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# TOWN OF PETAWAWA

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www.petawawa.ca

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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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer

A handwritten signature in black ink, appearing to be "J. C. Jones", written over a horizontal line.

June 11, 2018

Mayor

A handwritten signature in black ink, appearing to be "R. Sweet", written over a horizontal line.

**FINANCIAL STATEMENTS**  
**CORPORATION OF THE TOWN OF PETAWAWA**  
**For year ended**  
**DECEMBER 31, 2017**

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the  
**CORPORATION OF THE TOWN OF PETAWAWA**

We have audited the accompanying consolidated financial statements of the **CORPORATION OF THE TOWN OF PETAWAWA**, which comprise of the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibility*

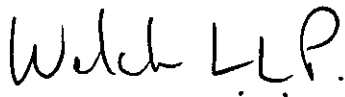
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **CORPORATION OF THE TOWN OF PETAWAWA** as at December 31, 2017, and the results of its operations, change in net financial assets and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.



CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario  
June 11, 2018

**CORPORATION OF THE TOWN OF PETAWAWA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 13,895,402	\$ 12,123,337
Investments (Note 2)	1,075,539	977,800
Taxes receivable (Note 3)	840,609	861,804
Accounts receivable	2,336,306	3,531,862
Inventories for resale	<u>16,757</u>	<u>17,083</u>
	<u>18,164,613</u>	<u>17,511,886</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4,276,947	4,721,142
Deferred revenue - general	75,540	57,442
Deferred revenue - obligatory (Note 4)	1,056,132	996,272
Provision for landfill closure and post-closure costs (Note 5)	556,372	507,146
Long-term debt (Note 6)	<u>1,120,064</u>	<u>1,290,253</u>
	<u>7,085,055</u>	<u>7,572,255</u>
<b>NET FINANCIAL ASSETS</b>	<u>11,079,558</u>	<u>9,939,631</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	81,636,063	79,741,948
Prepaid expenses	<u>144,785</u>	<u>137,672</u>
	<u>81,780,848</u>	<u>79,879,620</u>
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>\$ 92,860,406</u>	<u>\$ 89,819,251</u>

(See accompanying notes and schedule)

**CORPORATION OF THE TOWN OF PETAWAWA  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget 2017</u>	<u>Actual 2017</u>	<u>Actual 2016</u>
<b>REVENUE</b>			
Property taxation	\$ 4,863,072	\$ 4,938,687	\$ 4,541,681
Payment in lieu of taxes	5,497,539	5,262,625	5,282,795
User and frontage charges	7,807,477	6,873,823	7,398,915
Provincial and other government transfers	2,458,313	2,298,707	1,204,879
Gas tax funding	494,619	494,691	486,086
Development contributions and development charges	714,805	1,613,170	310,949
Investment income	60,116	165,017	169,262
Penalties and interest	116,000	124,976	93,756
Fees, service charges, donations and miscellaneous	543,825	626,262	529,658
Loss on disposal of tangible capital assets	<u>-</u>	<u>(25,720)</u>	<u>(74,563)</u>
	<u>22,555,766</u>	<u>22,372,238</u>	<u>19,943,418</u>
<b>EXPENSES</b>			
General government	1,476,464	1,352,037	1,348,537
Protection to persons and property	2,923,292	2,997,966	2,915,652
Transportation services	2,226,522	3,905,121	3,833,411
Environmental services	6,053,823	7,411,845	7,524,624
Recreation and cultural services	2,910,809	3,340,607	3,219,358
Planning and development	415,761	323,507	299,659
	<u>16,006,671</u>	<u>19,331,083</u>	<u>19,141,241</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	6,549,095	3,041,155	802,177
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>89,819,251</u>	<u>89,819,251</u>	<u>89,017,074</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 96,368,346</u>	<u>\$ 92,860,406</u>	<u>\$ 89,819,251</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, 2017**

	<u>Budget</u> <u>2017</u>	<u>Actual</u> <u>2017</u>	<u>Actual</u> <u>2016</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ <u>6,549,095</u>	\$ <u>3,041,155</u>	\$ <u>802,177</u>
Acquisition of tangible capital assets	(6,258,441)	(3,471,577)	(3,963,898)
Contributed tangible capital assets	-	(1,030,865)	-
Loss on disposal of tangible capital assets	-	25,720	74,563
Proceeds on sale of tangible capital assets	-	32,239	48,895
Amortization of tangible capital assets	-	3,730,177	3,696,035
Construction in progress	-	(1,179,809)	(225,973)
Changes in level of prepaid expenses	-	(7,113)	(8,090)
	<u>(6,258,441)</u>	<u>(1,901,228)</u>	<u>(378,468)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	290,654	1,139,927	423,709
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>9,939,631</u>	<u>9,939,631</u>	<u>9,515,922</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 10,230,285</u>	<u>\$ 11,079,558</u>	<u>\$ 9,939,631</u>

(See accompanying notes and schedule)

**CORPORATION OF THE TOWN OF PETAWAWA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 3,041,155	\$ 802,177
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,730,177	3,696,035
Landfill closure and post-closure costs	49,226	84,755
Contributed tangible capital assets	(1,030,865)	-
Loss on disposal of tangible capital assets	<u>25,720</u>	<u>74,563</u>
	5,815,413	4,657,530
Change in the level of:		
Taxes receivable	21,195	73,854
Accounts receivable	1,195,556	(1,331,778)
Inventories for resale	326	(1,483)
Prepaid expenses	(7,113)	(8,090)
Accounts payable and accrued liabilities	(444,195)	1,325,141
Deferred revenue - general	18,098	(8,736)
Deferred revenue - obligatory	<u>59,860</u>	<u>171,636</u>
	<u>6,659,140</u>	<u>4,878,074</u>
<b>CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(3,471,577)	(3,963,898)
Proceeds from sale of tangible capital assets	32,239	48,895
Construction in progress	<u>(1,179,809)</u>	<u>(225,973)</u>
	<u>(4,619,147)</u>	<u>(4,140,976)</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	71,392	206,745
Repayment of long-term liabilities	<u>(241,581)</u>	<u>(247,297)</u>
	<u>(170,189)</u>	<u>(40,552)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Acquisition of investments	<u>(97,739)</u>	<u>(296,005)</u>
<b>NET CHANGE IN CASH</b>	1,772,065	400,541
<b>CASH, BEGINNING OF YEAR</b>	<u>12,123,337</u>	<u>11,722,796</u>
<b>CASH, END OF YEAR</b>	<u>\$ 13,895,402</u>	<u>\$ 12,123,337</u>

(See accompanying notes and schedule)



**CORPORATION OF THE TOWN OF PETAWAWA**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**

YEAR ENDED DECEMBER 31, 2017

SCHEDULE 1

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Linear Assets	2017	2016
<b>COST:</b>								
Balance, beginning of year	\$ 2,105,968	\$ 3,699,088	\$ 34,857,155	\$ 6,540,735	\$ 4,987,116	\$ 86,049,705	\$138,239,767	\$134,523,253
Acquisition of tangible capital assets	-	68,779	-	221,790	459,091	3,752,782	4,502,442	3,963,898
Disposal of tangible capital assets	-	-	-	(165,476)	(255,551)	(298,339)	(719,366)	(473,357)
Construction in progress	<u>25,000</u>	<u>-</u>	<u>14,900</u>	<u>-</u>	<u>-</u>	<u>1,139,909</u>	<u>1,179,809</u>	<u>225,973</u>
Balance, end of year	<u>2,130,968</u>	<u>3,767,867</u>	<u>34,872,055</u>	<u>6,597,049</u>	<u>5,190,656</u>	<u>90,644,057</u>	<u>143,202,652</u>	<u>138,239,767</u>
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, beginning of year	-	2,004,290	19,446,962	4,383,312	2,212,900	30,450,355	58,497,819	55,151,683
Annual amortization	-	137,824	920,420	360,853	277,828	2,033,252	3,730,177	3,696,035
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,240)</u>	<u>(255,551)</u>	<u>(255,616)</u>	<u>(661,407)</u>	<u>(349,899)</u>
Balance, end of year	<u>-</u>	<u>2,142,114</u>	<u>20,367,382</u>	<u>4,593,925</u>	<u>2,235,177</u>	<u>32,227,991</u>	<u>61,566,589</u>	<u>58,497,819</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<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>	<u>\$ 79,741,948</u>
<b>2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 2,105,968</u>	<u>\$ 1,694,798</u>	<u>\$ 15,410,193</u>	<u>\$ 2,157,423</u>	<u>\$ 2,774,216</u>	<u>\$ 55,599,350</u>	<u>\$ 79,741,948</u>	<u>\$ 79,741,948</u>

(See accompanying notes)

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

YEAR ENDED DECEMBER 31, 2017

**SCHEDULE 2**

	General government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development	Total
<b>REVENUE</b>							
Property taxation	\$ 4,938,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,938,687
Payment in lieu of taxes	5,262,625	-	-	-	-	-	5,262,625
User and frontage charges	-	32,463	75,563	6,312,782	453,015	-	6,873,823
Provincial and other government transfers	555,065	81,946	330,059	1,174,247	148,742	8,648	2,298,707
Gas tax funding	-	-	494,691	-	-	-	494,691
Developer contributions and development charges	-	-	513,559	1,069,611	30,000	-	1,613,170
Investment income	130,357	-	3,408	29,876	1,376	-	165,017
Penalties and interest	124,976	-	-	-	-	-	124,976
Fees, service charges, donations and miscellaneous	222,917	213,568	11,909	129,426	30,242	18,200	626,262
(Loss) gain on disposal of tangible capital assets	-	-	(22,738)	-	(15,236)	12,254	(25,720)
	<u>\$ 11,234,627</u>	<u>\$ 327,977</u>	<u>\$ 1,406,451</u>	<u>\$ 8,715,942</u>	<u>\$ 648,139</u>	<u>\$ 39,102</u>	<u>\$ 22,372,238</u>
<b>EXPENSES</b>							
Salaries, wages and benefits	773,069	672,405	936,507	1,300,584	1,712,808	197,262	5,592,635
Materials, supplies and contracted services	444,063	2,185,674	1,327,812	4,446,434	1,265,572	120,480	9,790,035
Donations and grants	76,641	-	-	-	-	-	76,641
Interest expense	-	-	-	76,611	-	-	76,611
Taxation adjustments and vacancy rebates	15,758	-	-	-	-	-	15,758
Provision for landfill closure and post-closure costs	-	-	-	49,226	-	-	49,226
	<u>1,309,531</u>	<u>2,858,079</u>	<u>2,264,319</u>	<u>5,872,855</u>	<u>2,978,380</u>	<u>317,742</u>	<u>15,600,906</u>
<b>NET REVENUE (EXPENSES) BEFORE AMORTIZATION</b>	9,925,096	(2,530,102)	(857,868)	2,843,087	(2,330,241)	(278,640)	6,771,332
Amortization expense	42,506	139,887	1,640,802	1,538,990	362,227	5,765	3,730,177
<b>NET REVENUE (EXPENSES)</b>	<u>\$ 9,882,590</u>	<u>\$ (2,669,989)</u>	<u>\$ (2,498,670)</u>	<u>\$ 1,304,097</u>	<u>\$ (2,692,468)</u>	<u>\$ (284,405)</u>	<u>\$ 3,041,155</u>

(See accompanying notes)

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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	30.07
Ottawa Valley Waste Management Board	40.73

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.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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 and 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 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.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**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.

**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 1.85% to 4.87% with maturity dates from January 15, 2018 to March 5, 2040. The Town's share of the fair market value of these investments at December 31, 2017 is \$985,968 (2016 - \$901,092).

Investments held by the Pembroke and Area Airport Commission comprise of money market funds, income funds and a high interest savings account. The Town's share of the fair market value of these investments at December 31, 2017 is \$97,368 (2016 - \$94,756).

**NOTE 3 TAXES RECEIVABLE**

Taxes receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Current year taxes	\$ 520,160	\$ 588,862
Prior year taxes	271,246	227,775
Penalties	<u>49,203</u>	<u>45,167</u>
	<u>\$ 840,609</u>	<u>\$ 861,804</u>

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 4 DEFERRED REVENUE - OBLIGATORY**

Deferred revenue - obligatory consists of the following:

	<u>2017</u>	<u>2016</u>
Development charges	\$ <u>1,056,132</u>	\$ <u>996,272</u>

Continuity of deferred revenue - obligatory is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 996,272	\$ 824,636
Development charges received	630,164	474,508
Government funding received - gas tax funding	494,691	486,086
Investment income	12,001	8,109
Development charges recognized as income	(582,305)	(310,981)
Government funding recognized - gas tax funding	<u>(494,691)</u>	<u>(486,086)</u>
Balance, end of year	\$ <u>1,056,132</u>	\$ <u>996,272</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, 2017:

Town's share of Estimated Liabilities

Expected total expenditures	\$ 2,575,480
Amount remaining to be recognized	<u>(2,019,108)</u>
Liability recognized to date	\$ <u>556,372</u>

Landfill site's estimated remaining capacity in cubic metres	<u>665,325</u>
Landfill site's remaining useful life in years	<u>17</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.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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>2017</u>	<u>2016</u>
Debenture, due 2022, payable in annual installments of \$178,250 with interest payable semi-annually at 7.23% per annum.	\$ 891,250	\$ 1,069,500
Debenture, due 2020, payable in semi annual installments of \$9,126 including interest at 1.80% per annum	53,068	69,582
From general taxation, a capital lease, due 2020, payable in monthly installments of \$3,919 including interest at 4.45% per annum.	111,179	151,171
From general taxation, a capital lease, due 2022, payable in semi annual installments of \$7,536 including interest at 1.99% per annum.	<u>64,567</u>	<u>-</u>
	<u>\$ 1,120,064</u>	<u>\$ 1,290,253</u>

Machinery under capital leases have a cost of \$288,083 and accumulated amortization of \$38,564.

Payments on existing debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 252,501	\$ 64,091	\$ 316,592
2019	255,010	48,694	303,704
2020	233,888	33,417	267,305
2021	192,953	19,699	212,652
2022	<u>185,712</u>	<u>6,518</u>	<u>192,230</u>
	<u>\$ 1,120,064</u>	<u>\$ 172,419</u>	<u>\$ 1,292,483</u>

Interest on long-term debt amounted to \$76,611 (2016 - \$86,063). The Town's total cash payments related to long-term debt in 2017 was \$249,131 (2016 - \$262,019).

**NOTE 7 CONTAMINATED SITES LIABILITY**

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2017 (2016 - \$nil) as a result of this standard.

**NOTE 8 EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2017</u>	<u>2016</u>
Tangible capital assets, cost (Schedule 1)	\$143,202,652	\$138,239,767
Accumulated amortization (Schedule 1)	(61,566,589)	(58,497,819)
Long-term debt (Note 6)	<u>(1,120,064)</u>	<u>(1,290,253)</u>
	<u>\$ 80,515,999</u>	<u>\$ 78,451,695</u>



**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 9 ACCUMULATED SURPLUS**

Accumulated surplus consists of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted surplus (deficit)		
General	\$ (205,374)	\$ 9,595
Water	140,343	260,223
Sewer	331,418	250,251
Library	<u>87,561</u>	<u>43,838</u>
	353,948	563,907
Internally restricted reserves	12,546,831	11,310,796
Provision for unfinanced landfill liabilities	(556,372)	(507,147)
Equity in tangible capital assets (Note 8)	<u>80,515,999</u>	<u>78,451,695</u>
	<u>\$ 92,860,406</u>	<u>\$ 89,819,251</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>2017</u>	<u>2016</u>
Salaries, wages and benefits	\$ 5,650,612	\$ 5,592,635	\$ 5,585,501
Materials, supplies and contracted services	10,194,478	9,790,035	9,610,138
Donations and grants	76,800	76,641	22,848
Interest expense	70,881	76,611	86,063
Taxation adjustments and vacancy rebates	13,900	15,758	55,902
Provision for landfill closure and post-closure costs	-	49,226	84,755
Amortization of tangible capital assets	<u>-</u>	<u>3,730,177</u>	<u>3,696,034</u>
	<u>\$ 16,006,671</u>	<u>\$ 19,331,083</u>	<u>\$ 19,141,241</u>

**NOTE 11 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW**

During 2017, 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	\$ 3,632,756	\$ 5,232,721
Taxation from other governments	<u>378,293</u>	<u>2,416,680</u>
Amount requisitioned	<u>\$ 4,011,049</u>	<u>\$ 7,649,401</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.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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>2017</u>	<u>2016</u>
Wastewater	\$ 769,611	\$ 804,981
Water	\$ 723,576	\$ 752,292

**Garbage collection**

The Town has a contract for the collection of garbage. The contract expires in March, 2025. The contract cost for 2017 was \$829,459 (2016 - \$792,964).

**Policing**

The Town has a contract with the Province of Ontario for policing services. The contract for 2017 was \$1,779,084 (2016 - \$1,752,550).

**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 30.07% (2016 - 29.82%). The only transaction the Town had with the Commission during the year was the annual municipal levy of \$23,142 (2016 - \$21,859).

Summary financial information for the year ended December 31, 2017 and the Town's proportionate share are as follows:

	<u>Total</u>	<u>Town's Share</u>
Net financial assets	\$ 392,165	\$ 117,915
Non-financial assets	<u>3,604,789</u>	<u>992,877</u>
Accumulated surplus	<u>\$ 3,996,954</u>	<u>\$ 1,110,792</u>
Revenue	\$ 349,291	\$ 106,188
Expenses	<u>463,098</u>	<u>139,244</u>
Excess of expenses over revenue	<u>\$ (113,807)</u>	<u>\$ (33,056)</u>

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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 40.73% (2016 - 40.41%). The Town had the following transactions with the Board:

	<u>2017</u>	<u>2016</u>
Tipping fees	\$ <u>369,141</u>	\$ <u>348,527</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>70,881</u>	<u>83,769</u>
	\$ <u>249,131</u>	\$ <u>262,019</u>

Summary financial information for the year ended December 31, 2017 and the Town's proportionate share are as follows:

	<u>Total</u>	<u>Town's Share</u>
Net financial debt	\$ (796,229)	\$ (197,307)
Non-financial assets	<u>13,362,371</u>	<u>4,965,231</u>
Accumulated surplus	<u>\$12,566,142</u>	<u>\$ 4,767,924</u>
Revenue	\$ 6,233,065	\$ 2,511,987
Expenses	<u>5,518,110</u>	<u>2,241,901</u>
Excess of revenue over expenses	\$ <u>714,955</u>	\$ <u>270,086</u>

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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 2017 operating and capital budgets as approved by Council on February 6, 2017 (By-law 1105/17) and on March 6, 2017 (By-law 1111/17).

**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 2017 were \$228,064 (2016 - \$216,740). These contributions were matched with identical employee contributions for both years.

At December 31, 2017, OMERS disclosed on actuarial surplus of \$605 million.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**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.