

Consolidated Financial Statements of

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA**

Year ended December 31, 2015

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Financial Statements

Year ended December 31, 2015

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The finance committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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

Chief Administrative Officer/ Clerk-Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of The Municipality of Wawa

We have audited the accompanying consolidated financial statements of The Corporation of The Municipality of Wawa (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' 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 consolidated 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 our judgment, 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, we consider 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 for our qualified audit opinion.



Basis for Qualified Opinion

Canadian public sector accounting standards require that financial statements should recognize an impairment in a tangible capital asset when there is an impairment in the service potential or an impairment in future economic benefit(s). The Municipality has not recognized nor estimated the impairment of the rail bed. Accordingly, we were not able to determine the adjustments that would be required to tangible capital assets (rail bed), transportation expense, annual surplus (deficit) and accumulated surplus (deficit).

Opinion

In our opinion, except for the effects of any adjustments, if any, as explained in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2015, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

September 6, 2016

Sault Ste. Marie, Canada

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash and cash equivalents	\$ 164,825	\$ 281,622
Investments	3,366,972	2,395,413
Taxes receivable	1,425,159	1,492,633
Accounts receivable	1,794,152	3,204,601
Inventory for resale	65,363	64,681
Mortgage receivable (note 2)	-	401,784
Other	9,107	12,152
	<u>6,825,578</u>	<u>7,852,886</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,000,104	1,293,870
Deferred revenue - obligatory reserves (note 3)	1,197,874	1,234,357
Deferred revenue - other (note 3)	212,345	184,454
Employee future benefit obligations (note 5)	1,483,060	1,606,419
Landfill closure and post closure liability (note 6)	1,272,940	1,293,491
Long-term obligations (note 7)	4,939,282	5,173,793
	<u>10,105,605</u>	<u>10,786,384</u>
Net debt	(3,280,027)	(2,933,498)
Non-financial assets:		
Tangible capital assets (note 8)	40,147,263	41,334,262
Prepaid expenses	76,093	78,792
Inventories	137,625	45,748
	<u>40,360,981</u>	<u>41,458,802</u>
Commitments (note 13)		
Contingent liabilities (note 14)		
Accumulated surplus (note 11)	<u>\$ 37,080,954</u>	<u>\$ 38,525,304</u>

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2015, with comparative information for 2014

	Budget (note 15)	2015	2014
Revenue:			
Net taxation (note 9)	\$ 4,156,731	\$ 4,208,191	\$ 4,120,554
Government transfers and grants	4,772,579	5,310,790	7,836,598
Fees and user charges	2,199,741	2,312,311	2,225,732
Investment and interest income	5,500	69,517	66,325
Other	563,429	617,178	538,716
Total revenue	11,697,980	12,517,987	14,787,925
Expenses:			
General government	1,899,031	2,330,091	1,978,316
Protection services	1,836,044	2,250,719	2,142,112
Transportation services	4,291,704	3,022,485	3,623,517
Environmental services	1,971,616	2,315,770	2,109,375
Health services	110,250	119,606	108,493
Social and family services	1,529,268	1,512,718	1,516,625
Recreation and cultural services	2,298,306	2,221,930	2,000,881
Planning and development	220,068	189,018	191,530
Total expenses	14,156,287	13,962,337	13,670,849
Annual surplus (deficit)	(2,458,307)	(1,444,350)	1,117,076
Accumulated surplus, beginning of year	38,525,304	38,525,304	37,408,228
Accumulated surplus, end of year	\$ 36,066,997	\$ 37,080,954	\$ 38,525,304

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Change in Net Debt

Year ended December 31, 2015, with comparative information for 2014

	Budget (note 15)	2015	2014
Annual surplus (deficit)	\$ (2,458,307)	\$ (1,444,350)	\$ 1,117,076
Acquisition of tangible capital assets	(1,472,333)	(1,368,610)	(3,130,858)
Amortization of tangible capital assets	2,542,252	2,542,252	2,436,518
Loss on disposal of tangible capital assets	-	13,357	132,173
	(1,388,388)	(257,351)	554,909
Change in prepaid supplies	-	2,699	(17,731)
Change in inventories of supplies	-	(91,877)	1,477
Change in net debt	(1,388,388)	(346,529)	538,655
Net debt, beginning of year	(2,933,498)	(2,933,498)	(3,472,153)
Net debt, end of year	\$ (4,321,886)	\$ (3,280,027)	\$ (2,933,498)

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (1,444,350)	\$ 1,117,076
Items not involving cash:		
Amortization of tangible capital assets	2,542,252	2,436,518
Change in future employee benefit obligations	(123,359)	71,971
Change in landfill closure and post-closure liability	(20,551)	72,659
Change in non-cash assets and liabilities:		
Investments	(971,559)	1,390,244
Taxes receivable	67,474	(216,984)
Accounts receivable	1,410,449	(2,172,918)
Mortgage receivable	401,784	(33,695)
Other	3,045	3,024
Prepaid expenses	2,699	(17,731)
Inventories	(92,559)	15,720
Accounts payable and accrued liabilities	(293,766)	48,923
Deferred revenue - obligatory reserves	(36,483)	187,759
Deferred revenue - other	27,891	(529,826)
	<u>1,472,967</u>	<u>2,372,740</u>
Capital activities:		
Loss on disposal of tangible capital assets	13,357	132,173
Cash used to acquire tangible capital assets	(1,368,610)	(3,130,858)
	<u>(1,355,253)</u>	<u>(2,998,685)</u>
Financing activities:		
Repayment of long-term liabilities	(234,511)	(192,553)
	<u>(234,511)</u>	<u>(192,553)</u>
Net change in cash	(116,797)	(818,498)
Cash and cash equivalents, beginning of year	281,622	1,100,120
Cash and cash equivalents, end of year	<u>\$ 164,825</u>	<u>\$ 281,622</u>

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

The Municipality of Wawa (the "Municipality") is a municipality in the Province of Ontario, Canada. The Municipality provides municipal services such as public works, planning, parks and recreation, library and other general government operations in accordance with the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

These entities and organizations include:

Wawa Water and Sewer System
The Cemetery Board of the Municipality of Wawa
Wawa Public Library Board
Board of Management for the Wawa Business Improvement Area

Interdepartmental and inter-organizational transactions and balances between these entities and organizations have been eliminated.

(ii) Related entities:

The consolidated financial statements do not reflect the assets, liabilities, sources of financing, expenses and the activities of the following Boards and enterprises which are not under the control of Council.

Algoma Health Unit
Algoma District Social Services Administration Board

(iii) Trust funds:

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

1. Summary of significant accounting policies (continued):

(b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

The Municipality prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

(d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value.

(e) Inventories:

Inventories held for resale are stated at the lower of cost and net realizable value, while inventories of supplies are stated at lower of cost and replacement value.

(f) Deferred revenue:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

1. Significant accounting policies (continued):

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less (if applicable) residual value of the tangible capital assets excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Machinery, equipment and computers	3 - 20 years
Library collection	5 years
Land improvements	10 years
Vehicles	5 - 15 years
Buildings and building improvements	20 - 40 years
Infrastructure	25 - 50 years

Assets are amortized in the month following purchase or in-service date. Assets under construction are not amortized until the asset is available for productive use.

The Municipality of Wawa has a capitalization threshold between \$5,000 and \$75,000 for various categories of tangible capital assets. Individual assets below the threshold are expensed, unless they are pooled, because collectively, they have significant value. The Municipality's threshold for pooled assets is \$5,000.

ii. Contributions for tangible capital assets

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

iii. Leased tangible capital assets

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

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

1. Significant accounting policies (continued):

iv. Works of art and historical treasures

Works of art and historical treasures are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be determined. Disclosure of the existence of such property is required under PSAB.

Tangible capital assets meeting the aforementioned description for the Municipality of Wawa are:

Wawa Goose Monument	\$ 165,000
Train Display	\$ 5,000
Drill Rig Monument	\$ 50,000

(h) Surplus land:

The carrying value of surplus land is based on the purchase and development costs and does not reflect any gain that may arise if the land sells for more than the carrying value.

(i) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(j) Employee future benefits:

The Municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

(k) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

2. Mortgage receivable:

On November 1, 2012, the Municipality of Wawa and Superior Aggregates Company entered into a pari passu agreement along with five other parties. Superior Aggregates Company signed a promissory note payable in the amount of \$1,284,289 plus interest at the rate of 10% per annum. calculated annually. No payments of principal or interest were due or payable until December 1, 2015. Interest accrues on the initial balance from November 1, 2012 until December 1, 2015. On January 11, 2013, a mortgage was registered on the property owned by Superior Aggregates Company in addition to the promissory note payable. Under the agreement the Municipality of Wawa will act as bare trustee on behalf of all parties.

	2015	2014
Mortgage receivable	\$ 725,438	\$ 659,015
Less: Allowance for possible impairment	(725,438)	(257,231)
	\$ -	\$ 401,784

3. Deferred revenue:

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

	2015	2014
Lot levies	\$ 28,209	\$ 28,209
Federal Gas Tax	1,169,665	1,206,148
	\$ 1,197,874	\$ 1,234,357

Continuity of deferred revenue - obligatory is as follows:

	2015	2014
Balance, beginning of year:	\$ 1,234,357	\$ 1,046,598
Contributions	172,285	177,536
Interest	4,243	10,223
	1,410,885	1,234,357
Contributions used	(213,011)	-
Balance, end of year	\$ 1,197,874	\$ 1,234,357

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

	2015	2014
Provincial - non - obligatory	\$ 212,345	\$ 184,454

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

3. Deferred revenue (continued):

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

	2015	2014
Balance, beginning of year:	\$ 184,454	\$ 714,280
Contributions	52,919	111,029
Interest	—	—
	237,373	825,309
Contributions used	(25,028)	(640,855)
Balance, end of year	\$ 212,345	\$ 184,454

4. Trust funds:

The trust funds administered by the Municipality amounting to \$188,576 (2014 - \$181,830) are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Municipality for the benefit of others; they are not presented as part of the Municipality's financial position or financial activities.

5. Employee future benefit obligations:

Employee future benefits are liabilities of the Municipality to its employees and early retirees for the following benefits earned but not taken as at December 31 are as follows:

	2015	2014
Accumulated sick leave benefit plan entitlements	\$ 109,690	\$ 122,367
Vacation pay	266,499	275,627
Medical and dental plan entitlements	1,106,871	1,208,425
Employee future benefit obligations	\$ 1,483,060	\$ 1,606,419

A reserve fund in the amount of \$243,647 (2014 - \$197,902) has been established to fund this liability.

Accumulated sick leave payable

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2015, this liability is estimated at \$109,690 (2014 - \$122,367)

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

5. Employee future benefit obligations (continued):

Employee health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The valuation of the employee future benefits was completed effective December 31, 2015.

At December 31, 2015, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plan is \$1,106,871 (2014 - \$1,208,425).

The benefit liability continuity is as follows:

	2015	2014
Accrued benefit liability, January 1	\$ 1,208,425	\$ 1,164,800
Expense	35,631	34,261
Payments	(36,495)	(37,170)
Interest accrued	48,320	46,534
Amortization of actuarial gain	(149,010)	-
Accrued benefit liability, December 31	\$ 1,106,871	\$ 1,208,425

Significant assumptions

Discount rate	4.0%	4.0%
Health cost increase	6.1%	6.7%

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

6. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a thirty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Municipality operates one open landfill site and it owns and monitors two closed landfill sites. The open site has a remaining capacity of approximately 2,316 metric tons (2014 - 6,624 m³). At current average fill rates, the site has a remaining operating life of approximately two years and expected closure in December 2016. The change in liability is recorded based on the capacity of the landfill sites used to date. At December 31, 2015, an amount of \$1,272,940 (2014 - \$1,293,491) with respect to landfill closure and post-closure liability has been accrued and will be funded from future taxation revenue.

A reserve of \$24,268 (2014 - \$38,850) has been established to contribute to the cost of closing and maintaining the landfill sites.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

7. Long-term obligations:

	2015	2014
Debentures, payable approximately \$185,000 annually Including interest ranging from 3.45% to 4.50%, due 2020	\$ 2,020,000	\$ 2,115,000
OIPC debenture, payable semi-annual \$78,632 with interest at 5.6%, repayable July 2049	2,378,865	2,401,941
Loan payable CMHC, \$30,569 annually including interest at 3.59%, repayable December 2025	253,083	273,822
Ontario Infrastructure and Lands Corporation Debenture payable \$18,409 semiannually with interest at 2.83%, repayable December 2021	201,859	232,316
Ontario Infrastructure and Lands Corporation Debenture payable \$2,110 semiannually with interest at 3.00%, repayable February 2024	31,455	34,658
Royal Bank loan payable, \$4,272 monthly including interest at 3.67%, due October 2017, secured by vehicle, repayable on demand	54,020	102,344
Royal Bank loan payable, \$911 monthly including interest at 3.26%, due November 2015, secured by compactor repayable on demand	–	9,861
Royal Bank loan payable, \$391 monthly, including interest at 3.33%, due October 2015, secured by vehicle, repayable on demand	–	3,851
	\$ 4,939,282	\$ 5,173,793

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

2016	\$ 225,613
2017	187,575
2018	191,927
2019	200,351
2020	1,703,923
Thereafter	2,429,893

The annual principal and interest payments required to service the long-term obligations of the Municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2015

8. Tangible capital assets:

	2015									
	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost										
Balance, beginning of the year	\$ 223,244	308,718	7,548,503	18,335,000	41,194,163	1,194,675	61,969	376,522	597,570	\$ 69,840,364
Additions	-	56,036	-	-	953,950	213,740	100,789	78,232	-	1,402,747
Disposals/transfers	-	-	-	-	(71,712)	-	-	(160,708)	(34,137)	(266,557)
Balance, end of year	223,244	364,754	7,548,503	18,335,000	42,076,401	1,408,415	162,758	294,046	563,433	70,976,554
Accumulated Amortization										
Balance, beginning of the year	-	(187,800)	(4,164,507)	(3,605,883)	(19,815,409)	(421,710)	(33,947)	(276,846)	-	(28,506,102)
Disposals/transfers	-	-	-	-	60,644	-	-	158,419	-	219,063
Amortization expense	-	(32,273)	(208,554)	(733,400)	(1,465,840)	(56,398)	(17,002)	(28,785)	-	(2,542,252)
Balance, end of year	-	(220,073)	(4,373,061)	(4,339,283)	(21,220,605)	(478,108)	(50,949)	(147,212)	-	(30,829,291)
Net book value, end of year	\$ 223,244	144,681	3,175,442	13,995,717	20,855,796	930,307	111,809	146,834	563,433	\$ 40,147,263
Net book value, beginning of year	\$ 223,244	120,918	3,383,996	14,729,117	21,378,754	772,965	28,022	99,676	597,570	\$ 41,334,262

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2015

8. Tangible capital assets (continued):

	2014									
	Land	Landfill and Land Improvements	Buildings and Building Improvements	Infrastructure - Rail bed	Infrastructure - other	Machinery and Equipment	Vehicles	Other	Assets under Construction	Total
Cost										
Balance, beginning of the year	\$ 223,244	299,381	7,554,485	18,335,000	36,786,435	1,188,693	92,078	399,806	2,371,902	\$ 67,251,024
Additions	-	9,337	-	-	4,855,684	5,982	-	34,187	-	4,905,190
Disposals/transfers	-	-	(5,982)	-	(447,956)	-	(30,109)	(57,471)	(1,774,332)	(2,315,850)
Balance, end of year	223,244	308,718	7,548,503	18,335,000	41,194,163	1,194,675	61,969	376,522	597,570	69,840,364
Accumulated Amortization										
Balance, beginning of the year	-	(157,705)	(3,957,169)	(2,872,483)	(18,799,743)	(368,444)	(49,657)	(273,728)	-	(26,478,929)
Disposals/transfers	-	-	1,216	-	320,549	-	30,109	57,471	-	409,345
Amortization expense	-	(30,095)	(208,554)	(733,400)	(1,336,215)	(53,266)	(14,399)	(60,589)	-	(2,436,518)
Balance, end of year	-	(187,800)	(4,164,507)	(3,605,883)	(19,815,409)	(421,710)	(33,947)	(276,846)	-	(28,506,102)
Net book value, end of year	\$ 223,244	120,918	3,383,996	14,729,117	21,378,754	772,965	28,022	99,676	597,570	\$ 41,334,262
Net book value, beginning of year	\$ 223,244	141,676	3,597,316	15,462,517	17,986,692	820,249	42,421	126,078	2,371,902	\$ 40,772,095

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

8. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$563,433 (2014 - \$597,570) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

9. Tax revenues:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the property tax bills for 2015.

	2015	2014
Residential and farm taxation	\$ 3,042,743	\$ 2,885,932
Commercial and industrial taxation	1,412,430	1,538,561
Taxation from other governments	262,235	250,595
	4,717,408	4,675,088
Less: Amount levied and remitted to school boards	(509,217)	(554,534)
Net taxation	4,208,191	4,120,554

During 2015, the Municipality collected and transferred property taxes totaling \$509,217 (2014 - \$554,534) on behalf of area school boards.

10. Contributions to unconsolidated joint boards:

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

	2015	2014
Algoma Health Unit	\$ 91,120	\$ 87,056
Algoma District Services Administration Board	1,482,075	1,497,739
	\$ 1,573,195	\$ 1,584,795

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

11. Accumulated surplus:

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

	2015	2014
Surplus:		
For general reduction of taxation or user charges and local boards	\$ 23,897	\$ 26,238
Invested in tangible capital assets	40,417,263	41,334,262
Other	(400,128)	(111,635)
Amounts to be recovered:		
Net long-term liabilities	(4,939,282)	(5,173,793)
Landfill closure costs	(1,272,940)	(1,293,491)
Employee benefits	(1,483,060)	(1,606,419)
Total surplus	32,345,750	33,175,162
Reserves and reserve funds set aside for specific purpose by Council:		
Working capital	250,969	250,969
Acquisition of tangible capital assets	237,746	192,746
Sick leave	32,999	32,999
Water and sewer	349,230	332,288
Other programs	3,864,260	4,541,140
Total reserves and reserve funds	4,735,204	5,350,142
	\$ 37,080,954	\$ 38,525,304

12. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2015 was \$222,307 (2014 - \$200,647) is included as an expense on the consolidated statement of operations and accumulated surplus.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

13. Commitments:

The Municipality has entered into long-term lease agreements for office equipment and tank leases which extend to 2018. The minimum annual payments under the terms of these leases are as follows:

2016	\$	16,705
2017		12,333
2018		6,278

The Municipality has entered into long-term agreements for license fees and roadway access with Algoma Central Railway which extend indefinitely. The minimum annual payments under the terms of these arrangements is \$2,100.

14. Contingent liabilities:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Assessments and related property taxes are subject to appeal. Great Lakes Power has disputed the assessment issued by MPAC's predecessor on the Power Dams in Wawa. The disputed assessment values could result in the Municipality of Wawa having to refund taxes collected on the Power Dams. The result of the appeal as of the date of these consolidated financial statements is not determinable. The Municipality would expect the appeal to be resolved in fiscal 2015 or 2016 and to recover the school board portion of the taxes and recognized such charges in the fiscal year the appeal is determined.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

15. Budget figures:

The operating budget approved by Council for 2015 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2015. The budget established does not include a budget for the amortization of tangible capital assets and includes allocations from reserves.

The budget figures presented in the statement of operations and accumulated surplus and the statement of change in net financial assets (debt) have been restated to be comparable with the Canadian public sector accounting standards. A reconciliation of the Council approved budget and the budget presented in these financial statements is presented below:

Adopted budget:	
Budgeted annual surplus for the year	\$ —
Adjustments to adopted budget:	
Add: Principle payments on long-term debt	240,926
Acquisition of tangible capital assets	1,513,983
Less: Amortization of tangible capital assets	(2,542,252)
Net transfer to/from reserves and other	(1,670,964)
Restated budgeted deficit	<u>\$ (2,458,307)</u>

16. Comparative information:

Certain comparative information have been reclassified to conform with the financial statement presentation adopted in the current year.

17. Change in accounting policies:

The Municipality has implemented Public Sector Accounting Board (“PSAB”) section 3260 Liability for contaminated sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Municipality’s financial statements.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

18. Segmented information:

The Municipality of Wawa is a diversified municipal government institution that provides a wide range of services to its citizens. Municipality services are provided by departments and certain departments have been separately disclosed in the segmented information, along with the services they provide. These departments are:

General Government

General Government is comprised of Municipal Council, the Chief Administrators' Office (CAO), Clerks Department, Legal Department, Human Resources Department, Information Technology Services and the Finance Department. Each of these departments provides program support to various other areas. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Council.

Protection Services

Protection to persons and property is comprised of police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens, preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection, or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation Services

The transportation department is responsible for the delivery of Municipal public works services related to the planning, development, and maintenance of roadway systems, winter control and street lighting. Transportation department is responsible for the operation of small aircraft airport and fueling depot in Wawa.

Environmental Services

In addition to the management of Waterworks and Sanitary Systems, the environmental department is responsible for waste disposal and recycling facilities. This section is responsible for providing clean, portable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system.

Health and Social Services

This section consists of Ambulance services, Social Services including Housing Services, Childcare, Assistance to aged persons, Cemetery Services as well as the City's contributions to the Health Unit.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

18. Segmented information (continued):

Recreation and Cultural Services

This section provides public services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services such as fitness and other programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Municipality's citizens through the provision of the library and cultural services and by preserving local history and managing archived data.

Engineering and Planning

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development ensures that the Municipality of Wawa is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that City is an enjoyable and beautiful community to live, work and play. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information.

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2015

18. Segmented disclosure:

	2015							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 563,898	614,396	1,153,044	618,604	513,399	660,686	84,164	\$ 4,208,191
Government grants	2,628,606	1,138,860	28,858	-	1,434,797	35,340	44,329	5,310,790
Fees and user charges	72,053	37,808	309,913	1,416,729	-	374,865	100,943	2,312,311
Interest income and other	94,754	118,722	164,842	75,965	53,546	172,336	6,530	686,695
	3,359,311	1,909,786	1,656,657	2,111,298	2,001,742	1,243,227	235,966	12,517,987
Expenses:								
Salaries, wages and employee benefits	1,029,153	269,773	962,444	261,268	16,953	895,829	-	3,435,420
Materials, supplies and contracted services	1,225,087	1,954,063	767,216	1,144,030	1,615,371	1,089,880	189,018	7,984,665
Amortization of tangible capital assets	75,851	26,883	1,292,825	910,472	-	236,221	-	2,542,252
	2,330,091	2,250,719	3,022,485	2,315,770	1,632,324	2,221,930	189,018	13,962,337
Annual surplus (deficit)	\$ 1,029,220	(340,933)	(1,365,828)	(204,472)	369,418	(978,703)	46,948	\$ (1,444,350)

THE CORPORATION OF THE MUNICIPALITY OF WAWA

Notes to Consolidated Financial Statements

Year ended December 31, 2015

18. Segmented disclosure (continued):

	2014							
	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Total
Revenue:								
Taxation	\$ 552,153	601,601	1,129,032	605,722	502,708	646,927	82,411	\$ 4,120,554
Government grants	2,396,302	1,069,040	2,452,455	-	1,462,034	445,706	11,061	7,836,598
Fees and user charges	85,766	40,378	278,721	1,382,917	-	379,962	57,988	2,225,732
Interest income and other	82,320	99,636	129,480	67,916	54,190	164,787	6,712	605,041
	3,116,541	1,810,655	3,989,688	2,056,555	2,018,932	1,637,382	158,172	14,787,925
Expenses:								
Salaries, wages and employee benefits	1,016,556	299,518	1,187,985	252,803	9,813	793,402	-	3,560,077
Materials, supplies and contracted services	861,120	1,815,711	1,225,557	996,933	1,615,305	968,098	191,530	7,674,254
Amortization of tangible capital assets	100,640	26,883	1,209,975	859,639	-	239,381	-	2,436,518
	1,978,316	2,142,112	3,623,517	2,109,375	1,625,118	2,000,881	191,530	13,670,849
Annual surplus (deficit)	\$ 1,138,225	(331,457)	366,171	(52,820)	393,814	(363,499)	(33,358)	\$ 1,117,076