# The Corporation of the Town of Mattawa

## Independent Auditor's Report and Financial Report

## December 31, 2019

# The Corporation of the Town of Mattawa

## Financial Report

## December 31, 2019

Corporation of the Town of Mattawa
☎ (705) 744-5611 • 🖷 (705) 744-0104
160 Water Street — P.O. Box 390
MATTAWA, ONTARIO P0H 1V0
✉ info@mattawa.ca

## Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Mattawa (the "Town") are the responsibility of the Town's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of 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 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 accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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. Council meets with management and the external auditor 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 Baker Tilly SNT LLP, independent external auditor appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Francine Desormeau

Clerk/Deputy-Treasurer
May 11, 2020

**Baker Tilly SNT LLP / s.r.l.**
1174 St. Jerome
Sudbury, ON, Canada P3A 2V9
**T:** +1 705.560.5592
**F:** +1 705.560.8832

**www.bakertilly.ca**

# Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Mattawa**

## Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Mattawa, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, cash flows, and change in net financial assets 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 Corporation of the Town of Mattawa as at December 31, 2019, and its consolidated financial performance 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 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 consolidated 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.

## Other Matter

The financial statements of The Corporation of the Town of Mattawa for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on June 24, 2019.

# Independent Auditor's Report (continued)

### Responsibilities of Management and Those Charged with Governance for the Consolidated 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.

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.

bakertilly

# Independent Auditor's Report (continued)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 Group 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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Baker Tilly SNT LLP

North Bay, Ontario
May 11, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

# The Corporation of the Town of Mattawa
## Consolidated Statement of Financial Position
## December 31, 2019

bakertilly

| | 2019 | 2018 |
|---|---|---|
| **Financial Assets** | | |
| Cash (note 4) | **$ 1,867,575** | $ 1,936,355 |
| Taxes receivable | **496,465** | 488,883 |
| Accounts receivable (note 5) | **765,499** | 328,777 |
| | **3,129,539** | 2,754,015 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (note 6) | **321,488** | 214,345 |
| Deferred revenues - other (note 7) | **453,241** | - |
| Deferred revenues - obligatory reserve funds (note 8) | **154,963** | 112,226 |
| Municipal debt (note 9) | **1,344,130** | 1,209,918 |
| Employee future benefits payable (note 10) | **179,709** | 160,282 |
| Landfill closure and post-closure (note 11) | **130,200** | 122,000 |
| | **2,583,731** | 1,818,771 |
| **Net Financial Assets** | **545,808** | 935,244 |
| **Non-Financial Assets** | | |
| Tangible capital assets (note 12) | **13,938,689** | 13,876,392 |
| Prepaid expenses | **36,411** | 26,521 |
| Inventories | **83,909** | 18,326 |
| | **14,059,009** | 13,921,239 |
| **Accumulated Surplus** (note 13) | **$ 14,604,817** | $ 14,856,483 |

Contingencies (note 14)

Commitments (note 15)

Approved by:

Mayor Dean Backer

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

# The Corporation of the Town of Mattawa
**Consolidated Statement of Operations and Accumulated Surplus**
**For The Year Ended December 31, 2019**

| | 2019 Budget (Unaudited) | 2019 Actual | 2018 Actual |
|---|---|---|---|
| **Revenues** | | | |
| Net taxation | **$ 2,391,208** | **$ 2,365,476** | $ 2,336,114 |
| User charges | **1,022,577** | **1,034,162** | 1,041,577 |
| Government grants and transfers - Provincial | **1,467,136** | **1,763,456** | 1,762,253 |
| Government grants and transfers - Federal | **22,400** | **26,924** | 7,429 |
| Government grants and transfers - Municipal | **83,528** | **98,858** | 18,288 |
| Other | **600,619** | **503,980** | 735,438 |
| Total revenues | **5,587,468** | **5,792,856** | 5,901,099 |
| **Expenses** | | | |
| General government | **1,388,659** | **1,510,961** | 1,072,834 |
| Protection services | **817,052** | **775,518** | 780,044 |
| Transportation services | **1,127,159** | **931,621** | 991,871 |
| Environmental services | **1,324,118** | **1,322,161** | 1,272,022 |
| Health services | **81,036** | **81,036** | 84,263 |
| Social and family services | **640,004** | **268,051** | 263,568 |
| Recreation and cultural services | **806,967** | **857,650** | 834,040 |
| Planning and development | **531,335** | **509,434** | 509,700 |
| Total expenses | **6,716,330** | **6,256,432** | 5,808,342 |
| **Annual surplus (deficit) before other** | **(1,128,862)** | **(463,576)** | 92,757 |
| **Other** | | | |
| Government grants and transfers related to capital - Provincial | **359,600** | **-** | - |
| Government grants and transfers related to capital - Federal | **255,000** | **211,910** | 201,177 |
| | **614,600** | **211,910** | 201,177 |
| **Annual surplus (deficit)** | **(514,262)** | **(251,666)** | 293,934 |
| **Accumulated surplus, beginning of year** | **14,856,483** | **14,856,483** | 14,562,549 |
| **Accumulated surplus, end of year** | **$ 14,342,221** | **$ 14,604,817** | $ 14,856,483 |

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

# The Corporation of the Town of Mattawa
**Consolidated Statement of Cash Flows**
**For The Year Ended December 31, 2019**

| | 2019 | 2018 |
|---|---|---|
| **Operating transactions** | | |
| Annual surplus (deficit) | **$ (251,666)** | $ 293,934 |
| | | |
| **Cash provided by (applied to)** | | |
| Non-cash items: | | |
| Amortization of tangible capital assets | **726,903** | 721,813 |
| Gain on disposal of tangible capital assets | **(5,896)** | (2,528) |
| Change in non-cash working capital balances | | |
| (Increase) decrease in taxes receivable | **(7,581)** | 176,503 |
| (Increase) decrease in accounts receivable | **(436,722)** | 198,581 |
| Increase in accounts payable and accrued liabilities | **107,142** | 67,523 |
| Increase (decrease) in deferred revenues - obligatory reserve funds | **42,737** | (70,525) |
| Increase (decrease) in deferred revenues - other | **453,241** | (29,252) |
| (Increase) decrease in prepaid expenses | **(9,890)** | 600 |
| Increase in inventories | **(65,583)** | (3,510) |
| Increase (decrease) in employee benefits | **19,427** | (112,354) |
| Increase in landfill closure and post-closure | **8,200** | 8,100 |
| Cash provided by operating transactions | **580,312** | 1,248,885 |
| | | |
| **Capital transactions** | | |
| Acquisition of tangible capital assets | **(800,304)** | (1,164,317) |
| Proceeds on disposal of tangible capital assets | **17,000** | 14,290 |
| Cash applied to capital transactions | **(783,304)** | (1,150,027) |
| | | |
| **Financing transactions** | | |
| Municipal debt issued | **336,394** | - |
| Municipal debt repaid | **(202,182)** | (134,168) |
| Temporary borrowings repaid | **-** | 300,000 |
| Cash provided by financing transactions | **134,212** | 165,832 |
| | | |
| **Decrease (increase) in cash** | **(68,780)** | 264,690 |
| | | |
| **Cash, beginning of year** | **1,936,355** | 1,671,665 |
| | | |
| **Cash, end of year** | **$ 1,867,575** | $ 1,936,355 |

# The Corporation of the Town of Mattawa
## Consolidated Statement of Change in Net Financial Assets
### For The Year Ended December 31, 2019

| | 2019 Budget (Unaudited) | 2019 Actual | 2018 Actual |
|---|---|---|---|
| **Annual surplus (deficit)** | $ (514,262) | $ (251,666) | $ 293,934 |
| Amortization of tangible capital assets | 726,903 | 726,903 | 721,813 |
| Proceeds on disposal of tangible capital assets | | 17,000 | 14,290 |
| Gain on disposal of tangible capital assets | - | (5,896) | (2,528) |
| Acquisition of tangible capital assets | (475,200) | (800,304) | (1,164,317) |
| Change in prepaid expenses | - | (9,890) | 600 |
| Change in inventories | - | (65,583) | (3,510) |
| **Decrease in net financial assets** | (262,559) | (389,436) | (139,718) |
| **Net financial assets, beginning of year** | 935,244 | 935,244 | 1,074,962 |
| **Net financial assets, end of year** | $ 672,685 | $ 545,808 | $ 935,244 |

## 1. Significant Accounting Policies

These consolidated financial statements of the Town are the representation of management prepared in accordance with accounting policies recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement.

(a) Basis of Consolidation

(i) These consolidated financial statements reflect the financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses of the Town and include the activities of all committees of Council and of the John Dixon Public Library.

All inter-fund assets and liabilities and revenues and expenses have been eliminated.

(ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit
District of Nipissing Social Services Administration Board
East Nipissing District Home for the Aged

(iii) Accounting for School Board Transactions

The Town is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Town has no jurisdiction or control over the school boards operations. Therefore, taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

(b) Basis of Accounting

(i) Accrual Basis

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

## 1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(ii) Cash

The Town's policy is to disclose bank balances under cash, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with maturities of three months from the date of acquisition or less or those that can be readily convertible to cash.

(iii) Deferred Revenues

Deferred revenues represent user charges and fees that have been collected for which the related services have yet to be performed. Revenue is recognized in the period when the services are performed.

(iv) Employee Future Benefits

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred. The costs of other retirement benefits are determined using the projected benefit method prorated on services and management’s best estimate of retirement ages of employees and health benefits costs. The liabilities are discounted using current interest rates on long-term bonds.

(v) Landfill Closure and Post-Closure

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to operations as the landfill site’s capacity is used.

## 1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vi) Segmented Information

The Town reports its segmented information on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return. These functional areas represent segments for the Town:

*General Government*

General government is comprised of Council, administration, and Ontario Property Assessment.

*Protection Services*

Protection is comprised of police, fire and other protective services.

*Transportation Services*

Transportation services are responsible for road maintenance, culverts, bridges, winter control and streetlights.

*Environmental Services*

Environmental services include water supply and distribution, wastewater treatment, waste and recycling services.

*Health Services*

Health services include public health services.

*Social and Family Services*

Social and family services include social assistance, long-term care, paramedic services, social housing and child care services.

*Recreation and Cultural Services*

Recreation and cultural services include parks and recreation, recreation facilities, culture and libraries.

*Planning and Development*

Planning and development manages development for residential and business interests as well as services related to the Town's economic development programs.

1. **Significant Accounting Policies** (Continued)

(b) Basis of Accounting (Continued)

(vii) 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. The change in non-financial assets during the year, together with the annual surplus (deficit), 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 are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Land improvements | 20 years |
| Buildings | 25 to 50 years |
| Machinery and equipment | 5 to 20 years |
| Vehicles | 8 to 20 years |
| Roads and bridges | 10 to 100 years |
| Water and sewer | 50 years |
| Computer hardware and software | 5 years |

One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Assets under construction are not amortized until the asset is available for productive use.

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

**1. Significant Accounting Policies** (Continued)

(b) Basis of Accounting (Continued)

*ii) Inventories*

Inventories held for consumption are recorded at the lower of cost and replacement cost.

*iii) Prepaid Expenses*

Prepaid expenses represent amounts paid in advance for a good or service not yet received. The expense is recognized once the goods have been received or the services have been performed.

(viii) Taxation and Other Revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessment and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known or based on management's best estimates.

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

Other income is recognized as revenue when earned. Fines and fees are recognized as revenue when collected.

1. **Significant Accounting Policies** (Continued)

(b) Basis of Accounting (Continued)

(ix) Government Grants and Transfers

Government grants and transfers are recognized in the financial statements in the period in which events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. The transfer revenue is recognized in the statement of operations as the stipulations giving rise to the liabilities are settled.

(x) Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions. These estimates and assumptions are based on management's best information and judgment and may differ significantly from actual results.

2. **Measurement Uncertainty**

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Town's best information and judgment.

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.

- The amounts recorded for retirement allowances are based on estimates of retirement ages of employees and health benefit costs.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

## 3. Future Accounting Pronouncements

These standards and amendments were not effective in the year ended December 31, 2019, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

Section PS 3450 - Financial Instruments, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments for public sector entities. The standard requires fair value measurement of derivatives and portfolio investments that are equity instruments quoted in an active market. All other non-derivative financial instruments will be measured at cost or amortized cost. A government can elect to record other financial assets or liabilities on a fair value basis, if they manage and evaluate the asset and liability groups on that basis. Unrealized gains and losses are represented in the new statement of re-measurement gains and losses. New requirements clarify when financial liabilities can be de-recognized. Disclosure of the nature and extent of risks arising from holding financial instruments is also required. This section is effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted.

Section PS 1201 - Financial Statement Presentation, was issued in June 2011. This standard requires entities to present a new statement of re-measurement gains and losses separate from the statement of operations. This new statement includes unrealized gains and losses arising from re-measurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2019 and applies when PS 2601 and PS 3450 are adopted.

Section PS 2601 - Foreign Currency Translation, was issued in June 2011 and replaces the existing Section PS 2600. This standard has been revised to ensure consistency with the financial instruments standard. The standard requires that non-monetary items denominated in foreign currency that are included in the fair value category are adjusted to reflect the exchange rate at the financial statement date. Unrealized exchange gains and losses are presented in the new statement of re-measurement gains and losses. This section is effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted.

## 4. Cash

The Town has authorized credit facilities totaling $500,000, which is unsecured. As at December 31, 2019, the Town has utilized $0 (2018 - $0). The interest is calculated at the bank's prime lending rate. In addition, the Town has an authorized revolving term loan for equipment purchases totaling $250,000. As at December 31, 2019, the Town has utilized $0 (2018 - $0).

## 5. Accounts Receivable

| | 2019 | 2018 |
|---|---|---|
| Federal | **$ 162,763** | $ 135,640 |
| Province of Ontario | **375,382** | 8,824 |
| School boards | **-** | 938 |
| User charges | **122,230** | 94,799 |
| Other | **105,124** | 88,576 |
| | **$ 765,499** | $ 328,777 |

## 6. Accounts Payable and Accrued Liabilities

| | 2019 | 2018 |
|---|---|---|
| Federal | **$ 3,541** | $ - |
| Province of Ontario | **72,259** | - |
| Other municipalities | **3,000** | 4,132 |
| Trade payables | **231,341** | 197,642 |
| Accrued interest | **11,347** | 12,571 |
| | **$ 321,488** | $ 214,345 |

## 7. Deferred Revenues - Other

Deferred revenue set-aside for specific purposes are comprised of the following:

| | Balance as at December 31, 2018 | Amounts received during the year | Recognized as revenues during the year | Balance as at December 31, 2019 |
|---|---|---|---|---|
| Modernization grant | $ - | $ 359,600 | $ - | $ 359,600 |
| Ontario Community Infrastructure Fund | - | 92,341 | - | 92,341 |
| Other | - | 1,300 | - | 1,300 |
| **Total Deferred Revenues - Other** | $ - | $ 453,241 | $ - | $ 453,241 |

## 8. Deferred Revenues - Obligatory Reserve Funds

A requirement of the Chartered Professional Accountants Canada Public Sector Accounting Handbook, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance in the obligatory reserve funds of the Town are summarized below:

| | Balance as at December 31, 2018 | Amounts received during the year | Recognized as revenues during the year | Balance as at December 31, 2019 |
|---|---|---|---|---|
| Federal gas tax | $ 112,226 | $ 254,647 | $ 211,910 | $ 154,963 |
| **Total Deferred Revenues - Obligatory Reserve Funds** | $ 112,226 | $ 254,647 | $ 211,910 | $ 154,963 |

## 9. Municipal Debt

| | **2019** | 2018 |
|---|---|---|
| Debenture, repayable in semi-annual instalments of $31,463, including interest at the fixed rate of 1.75%, maturing December 1, 2020 | **$ 62,109** | $ 123,145 |
| Debenture, repayable in semi-annual instalments of $32,513, including interest at the fixed rate of 2.98%, maturing December 17, 2023 | **243,496** | 300,000 |
| Term loan, repayable in monthly instalments of $809, including interest at the fixed rate of 0%, maturing July 27, 2024 | **44,471** | - |

## 9. Municipal Debt (Continued)

| | **2019** | 2018 |
|---|---|---|
| Term loan, repayable in monthly instalments of $798, including interest at the fixed rate of 0%, maturing July 27, 2024 | **43,889** | - |
| Debenture, repayable in semi-annual instalments of $50,742, including interest at the fixed rate of 3.24%, maturing July 3, 2027 | **710,165** | 786,773 |
| Promissory note, non-interest bearing, repayable in annual instalments of $10,000, maturing December 19, 2043 | **240,000** | - |
| | **$ 1,344,130** | $ 1,209,918 |

Principal instalments required to be paid over the next five years are as follows:

| | |
|---|---|
| 2020 | $ 228,699 |
| 2021 | 170,922 |
| 2022 | 175,389 |
| 2023 | 179,999 |
| 2024 | 111,209 |
| Thereafter | 477,912 |
| Total | $ 1,344,130 |

## 10. Employee Future Benefits Payable

The Town provides certain employee benefits which will require funding in future periods, as follows:

| | **2019** | 2018 |
|---|---|---|
| Accumulated sick leave entitlements | **$ 29,737** | $ 30,999 |
| Vacation pay | **149,972** | 129,283 |
| | **$ 179,709** | $ 160,282 |

The Town has established reserves to mitigate the future impact of these obligations. The balance of the sick leave reserve is $17,539 (2018 - $21,695).

## 11. Landfill Closure and Post-Closure

Under environmental law, there is a requirement for closure and post-closure maintenance of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage. The reported liability is based on estimates and assumptions with respect to events extending over an extended period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The main components of the landfill closure plan are final capping and implementation of a drainage management plan. The post-closure maintenance requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, inspections and annual reports. Post-closure care is estimated to continue for a period of approximately 25 years.

The estimated liability for this maintenance is the present value of future cash flows associated with closure and post-closure costs discounted using the Town's estimated rate of inflation of 1.01% (2018 - 1.01%). The change in liability is recorded based on the capacity of the landfill used to date. The liability is currently unfunded and is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill. The recorded liability is $130,200 (2018 - $122,000) based on a total estimated liability in the future of $241,254 (2018 - $238,865), leaving an amount of $111,054 (2018 - $116,865) to be recognized over the remaining expected life of the landfill site.

The estimated remaining capacity of the site is approximately 52% (2018 - 55%) of its estimated capacity or 155,800 (2018 - 155,800) cubic meters, and its remaining life is approximately 18 years (2018 - 19 years).

A cost-sharing agreement is in place with two neighbouring municipalities, the Township of Mattawan and the Township of Papineau-Cameron. All operating expenditures, closure and post-closure expenditures are to be split based on the following breakdown: Mattawa 68%, Papineau-Cameron 26.5% and Mattawan 5.5%.

The Town has established an independent landfill reserve of $649,690 (2018 - 622,688) that could be used to mitigate the future impact of these obligations.

## 12. Tangible Capital Assets

| | Cost | | | | Accumulated Amortization | | | | Net Book Value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Balance, beginning of year** | **Additions** | **Transfers / Disposals** | **Balance, end of year** | **Balance, beginning of year** | **Amortization** | **Disposals** | **Balance, end of year** | **December 31, 2019** | December 31 2018 |
| Land | $ 217,112 | $ 254,178 | $ - | $ 471,290 | $ - | $ - | $ - | $ - | **$ 471,290** | $ 217,112 |
| Land improvements | 2,783,367 | - | 43,904 | 2,827,271 | 1,676,155 | 95,612 | - | 1,771,767 | **1,055,504** | 1,107,212 |
| Buildings | 3,152,460 | 46,564 | - | 3,199,024 | 1,777,265 | 62,312 | - | 1,839,577 | **1,359,447** | 1,375,195 |
| Machinery and equipment | 3,247,859 | 117,725 | (66,914) | 3,298,670 | 2,457,732 | 90,356 | (55,810) | 2,492,278 | **806,392** | 790,127 |
| Vehicles | 1,200,952 | 210,940 | (78,142) | 1,333,750 | 502,283 | 82,437 | (78,142) | 506,578 | **827,172** | 698,669 |
| Roads and bridges | 8,010,457 | 166,975 | - | 8,177,432 | 6,056,556 | 218,907 | - | 6,275,463 | **1,901,969** | 1,953,901 |
| Water and sewer | 10,665,384 | - | - | 10,665,384 | 3,933,984 | 175,897 | $ - | 4,109,881 | **6,555,503** | 6,731,400 |
| Computer hardware and software | 152,221 | 3,922 | - | 156,143 | 143,220 | 1,382 | - | 144,602 | **11,541** | 9,001 |
| Assets under construction | 993,775 | - | (43,904) | 949,871 | - | - | - | - | **949,871** | 993,775 |
| | $ 30,423,587 | $ 800,304 | $ (145,056) | $ 31,078,835 | $ 16,547,195 | $ 726,903 | $ (133,952) | $ 17,140,146 | **$ 13,938,689** | $ 13,876,392 |

## 13. Accumulated Surplus

| | **2019** | 2018 |
|---|---|---|
| Surplus | | |
| Invested in tangible capital assets | **$ 13,938,689** | $ 13,876,392 |
| General (see note (a) below) | **-** | (209,975) |
| John Dixon Public Library | **(84)** | (84) |
| Unfunded Liabilities | | |
| Municipal debt | **(1,344,130)** | (1,209,918) |
| Landfill closure and post-closure | **(130,200)** | (122,000) |
| Employee future benefits payable | **(179,709)** | (160,282) |
| Total surplus | **12,284,566** | 12,174,133 |
| Reserves | | |
| Special purpose reserves | | |
| Working funds | **349,383** | 1,056,364 |
| Fire protection | **34,014** | 19,542 |
| Recreation | **10,424** | 7,069 |
| Planning and development | **100,000** | 100,000 |
| Sick leave | **17,539** | 21,695 |
| Long term care | **240,000** | 308,458 |
| Long term care home exit | **376,601** | - |
| Water | **373,335** | 373,335 |
| Sewer | **52,867** | 77,816 |
| Landfill closure | **649,690** | 622,688 |
| Public works equipment | **52,825** | 35,383 |
| Landfill improvements | **60,000** | 60,000 |
| Cemetery | **3,573** | - |
| Total reserves | **2,320,251** | 2,682,350 |
| Accumulated Surplus | **$ 14,604,817** | $ 14,856,483 |

(a) General Surplus (Deficit):

The general surplus (deficit) of $- (2018 - $(209,975)) at the end of the year is comprised of the following:

| | **2019** | 2018 |
|---|---|---|
| Opening balance | **$ (209,975)** | $ (212,128) |
| Annual surplus (deficit) | **(251,666)** | 293,934 |
| Transfer from reserves | **362,099** | 77,383 |
| Net change in tangible capital assets | **(62,297)** | (430,742) |
| Increase in unfunded liabilities | **161,839** | 61,578 |
| Closing balance | **$ -** | $ (209,975) |

## 14. Contingencies

### Legal Matters

The Town is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Council is of the opinion that it is unlikely that any liability, to the extent not provided by insurance or otherwise, would be material in relation to the Town's consolidated financial position.

## 15. Commitments

During 2017, the Town passed a resolution committing to pay $13,770 per year for 6 years for the Mattawa Physician Recruitment Initiative. A formal agreement has been executed and payments commenced in March 2017. The remaining balance of the commitment as at December 31, 2019 is $27,540 (2018 - $41,310).

Under the terms of existing contracts for services expiring between December 31, 2020 and December 31, 2029, the Town is committed to make minimum payments as follows:

| | |
|---|---|
| 2020 | $ 978,224 |
| 2021 | 795,950 |
| 2022 | 801,151 |
| 2023 | 806,457 |
| 2024 | 275,999 |
| Thereafter | 1,465,035 |
| | $ 5,122,816 |

## 16. Operations of School Boards

Further to note 1(a)(iii), the taxation, other revenues and expenses of the school boards are comprised of the following:

| | **2019** | 2018 |
|---|---|---|
| Taxation and user charges | **$ 279,325** | $ 288,738 |
| Total amounts received or receivable | **279,325** | 288,738 |
| Requisitions | **279,325** | 288,738 |
| | **$ -** | $ - |

## 17. Contributions to Unconsolidated Joint Local Boards

Further to note 1(a)(iii), the following contributions were made by the Town to these boards:

| | 2019 | 2018 |
|---|---|---|
| North Bay Parry Sound District Health Unit | **$ 67,266** | $ 70,441 |
| District of Nipissing Social Services Administration Board | **214,118** | 208,574 |
| East Nipissing District Home for the Aged | **44,733** | 45,794 |
| | **$ 326,117** | $ 324,809 |

## 18. Pension Agreements

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all qualifying members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 500,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (‘the Plan’) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2019, the estimated accrued pension obligation for all members of the Plan was $106,443 million (2018 - $99,058 million). The Plan had an actuarial value of net assets at that date of $103,046 million (2018 - $94,867 million) indicating an actuarial deficit of $3,397 million (2018 - $4,191 million). The Plan is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed by the Town to OMERS for 2019 was $91,471 (2018 - $88,705) for current services and is included as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

On January 1, 2019 the yearly maximum pension earnings increased to $57,400 from $55,900 in 2018. The contributions are calculated at a rate of 9.0% (2018 - 9.0%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2018 - 14.6%) for amounts above the yearly maximum pension earnings.

## 19. Subsequent Event

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and measures introduced at various levels of government to curtail the spread of the virus, such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing has adversely affected workforces, customers, economies and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many entities. This outbreak could adversely impact the results of the Town's operations. The extent of the impact of this outbreak and related containment measures on the Town's operations cannot be reliably estimated at this time.

## 20. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is based on a model used to manage departmental spending within the guidelines of the model. Given the differences between the funding model and generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with the basis of accounting that is used to prepare the consolidated financial statements. The budget figures are unaudited.

## 21. Comparative Figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

# The Corporation of the Town of Mattawa
**Notes to the Consolidated Financial Statements**
**December 31, 2019**

## 22. Segmented Information

| | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Recreation and Cultural Services | Planning and Development | 2019 Total | 2018 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Net taxation | $ 571,275 | $ 293,213 | $ 352,234 | $ 499,892 | $ 30,639 | $ 101,347 | $ 324,266 | $ 192,610 | $ 2,365,476 | $ 2,336,114 |
| User charges | 7,454 | 40 | - | 969,116 | - | - | 54,573 | 2,979 | 1,034,162 | 1,041,577 |
| Government grants and transfers - Provincial | 692,677 | 164,935 | 198,134 | 297,399 | 18,660 | 57,008 | 195,450 | 139,193 | 1,763,456 | 1,762,253 |
| Government grants and transfers - Federal | - | - | - | 4,100 | - | - | 22,824 | - | 26,924 | 7,429 |
| Government grants and transfers - Municipal | - | - | - | 80,570 | - | - | 18,288 | - | 98,858 | 18,288 |
| Other | 140,007 | 21,794 | 100,740 | 1,455 | - | - | (4,450) | 244,434 | 503,980 | 735,438 |
| Total Revenues | 1,411,413 | 479,982 | 651,108 | 1,852,532 | 49,299 | 158,355 | 610,951 | 579,216 | 5,792,856 | 5,901,099 |
| **Expenses** | | | | | | | | | | |
| Salary, wages and employee benefits | 739,510 | 182,527 | 362,906 | 36,300 | - | - | 450,369 | 101,808 | 1,873,420 | 1,891,401 |
| Materials, contracted services, rents, and financial expenses | 745,338 | 556,482 | 220,530 | 1,021,466 | 81,036 | 268,051 | 321,517 | 407,626 | 3,622,046 | 3,166,071 |
| Long-term debt charge (interest) | - | - | - | 25,541 | - | - | 8,522 | - | 34,063 | 29,057 |
| Amortization | 26,113 | 36,509 | 348,185 | 238,854 | - | - | 77,242 | - | 726,903 | 721,813 |
| Total expenses | 1,510,961 | 775,518 | 931,621 | 1,322,161 | 81,036 | 268,051 | 857,650 | 509,434 | 6,256,432 | 5,808,342 |
| **Annual surplus (deficit) before other** | (99,548) | (295,536) | (280,513) | 530,371 | (31,737) | (109,696) | (246,699) | 69,782 | (463,576 | 92,757 |
| Government grants and transfers related to capital - Federal | - | - | 211,910 | - | - | - | - | - | 211,910 | 201,177 |
| **Annual surplus (deficit)** | $ (99,548) | $ (295,536) | $ (68,603) | $ 530,371 | $ (31,737) | $ (109,696) | $ (246,699) | $ 69,782 | $ (251,666 | $ 293,934 |