been audited by Welch LLP, independent external auditors appointed by the Town. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer

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June 10, 2019

Mayor

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of

CORPORATION OF THE TOWN OF PETAWAWA

Opinion

We have audited the consolidated financial statements of the Corporation of the Town of Petawawa (the Town), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2018 and the results of its consolidated operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
June 10, 2019

Welch LLP

An Independent Member of BKR International

CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash	\$ 16,291,816	\$ 13,895,402
Investments (Note 2)	1,069,708	1,075,539
Taxes receivable (Note 3)	950,030	840,609
Accounts receivable	2,056,474	2,336,306
Inventories for resale	<u>15,736</u>	<u>16,757</u>
	<u>20,383,764</u>	<u>18,164,613</u>
 LIABILITIES		
Accounts payable and accrued liabilities	3,299,416	4,276,947
Deferred revenue - general	119,682	75,540
Deferred revenue - obligatory (Note 4)	1,391,212	1,056,132
Provision for landfill closure and post-closure costs (Note 5)	554,062	556,372
Long-term debt (Note 6)	<u>867,373</u>	<u>1,120,064</u>
	<u>6,231,745</u>	<u>7,085,055</u>
 NET FINANCIAL ASSETS	 <u>14,152,019</u>	 <u>11,079,558</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	81,244,100	81,636,063
Prepaid expenses	<u>144,754</u>	<u>144,785</u>
	<u>81,388,854</u>	<u>81,780,848</u>
 ACCUMULATED SURPLUS (Note 9)	 <u>\$ 95,540,873</u>	 <u>\$ 92,860,406</u>

(See accompanying notes and schedule)

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**CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget 2018</u>	<u>Actual 2018</u>	<u>Actual 2017</u>
REVENUE			
Property taxation	\$ 5,200,479	\$ 5,287,555	\$ 4,938,687
Payment in lieu of taxes	5,571,097	5,552,944	5,262,625
User and frontage charges	8,102,482	8,220,077	6,873,823
Provincial and other government transfers	1,431,118	1,463,801	2,298,707
Gas tax funding	509,233	509,233	494,691
Development contributions and development charges	302,500	491,887	1,613,170
Investment income	91,876	294,813	165,017
Penalties and interest	123,763	131,177	124,976
Fees, service charges, donations and miscellaneous	517,027	521,259	626,262
Loss on disposal of tangible capital assets	-	(52,030)	(25,720)
	<u>21,849,575</u>	<u>22,420,716</u>	<u>22,372,238</u>
EXPENSES			
General government	1,473,600	1,429,345	1,352,037
Protection to persons and property	2,947,559	2,903,808	2,997,966
Transportation services	2,382,336	4,174,552	3,905,121
Environmental services	6,330,752	7,445,632	7,411,845
Recreation and cultural services	3,008,424	3,342,192	3,340,607
Planning and development	534,750	444,720	323,507
	<u>16,677,421</u>	<u>19,740,249</u>	<u>19,331,083</u>
EXCESS OF REVENUE OVER EXPENSES	5,172,154	2,680,467	3,041,155
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>92,860,406</u>	<u>92,860,406</u>	<u>89,819,251</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 98,032,560</u>	<u>\$ 95,540,873</u>	<u>\$ 92,860,406</u>

(See accompanying notes and schedule)

CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget 2018</u>	<u>Actual 2018</u>	<u>Actual 2017</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>5,172,154</u>	\$ <u>2,680,467</u>	\$ <u>3,041,155</u>
Acquisition of tangible capital assets	(4,231,677)	(2,989,248)	(3,471,577)
Contributed tangible capital assets	-	(421,887)	(1,030,865)
Loss on disposal of tangible capital assets	-	52,030	25,720
Proceeds on sale of tangible capital assets	-	41,144	32,239
Amortization of tangible capital assets	-	3,872,589	3,730,177
Construction in progress	-	(162,665)	(1,179,809)
Changes in level of prepaid expenses	-	31	(7,113)
	<u>(4,231,677)</u>	<u>391,994</u>	<u>(1,901,228)</u>
INCREASE IN NET FINANCIAL ASSETS	940,477	3,072,461	1,139,927
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>11,079,558</u>	<u>11,079,558</u>	<u>9,939,631</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 12,020,035</u>	<u>\$ 14,152,019</u>	<u>\$ 11,079,558</u>

(See accompanying notes and schedule)

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**CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 2,680,467	\$ 3,041,155
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,872,589	3,730,177
Landfill closure and post-closure costs	(2,310)	49,226
Contributed tangible capital assets	(421,887)	(1,030,865)
Loss on disposal of tangible capital assets	<u>52,030</u>	<u>25,720</u>
	6,180,889	5,815,413
Change in the level of:		
Taxes receivable	(109,421)	21,195
Accounts receivable	279,832	1,195,556
Inventories for resale	1,021	326
Prepaid expenses	31	(7,113)
Accounts payable and accrued liabilities	(977,531)	(444,195)
Deferred revenue - general	44,142	18,098
Deferred revenue - obligatory	<u>335,080</u>	<u>59,860</u>
	<u>5,754,043</u>	<u>6,659,140</u>
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,989,248)	(3,471,577)
Proceeds from sale of tangible capital assets	41,144	32,239
Construction in progress	<u>(162,665)</u>	<u>(1,179,809)</u>
	<u>(3,110,769)</u>	<u>(4,619,147)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	71,392
Repayment of long-term liabilities	<u>(252,691)</u>	<u>(241,581)</u>
	<u>(252,691)</u>	<u>(170,189)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of investments	5,831	-
Acquisition of investments	<u>-</u>	<u>(97,739)</u>
	<u>5,831</u>	<u>(97,739)</u>
NET CHANGE IN CASH	2,396,414	1,772,065
CASH, BEGINNING OF YEAR	<u>13,895,402</u>	<u>12,123,337</u>
CASH, END OF YEAR	<u>\$ 16,291,816</u>	<u>\$ 13,895,402</u>

(See accompanying notes and schedule)

CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2018
SCHEDULE 1

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Linear Assets</u>	<u>2018</u>	<u>2017</u>
COST:								
Balance, beginning of year	\$ 2,130,968	\$ 3,767,867	\$ 34,872,055	\$ 6,597,049	\$ 5,190,656	\$ 90,644,057	\$143,202,652	\$138,239,767
Acquisition of tangible capital assets	25,262	202,505	4,905	169,289	138,036	2,871,138	3,411,135	4,502,442
Disposal of tangible capital assets	-	-	-	(69,022)	(211,952)	(443,377)	(724,351)	(719,366)
Construction in progress	-	22,993	5,652	38,316	-	95,704	162,665	1,179,809
Balance, end of year	<u>2,156,230</u>	<u>3,993,365</u>	<u>34,882,612</u>	<u>6,735,632</u>	<u>5,116,740</u>	<u>93,167,522</u>	<u>146,052,101</u>	<u>143,202,652</u>
ACCUMULATED AMORTIZATION:								
Balance, beginning of year	-	2,142,114	20,367,382	4,593,925	2,235,177	32,227,991	61,566,589	58,497,819
Annual amortization	-	148,932	903,016	358,446	273,458	2,188,737	3,872,589	3,730,177
Accumulated amortization on disposals	-	-	-	(69,022)	(201,098)	(361,057)	(631,177)	(661,407)
Balance, end of year	<u>-</u>	<u>2,291,046</u>	<u>21,270,398</u>	<u>4,883,349</u>	<u>2,307,537</u>	<u>34,055,671</u>	<u>64,808,001</u>	<u>61,566,589</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 2,156,230</u>	<u>\$ 1,702,319</u>	<u>\$ 13,612,214</u>	<u>\$ 1,852,283</u>	<u>\$ 2,809,203</u>	<u>\$ 59,111,851</u>	<u>\$ 81,244,100</u>	<u>\$ 81,636,063</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 2,130,968</u>	<u>\$ 1,625,753</u>	<u>\$ 14,504,673</u>	<u>\$ 2,003,124</u>	<u>\$ 2,955,479</u>	<u>\$ 58,416,066</u>	<u>\$ 81,636,063</u>	

(See accompanying notes)

**CORPORATION OF THE TOWN OF PETAWAWA
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE**

YEAR ENDED DECEMBER 31, 2018

SCHEDULE 2

	General government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Total
REVENUE							
Property taxation	\$ 5,287,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,287,555
Payment in lieu of taxes	5,552,944	-	-	-	-	-	5,552,944
User and frontage charges	-	40,667	140,422	7,593,626	445,362	-	8,220,077
Provincial and other government transfers	478,492	68,480	301,258	416,709	188,292	10,570	1,463,801
Gas tax funding	-	-	509,233	-	-	-	509,233
Developer contributions and development charges	-	-	246,347	215,540	30,000	-	491,887
Investment income	268,730	-	(743)	24,444	2,382	-	294,813
Penalties and interest	131,177	-	-	-	-	-	131,177
Fees, service charges, donations and miscellaneous	241,334	195,225	23,306	9,135	13,037	39,222	521,259
(Loss) gain on disposal of tangible capital assets	-	-	(82,320)	25,757	4,533	-	(52,030)
	<u>\$ 11,960,232</u>	<u>\$ 304,372</u>	<u>\$ 1,137,503</u>	<u>\$ 8,285,211</u>	<u>\$ 683,606</u>	<u>\$ 49,792</u>	<u>\$ 22,420,716</u>
EXPENSES							
Salaries, wages and benefits	823,756	606,106	921,276	1,366,856	1,846,994	290,628	5,855,616
Materials, supplies and contracted services	477,579	2,152,072	1,529,770	4,441,617	1,115,915	147,746	9,864,699
Donations and grants	79,032	-	-	-	-	-	79,032
Interest expense	-	-	-	61,156	-	-	61,156
Taxation adjustments and vacancy rebates	9,467	-	-	-	-	-	9,467
Provision for landfill closure and post-closure costs	-	-	-	(2,310)	-	-	(2,310)
	<u>1,389,834</u>	<u>2,758,178</u>	<u>2,451,046</u>	<u>5,867,319</u>	<u>2,962,909</u>	<u>438,374</u>	<u>15,867,660</u>
NET REVENUE (EXPENSES) BEFORE AMORTIZATION	10,570,398	(2,453,806)	(1,313,543)	2,417,892	(2,279,303)	(388,582)	6,553,056
Amortization expense	39,511	145,630	1,723,506	1,578,313	379,283	6,346	3,872,589
NET REVENUE (EXPENSES)	<u>\$ 10,530,887</u>	<u>\$ (2,599,436)</u>	<u>\$ (3,037,049)</u>	<u>\$ 839,579</u>	<u>\$ (2,658,586)</u>	<u>\$ (394,928)</u>	<u>\$ 2,680,467</u>

(See accompanying notes)

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

The Town of Petawawa is an incorporated municipality in the Province of Ontario. The Town conducts its operations as described by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Petawawa are the representations of management, prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Town and include the activities of all committees of Council and the following boards which are under the control of Council:

Petawawa Public Library Board

In addition, the municipality is a member of two joint local boards. These financial statements include, based on the Town's share of total municipal contributions, the Town's proportionate share of the assets, liabilities, revenues and expenditures of the following joint local boards:

	<u>% Share</u>
Pembroke and Area Airport Commission	30.05
Ottawa Valley Waste Management Board	40.68

Inter-organizational transactions and balances have been eliminated in the preparation of these financial statements.

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned, measurable and collection is reasonably assured. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired and collection is reasonably assured.

(see accompanying schedules)

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 dates of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions which include landfill closure and post-closure liability and the estimated useful life of tangible capital assets are based on managements best information and judgement. Actual results could be materially different from those estimates.

Landfill Closure and Post-Closure Liabilities

The Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

Investments

Investments are valued at the lower of amortized cost and market value. Investment premiums and discounts are being amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Inventories for Resale

Concession, gas and jet fuel inventories for resale are valued at the lower of cost and net realizable value with cost being determined substantially on a first in, first out basis for concession inventories and most recent invoice cost for gas and jet fuel inventories.

Deferred Revenue - Obligatory

Deferred revenue - obligatory consists of user charges received with respect to services and expenditures which have yet to be provided and/or incurred. Deferred revenue - obligatory will be recognized as income in the year the related services are provided or expenditures incurred.

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(see accompanying schedules)

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

Revenues from property taxation, payment in lieu of taxes and penalties and interest are recognized in the period in which they are levied and the taxable event has occurred and collection is reasonably assured. User charges are recognized as the service is provided and collection is reasonably assured. Frontage charges, gas tax funding and provincial and other government transfers are recognized when the related expenditure is incurred. Revenue from the sale of assets and concessions are recognized at the point of sale. Developer contributions are recognized when legal title of the tangible capital asset has been transferred to the Town. Investment income is recognized as it is earned. Fees, service charges, donations, and miscellaneous are recognized when collection is reasonably assured.

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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Consolidated Change in Net Financial Assets for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Land improvements	15-75
Buildings	20-80
Machinery and equipment	5-25
Vehicles	5-25
Linear assets	10-75

Annual amortization is charged in the year of acquisition for all non-linear assets and streetlights. Annual amortization is charged in the year following acquisition for all linear assets except streetlights. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of Tangible Capital Assets

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

(see accompanying schedules)

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

iii) Leases

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

iv) Natural Resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

v) Methods Used for Determining the Costs

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

NOTE 2 INVESTMENTS

Investments held by the Ottawa Valley Waste Management Board consist of a variety of fixed income securities and an investment savings account. The fixed income securities have effective interest rates of 1.94% to 4.87% with maturity dates from January 14, 2019 to March 5, 2040. The Town's share of the fair market value of these investments at December 31, 2018 is \$985,843 (2017 - \$985,968).

Investments held by the Pembroke and Area Airport Commission comprise of money market funds, income funds, bonds and a high interest savings account. The Town's share of the fair market value of these investments at December 31, 2018 is \$84,591 (2017 - \$97,368).

NOTE 3 TAXES RECEIVABLE

Taxes receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Current year taxes	\$ 540,466	\$ 520,160
Prior year taxes	336,369	271,246
Penalties	73,195	49,203
	<u>\$ 950,030</u>	<u>\$ 840,609</u>

(see accompanying schedules)

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 4 DEFERRED REVENUE - OBLIGATORY

Deferred revenue - obligatory consists of the following:

	<u>2018</u>	<u>2017</u>
Development charges	\$ <u>1,391,212</u>	\$ <u>1,056,132</u>

Continuity of deferred revenue - obligatory is as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,056,132	\$ 996,272
Development charges received	384,388	630,164
Government funding received - gas tax funding	509,233	494,691
Investment income	20,692	12,001
Development charges recognized as income	(70,000)	(582,305)
Government funding recognized - gas tax funding	<u>(509,233)</u>	<u>(494,691)</u>
Balance, end of year	<u>\$ 1,391,212</u>	<u>\$ 1,056,132</u>

NOTE 5 SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Ottawa Valley Waste Management Board assumed control of a landfill site and also assumed liability for its closure and post-closure care. These financial statements recognize a liability for closure and post-closure care to the extent that the site has been used to date. Specifically, usage is measured as cumulative capacity used versus total estimated capacity available. Furthermore, as costs are expected to be incurred in the future, expected closure and post-closure costs have been discounted at 5.23% which is the Board's average long term borrowing rate, net of estimated annual inflation of 2%. The existing landfill site is expected to reach capacity in approximately the year 2034. The following summarizes the Town's share of the estimated closure and post-closure costs and remaining capacity of the Board's landfill site at December 31, 2018:

Town's share of Estimated Liabilities

Expected total expenditures	\$ 2,471,269
Amount remaining to be recognized	<u>(1,917,207)</u>
Liability recognized to date	<u>\$ 554,062</u>
Landfill site's estimated remaining capacity in cubic metres	<u>627,665</u>
Landfill site's remaining useful life in years	<u>16</u>
Expected years of post-closure care	<u>75</u>

The Board has designated the investments disclosed in Note 2 for settling closure and post-closure care liabilities.

(see accompanying schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 6 LONG-TERM DEBT

The terms of the long-term debt incurred by local boards and how the principal payments will be recovered are as follows:

	<u>2018</u>	<u>2017</u>
Debenture, due 2022, payable in annual installments of \$178,250 with interest payable semi-annually at 7.23% per annum.	\$ 713,000	\$ 891,250
Debenture, due 2020, payable in semi annual installments of \$9,114 including interest at 1.80% per annum	35,651	53,068
From general taxation, a capital lease, due 2020, payable in monthly installments of \$3,914 including interest at 4.45% per annum.	68,072	111,179
From general taxation, a capital lease, due 2022, payable in semi annual installments of \$7,527 including interest at 1.99% per annum.	<u>50,650</u>	<u>64,567</u>
	<u>\$ 867,373</u>	<u>\$ 1,120,064</u>

Machinery under capital leases have a cost of \$288,083 and accumulated amortization of \$57,898.

Payments on existing debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 254,916	\$ 48,690	\$ 303,606
2020	233,820	33,416	267,236
2021	192,935	19,699	212,634
2022	<u>185,702</u>	<u>6,518</u>	<u>192,220</u>
	<u>\$ 867,373</u>	<u>\$ 108,323</u>	<u>\$ 975,696</u>

Interest on long-term debt amounted to \$61,156 (2017 - \$76,611). The Town's total cash payments related to long-term debt in 2018 was \$236,244 (2017 - \$249,131).

NOTE 7 CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2018 (2017 - \$nil) as a result of this standard.

NOTE 8 EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets, cost (Schedule 1)	\$146,052,101	\$143,202,652
Accumulated amortization (Schedule 1)	(64,808,001)	(61,566,589)
Long-term debt (Note 6)	<u>(867,373)</u>	<u>(1,120,064)</u>
	<u>\$ 80,376,727</u>	<u>\$ 80,515,999</u>

(see accompanying schedules)

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YEAR ENDED DECEMBER 31, 2018

NOTE 9 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2018</u>	<u>2017</u>
Unrestricted surplus (deficit)		
General	\$ 530,672	\$ (205,374)
Water	497,399	140,343
Sewer	184,714	331,418
Library	<u>97,579</u>	<u>87,561</u>
	1,310,364	353,948
Internally restricted reserves	14,407,844	12,546,831
Provision for unfinanced landfill liabilities	(554,062)	(556,372)
Equity in tangible capital assets (Note 8)	<u>80,376,727</u>	<u>80,515,999</u>
	<u>\$ 95,540,873</u>	<u>\$ 92,860,406</u>

NOTE 10 EXPENSES BY OBJECT

The consolidated statement of operations reports expenses for the Town by function. The following is a summary of expenses by object.

	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Salaries, wages and benefits	\$ 6,003,855	\$ 5,855,616	\$ 5,592,635
Materials, supplies and contracted services	10,523,572	9,864,699	9,790,035
Donations and grants	77,000	79,032	76,641
Interest expense	57,994	61,156	76,611
Taxation adjustments and vacancy rebates	15,000	9,467	15,758
Provision for landfill closure and post-closure costs	-	(2,310)	49,226
Amortization of tangible capital assets	-	<u>3,872,589</u>	<u>3,730,177</u>
	<u>\$ 16,677,421</u>	<u>\$ 19,740,249</u>	<u>\$ 19,331,083</u>

NOTE 11 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2018, requisitions were made by school boards and the County of Renfrew requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	<u>School Boards</u>	<u>County of Renfrew</u>
Property taxes	\$ 3,554,975	\$ 5,386,499
Taxation from other governments	<u>371,357</u>	<u>2,527,358</u>
Amount requisitioned	<u>\$ 3,926,332</u>	<u>\$ 7,913,857</u>

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

(see accompanying schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Dec 3, 2018

NOTE 12 COMMITMENTS

Ontario Clean Water Agency

The Town has entered into service agreements with the Ontario Clean Water Agency to operate wastewater and water systems. The Town is obligated to meet all operating costs of the facilities.

Included in the "Consolidated Statement of Operations" are charges from the Agency as follows:

	<u>2018</u>	<u>2017</u>
Wastewater	\$ 848,081	\$ 769,611
Water	\$ 731,701	\$ 723,576

Garbage collection

The Town has a contract for the collection of garbage. The contract expires in March, 2025. The contract cost for 2018 was \$822,918 (2017 - \$829,459).

Policing

The Town has a contract with the Province of Ontario for policing services. The contract for 2018 was \$1,753,441 (2017 - \$1,779,084).

NOTE 13 JOINT LOCAL BOARDS

The Town is a member of two joint local boards as follows:

Pembroke and Area Airport Commission

The Pembroke and Area Airport Commission was established in 1968 under the Municipal Act and on June 25, 1992 was continued as a body corporation by special legislation of the Province of Ontario. The Commission's primary function is the management of the Pembroke and Area Airport.

The Town's proportionate share of contributions to the Commission is 30.05% (2017 - 30.07%). The only transaction the Town had with the Commission during the year was the annual municipal levy of \$24,288 (2017 - \$23,142).

Summary financial information for the year ended December 31, 2018 and the Town's proportionate share are as follows:

	<u>Total</u>	<u>Town's Share</u>
Net financial assets	\$ 586,506	\$ 176,269
Non-financial assets	<u>3,554,303</u>	<u>977,702</u>
Accumulated surplus	<u>\$ 4,140,809</u>	<u>\$ 1,153,971</u>
Revenue	\$ 566,989	\$ 170,348
Expenses	<u>423,134</u>	<u>127,169</u>
Excess of expenses over revenue	<u>\$ 143,855</u>	<u>\$ 43,179</u>

(see accompanying schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 13 JOINT LOCAL BOARDS (cont'd)

Ottawa Valley Waste Management Board

The Ottawa Valley Waste Management Board is a joint local board which was formed to direct the operation of the Ottawa Valley Waste Recovery Centre.

The Town's proportionate share of contributions to the Board is 40.68% (2017 - 40.73%). The Town had the following transactions with the Board:

	<u>2018</u>	<u>2017</u>
Tipping fees	\$ <u>379,780</u>	\$ <u>369,141</u>

These transactions are in the normal course of operations and measured at their exchange amount.

Furthermore, the Town made the following debt payments on behalf of the Board:

Long term debt principal	\$ 178,250	\$ 178,250
Long term debt interest	<u>57,994</u>	<u>70,881</u>
	\$ <u>236,244</u>	\$ <u>249,131</u>

Summary financial information for the year ended December 31, 2018 and the Town's proportionate share are as follows:

	<u>Total</u>	<u>Town's Share</u>
Net financial assets	\$ 220,324	\$ 190,227
Non-financial assets	<u>12,827,693</u>	<u>4,747,713</u>
Accumulated surplus	<u>\$13,048,017</u>	<u>\$ 4,937,940</u>
Revenue	\$ 6,199,656	\$ 2,487,508
Expenses	<u>5,717,781</u>	<u>2,317,492</u>
Excess of revenue over expenses	<u>\$ 481,875</u>	<u>\$ 170,016</u>

(see accompanying schedules)

CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 14 FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, investments, taxes receivable, accounts receivable, accounts payable and accrued liabilities and long-term debt.

Risk

It is management's opinion that the Town is not exposed to significant interest or currency or credit risks arising from its financial instruments. The Town is subject to credit risk with respect to taxes and accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. It is management's opinion that the large number and diversity of taxpayers and users minimizes the credit risk.

Fair market value

Except for the following, the fair value of the Town's financial instruments approximates their carrying value due to their short term nature. The fair market value of the investments is disclosed in Note 2 to the consolidated financial statements. It is not practicable to determine the fair value of the long-term debt. The terms and conditions of the long-term debt are disclosed in Note 6 to the consolidated financial statements.

NOTE 15 BUDGET FIGURES

Budget figures reported on the Consolidated Statement of Operations and the Consolidated Statement of Changes in Net Financial Assets are based on 2018 operating and capital budgets as approved by Council on February 2, 2018 (By-law 1179/18 and 1180/18).

NOTE 16 PENSION AGREEMENT

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of permanent members of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. OMERS is financed by employer and employee contributions and by investment earnings of the OMERS fund.

Contributions for current service are recorded as expenditures in the year in which they became due.

The Town is required to make current service contributions to OMERS of 9% of pensionable earnings up to the years maximum pensionable earnings under the Canada Pension Plan and 14.6% on pensionable earnings above the amount. Employees are required to make current service contributions of the same amount.

Total current service contributions by the Town to OMERS in 2018 were \$224,406 (2017 - \$228,064). These contributions were matched with identical employee contributions for both years.

At December 31, 2018, OMERS disclosed an actuarial deficit of \$2.79 billion.

(see accompanying schedules)

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CORPORATION OF THE TOWN OF PETAWAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 17 SEGMENTED DISCLOSURES

The Town of Petawawa provides a range of services to its ratepayers. For each segment as reported in Schedule 2, revenues and expenses represent amounts that are directly attributable to the segment. Amounts not directly attributable to a segment are reported in general government. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

The activities that are included in each functional line of services are as follows:

General government consists of the Mayor and Council, the Chief Administrative Officer and administrative services which include the Treasurer and Deputy Clerk.

Protection to persons and property consists of Fire, Police, By-law Enforcement, Animal Control and Building Departments.

Transportation services include engineering, storm sewer, road, and sidewalk construction and maintenance, street lighting and winter control as well as the Pembroke and Area Airport Commission.

Environmental services consist of waterworks and sanitary operations, wastewater treatment, solid waste disposal and recycling and the Town's share of the Ottawa Valley Waste Management Board.

Recreation and cultural services is comprised primarily of parks services and the operation of recreational facilities and the Petawawa Public Library.

Planning and development consists of planning and zoning and economic development.

NOTE 18 SUBSEQUENT EVENTS

Subsequent to year end, the Town was affected by significant flooding. As a result, the Town has incurred and is incurring significant costs. It is uncertain as to the extent these costs may be recovered through insurance or provincial funding and the net financial impact to the Town is indeterminable at the date of these consolidated financial statements.