

**The Corporation of the
Municipality of Powassan
Consolidated Financial Statements
For the year ended December 31, 2017**

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Consolidated Financial Statements
For the 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 Municipality of Powassan

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Powassan (the "Municipality"), which comprise of the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of operations, consolidated statement of change in net debt and consolidated statement of cash flows for the year then ended, and 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.

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 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 the auditor's 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, 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 for 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 Municipality of Powassan as at December 31, 2017 and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
May 15, 2018

The Corporation of the Municipality of Powassan Consolidated Statement of Operations

For the year ended December 31	2017 Budget (Note 17)	2017 Actual	2016 Actual
Revenues (Note 19)			
Taxation	\$ 3,028,571	\$ 3,029,664	\$ 3,006,059
Grants and transfer payments	1,418,780	1,102,072	1,195,069
Other	1,255,050	834,016	1,175,559
User fees	319,250	219,760	97,151
Water and sewer revenues	681,088	604,673	619,626
	<u>6,702,739</u>	<u>5,790,185</u>	<u>6,093,464</u>
Expenses (Notes 18 and 19)			
General government	777,384	888,818	791,071
Protection to persons and property	882,100	923,530	920,393
Transportation services	1,065,600	1,462,134	1,510,446
Environmental services (Note 9)	672,984	754,889	845,118
Health, social and family services	584,890	544,456	536,780
Recreation and culture	1,461,177	1,403,140	1,285,642
Planning and development	86,700	87,147	82,588
	<u>5,530,835</u>	<u>6,064,114</u>	<u>5,972,038</u>
Annual (deficit) surplus	1,171,904	(273,929)	121,426
Accumulated surplus, beginning of year	<u>14,282,522</u>	<u>14,282,522</u>	<u>14,161,096</u>
Accumulated surplus, end of the year	<u>\$ 15,454,426</u>	<u>\$ 14,008,593</u>	<u>\$ 14,282,522</u>

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

The Corporation of the Municipality of Powassan Consolidated Statement of Change in Net Debt

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Annual (deficit) surplus	\$ 1,171,904	\$ (273,929)	\$ 121,426
Acquisition of tangible capital assets	(3,301,500)	(1,571,542)	(1,101,255)
Amortization of tangible capital assets	-	895,504	923,891
Acquisition of prepaid expenses	-	(60,574)	(60,574)
Use of prepaid expenses	-	60,574	67,016
Acquisition of inventories	-	(55,690)	(55,690)
Use of inventories	-	55,690	72,746
Change in net debt	(2,129,596)	(949,967)	(32,440)
Net debt, beginning of year	(1,666,783)	(1,666,783)	(1,634,343)
Net debt, end of year	\$ (3,796,379)	\$ (2,616,750)	\$ (1,666,783)

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

The Corporation of the Municipality of Powassan Consolidated Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in):		
Operating activities		
Annual (deficit) surplus	\$ (273,929)	\$ 121,426
Items not involving cash		
Amortization of tangible capital assets	895,504	923,891
Landfill closure and post-closure costs accrual	22,823	21,383
	<u>644,398</u>	<u>1,066,700</u>
Changes in non-cash operating balances		
Taxes receivable	314,018	(308,324)
Accounts receivable	(175,028)	933,736
Loan receivable	239,518	232,698
Prepaid expenses	-	6,442
Inventories	-	17,056
Accounts payable and accrued liabilities	129,421	(107,021)
Deferred revenue	212,177	100,585
	<u>1,364,504</u>	<u>1,941,872</u>
Capital activities		
Purchase of tangible capital assets	<u>(1,571,542)</u>	<u>(1,101,255)</u>
Investing activities		
Purchase of temporary investments	<u>(7,564)</u>	<u>(7,344)</u>
Financing activities		
Principal repayments of long-term debt	(377,533)	(382,191)
Net proceeds (repayment) of temporary borrowings	765,209	(288,266)
Payments on contractual obligations	(38,752)	(38,748)
	<u>348,924</u>	<u>(709,205)</u>
Increase in cash and cash equivalents during the year	134,322	124,068
Cash and cash equivalents, beginning of year	328,289	204,221
Cash and cash equivalents, end of year	\$ 462,611	\$ 328,289

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

The Corporation of the Municipality of Powassan

Notes to Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies

Management Responsibility

The consolidated financial statements of The Corporation of the Municipality of Powassan (the "Municipality") are the representations of management. They have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAB). The Municipality provides municipal services such as general government, fire, building, protection to persons, transportation, environmental, health, social, family, recreation, culture, planning and development services.

Reporting Entity

These consolidated statements reflect the assets, liabilities, revenues and expenditures 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.

The following boards, controlled by Council, have been consolidated:

Powassan & District Union Library (60%)
Sportsplex
Trout Creek Community Centre

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit
District of Parry Sound Services Administration Board
Eastholme Home for the Aged

Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Loans Receivable

The Municipality records loans receivable at cost when the loan is issued. The loan receivable is subsequently measured at the lower of cost and net recoverable value. When the Municipality becomes aware that the loan is no longer recoverable, the loan is reduced by the amount of the loss and any loss is included in expenses for the period.

Inventories

Inventory of supplies are stated at the lower of cost and replacement cost. Cost is determined on the first in, first out basis.

The Corporation of the Municipality of Powassan

Notes to Consolidated Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and the site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue, when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 years
Buildings	10 to 50 years
Vehicles	5 to 15 years
Machinery and equipment	10 to 25 years
Office equipment, computer hardware and software	3 to 10 years
Linear assets (roads, bridges and structures)	10 to 50 years
Water and sewer	15 to 100 years
Work in process	no amortization

Landfill Closure and Post-closure Costs

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

Collection of Taxes on

Behalf of School Boards The Municipality collects taxation revenue on behalf of four school boards. The taxation revenues, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

The Corporation of the Municipality of Powassan

Notes to Consolidated Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

- a. **Taxation**

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.
- b. **User Fee and Other**

User fees and other revenue are recognized on an accrual basis as services are rendered and collection is reasonably assured.
- c. **Government Transfers**

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which the events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be determined.
- d. **Grant Revenue**

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant items subject to such estimates include: solid waste landfill closure and post-closure liabilities, allowances for doubtful accounts and other accrued liabilities and/or obligations.

In particular, management's estimate for the landfill closure and post-closure liability is subject to measurement uncertainty. The estimate is based on assumptions and calculations contained in an engineer's report of November 30, 2017, modified as necessary for the passage of time and actual use of the landfill site. Actual results could differ significantly from those estimates because of the uncertainty related to future cost estimates and future use of the landfill site.

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

2. Temporary Investments

Temporary investments consist of a Guaranteed Investment Certificate purchased for \$761,911 (2016 - \$754,346) bearing interest of 1.56%, (2016 - 0.99%) maturing May 7, 2018 (2016 - April 28, 2017). At year end, the investment includes accrued interest of \$Nil (2016 - \$Nil).

3. Taxes Receivable

	<u>2017</u>	<u>2016</u>
Current taxes	\$ 377,636	\$ 502,792
Taxes in arrears	401,984	503,732
Interest	165,083	246,122
Less: allowance for uncollectible taxes	<u>(101,074)</u>	<u>(94,999)</u>
	<u>\$ 843,629</u>	<u>\$ 1,157,647</u>

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the various local boards in respect of Regional services and amounts the Municipality 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 Municipality determines the taxes applicable and renders supplementary tax billings.

**The Corporation of the Municipality of Powassan
Notes to Consolidated Financial Statements**

December 31, 2017

4. Accounts Receivable

	<u>2017</u>		<u>2016</u>
Due from federal government	\$ 39,777	\$	39,777
Due from provincial government	33,625		23,625
Utilities receivable	100,871		75,579
Trade receivables	296,658		232,092
HST receivable	120,599		45,429
	<u>\$ 591,530</u>	\$	<u>416,502</u>

5. Inventories

	<u>2017</u>		<u>2016</u>
Sand and gravel	\$ 44,923	\$	44,923
Fuel	3,653		3,653
Culverts	7,114		7,114
	<u>\$ 55,690</u>	\$	<u>55,690</u>

**The Corporation of the Municipality of Powassan
Notes to Consolidated Financial Statements**

December 31, 2017

6. Tangible Capital Assets (continued)

												2016
	Land & Land Improvements	Buildings	Vehicles	Machinery & Equipment	Office Equipment, Computer Hardware & Software	Linear Assets	Water & Sewer	Work in Process	Total			
Cost, beginning of year	\$ 470,614	\$ 7,184,536	\$ 2,325,024	\$ 1,516,991	\$ 245,604	\$ 9,810,907	\$ 5,030,237	\$ -	\$ 26,583,913			
Additions	20,570	796,782	-	58,433	-	225,470	-	-	1,101,255			
Cost, end of year	491,184	7,981,318	2,325,024	1,575,424	245,604	10,036,377	5,030,237	-	27,685,168			
Accumulated amortization, beginning of year	11,736	2,265,840	1,224,588	880,445	236,718	4,583,536	1,725,373	-	10,928,236			
Amortization	-	172,612	132,758	88,216	8,886	394,064	127,355	-	923,891			
Accumulated amortization, end of year	11,736	2,438,452	1,357,346	968,661	245,604	4,977,600	1,852,728	-	11,852,127			
Net carrying amount, end of year	\$ 479,448	\$ 5,542,866	\$ 967,678	\$ 606,763	\$ -	\$ 5,058,777	\$ 3,177,509	\$ -	\$ 15,833,041			

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

7. Deferred Revenue

	<u>2017</u>	<u>2016</u>
Obligatory reserve funds - gas tax	<u>\$ 331,481</u>	<u>\$ 119,304</u>

Included in cash and cash equivalents is restricted amounts of \$331,481 (2016 - \$119,304) with respect to the above obligatory reserve funds.

8. Accounts Payable and Accrued Liabilities

	<u>2017</u>	<u>2016</u>
Due to school boards	\$ 212,915	\$ 348,457
Trade accounts payable	<u>651,629</u>	<u>386,666</u>
	<u>\$ 864,544</u>	<u>\$ 735,123</u>

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

9. Long-term Debt

- i) The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2017	2016
Debenture held by Infrastructure Ontario (OSIFA), repayable in semi-annual payments of principal and interest at 3.88%, due October 15, 2025.	\$ 1,196,028	\$ 1,321,304
Bank of Nova Scotia, repayable in blended monthly payments of \$2,494 including interest at 3.58%, due May 2017.	-	12,739
OSIFA debenture for Eastholme expansion, repayable in semi-annual blended payments which include interest at 2.91% due October 16, 2017. ⁱⁱ⁾	-	239,518
	\$ 1,196,028	\$ 1,573,561

Principal repayments for the next year five years and thereafter are as follows:

2018	\$	129,127
2019		134,186
2020		139,442
2021		144,905
2022		150,582
Thereafter		497,786
		\$ 1,196,028

Interest expense paid relating to long-term debt above is \$48,980 (2016 - \$66,450) and has been included in environmental services expense on the consolidated statement of operations.

- ii) Per Resolution No. 2001-114 the Municipality entered into a financing agreement with the Bank of Nova Scotia, on behalf of all of the supporting municipalities, for the purpose of borrowing up to \$3,000,000 to then be loaned to Eastholme Home for the Aged, to assist with the financing of its new addition. Eastholme is responsible for payments of principal and interest to the Municipality on the amounts borrowed. In October 2010 this loan was converted into a debenture owned by Infrastructure Ontario, and is repayable in semi-annual installments of principal and interest which matured October 16, 2017. The annual interest on the debenture is 2.91% per year.

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

10. Contractual Obligations

	2017	2016
North Bay Regional Health Centre \$37,359 per year for twenty years (2007-2026)	\$ 336,232	\$ 373,591
Sudbury Regional Hospital \$1,392 per year for twenty years (2003-2022)	8,345	9,737
	\$ 344,577	\$ 383,328

11. Commitments

The Municipality has entered into the following agreements:

- a. During 2013, the Municipality entered into an agreement with Ontario Clean Water Agency for water and sewer services. The agreement is effective January 1, 2013 for an initial term of five years, ending December 31, 2017 at an annual cost of: \$15,094 for years one through five on the contract respectively. Commencing in year two, the price will include a CPI adjustment plus an adjustment for maintaining the insurance which is renewed annually by OWCA. The CPI adjustment shall be calculated as soon as necessary information is available from Statistics Canada. In year two of the agreement, the CPI adjustment shall be added to the annual price for year one of the agreement and for subsequent years, on a cumulative basis.
- b. During 2015, the Municipality entered into a five year commitment for policing services for a total of \$479,984 per year indexed annually to inflation rate.
- c. During 2013, the Municipality has entered into a contract for bi-weekly recycling services retroactive for the period of September 30, 2012 to September 30, 2017. The cost to the Municipality is expected to fluctuate based on the number of pick-ups in the Municipality and annual indexing for inflation.
- d. During 2011, the Municipality entered into a contract for hazmat disposal with the City of North Bay at a cost of \$2 per household (approximately \$2,698 per year).

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

12. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	<u>2017</u>	<u>2016</u>
Investment in tangible capital assets	\$ 16,444,834	\$ 15,833,041
General deficit	(3,420,136)	(2,569,256)
Unfunded liabilities		
Landfill closure and post closure costs	(152,438)	(129,615)
Long-term debt	(1,196,028)	(1,573,561)
Contractual obligations	(344,577)	(383,325)
Reserve funds		
Working	100	100
Capital	<u>2,676,838</u>	<u>3,105,138</u>
	<u>\$ 14,008,593</u>	<u>\$ 14,282,522</u>

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

13. Temporary Borrowing

The Municipality has a demand promissory note with the Bank of Nova Scotia with a limit of \$1,000,000 of which \$352,597 was used at December 31, 2017 (2016 - \$451,155). The demand loan bears interest at the rate of prime plus 0.75%.

The Municipality has a short-term credit facility with the Bank of Nova Scotia with a limit of \$600,000 of which \$274,460 was used at December 31, 2017 (2016 - \$314,625). The demand loan bears interest at the rate of 3.72%

The Municipality has a short-term credit facility with the Bank of Nova Scotia with a limit of \$850,000 of which \$Nil (2016 - \$Nil). The demand loan bears interest at the rate of prime plus 0.25%.

The Municipality has a demand promissory note with the Bank of Nova Scotia with a limit of \$600,000 of which \$300,000 was used at December 31, 2017 (2016 - \$300,000). The demand loan bears interest at the rate of prime plus 0%.

The Municipality has a revolving term loan short-term credit facility with the Bank of Nova Scotia with a limit of \$400,000 of which \$100,752 was used at December 31, 2017 (2016 - \$118,272) to assist with equipment acquisitions at rate of prime plus 1.00%.

The Municipality has a non-revolving credit facility with the Bank of Nova Scotia with a limit of \$428,000 of which \$408,022 was used at December 31, 2017 (2016 - \$425,146) to finance the acquisition of 250 Clark Street at the rate of prime plus 0.50%.

During the year, the Municipality entered into a credit facility agreement with the Ontario Infrastructure and Lands Corporation for the construction of a new fire hall and renovations to 250 Clark Street to a maximum of \$3,500,000. As of December 31, 2017, the amount outstanding is \$951,533 (2016 - \$Nil). There are no set terms of re-payment with interest only payments being made at fluctuating interest rates.

The Municipality has corporate credit cards with a limit of \$100,000.

The Corporation of the Municipality of Powassan

Notes to Consolidated Financial Statements

December 31, 2017

14. Landfill Closure and Post-Closure Accrual

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Municipality's estimated future liability for this expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities. The reported liability as at year end was \$152,438 (2016 - \$129,615) and reflects a discount rate of 3.75% (2016 - 3.75%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The landfill is expected to reach its capacity in 145 years and the estimated remaining capacity is 725,583 cubic metres which is 94% (2016 - 95%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$3,183,193 leaving an amount to be recognized of \$3,030,755. The estimated length of time needed for post-closure care is 25 years.

Municipal reserves for the landfill site total \$3,701 (2016 - \$3,701).

15. Employment Benefits Accrual

Under the employee benefit plan, sick leave and overtime worked can accumulate over years of employment. Employees are not entitled to a cash payment for sick leave when they leave the Municipality's employment.

The liability for accumulated overtime that could be taken in cash by an employee on termination amounted to \$11,979 (2016 - \$11,979) at the end of the year. This amount is included in accounts payable and accrued liabilities on the consolidated statement of financial position. The amount is not expected to be paid out in 2018.

The Corporation of the Municipality of Powassan

Notes to Consolidated Financial Statements

December 31, 2017

16. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of 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 Board of Trustees, 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 more than 482,000 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. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million in respect of benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Municipality to OMERS for 2017 were \$92,036 (2016 - \$90,992).

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

17. Budget

The Budget By-law adopted by Council on April 18, 2017 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on April 18, 2017 with adjustments as follows:

	2017
Budget By-law surplus for the year	\$ -
Add:	
Investment in tangible capital assets	3,301,500
Debt repayment	529,759
Transfers to reserve funds	140,645
Less:	
Proceeds from long-term debt	(2,250,000)
Transfers from reserve funds	(550,000)
Budget surplus per statement of operations	\$ 1,171,904

18. Expenses by Object

The following is a summary of the expenses reported on the consolidated statement of operations by object:

	2017	2016
Salaries, wages and employee benefits	\$ 1,564,151	\$ 1,570,413
Materials and supplies	2,269,425	2,127,193
Contracted services	1,249,240	1,233,770
Net long-term debt charges (interest)	80,237	111,079
External transfers	5,557	5,692
Amortization expense	895,504	923,891
	\$ 6,064,114	\$ 5,972,038

The Corporation of the Municipality of Powassan

Notes to Consolidated Financial Statements

December 31, 2017

19. Trust Funds

Trust funds administered by the Municipality amounting to \$153,296 (2016 - \$147,387) are held in trust by the Municipality for the benefit of others. These funds are included on the statement of financial position as cash and cash equivalents and accounts payable and accrued liabilities.

20. Segmented Information Disclosures

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as police and fire. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Council

This relates to the revenues and expenses that are directly attributable to municipal Council functions.

General Government

This relates to the revenues and expenses of the Municipality itself and cannot be directly attributed to specific segments.

Protection to Persons and Property

Protection is comprised of police services, building department, fire department, animal control and livestock evaluators. The police services work to ensure the safety and protection of the citizens and their property. The building department provides a number of services including maintenance and enforcement of building and construction codes. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers.

Transportation Services

Transportation is responsible for maintaining the Municipality's roadway systems.

The Corporation of the Municipality of Powassan

Notes to Consolidated Financial Statements

December 31, 2017

20. Segmented Information Disclosures (continued)

Environmental Services

Environmental services consists of providing recycling and waste disposal to citizens as well as water and sewer services.

Health, Social and Family Services

Health services are comprised of public health services which works to improve the overall health of the population by providing services to individuals and communities. Social and family services provides services that are meant to help the less fortunate in society. Social housing is provided to help shelter families and elderly in need. Child care funding is provided to subsidize day cares and to provide early learning programs. The ambulance service transports the injured to the hospital and provides emergency medical care to those in distress.

Recreation and Culture

Recreation and culture represents cultural activity support within the Municipality. This includes maintenance and upkeep of parks, running recreation programs, and providing library services.

Planning and Economic Development

The planning department provides a number of services including municipal planning and review of all property development plans through its application process. The economic development department provides services to generate opportunities in the community and to strengthen the economic base of the Municipality.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter segment transfers are measured on the basis of the percentage of budgeted expenses.

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

20. Segmented Information Disclosures (continued)

	Council	General Government	Protection to Persons and Property	Transportation Services	Environmental Water	Environmental Sewer	Environmental Landfill	Health, Social & Family Services	Recreation and Culture	Planning and Economic Development	Unallocated Amounts	2017 Total
Revenues												
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,029,664	\$ 3,029,664
Grants and transfer payments	-	-	-	-	-	-	-	-	63,220	-	1,038,852	1,102,072
Other	-	10,744	98,542	18,445	-	-	117,817	215,688	357,746	-	15,034	834,016
User fees	-	115,234	43,874	-	-	-	-	-	41,668	18,984	-	219,760
Water and sewer revenues	-	-	-	-	418,348	186,325	-	-	-	-	-	604,673
	-	125,978	142,416	18,445	418,348	186,325	117,817	215,688	462,634	18,984	4,083,550	5,790,185
Expenses												
Salaries and benefits	40,136	353,800	162,403	454,416	27,019	16,827	91,546	40,191	339,749	38,064	-	1,564,151
Materials	35,919	260,717	185,403	512,615	44,477	38,445	204,600	66,854	871,312	49,083	-	2,269,425
Contracted services	-	99,316	516,754	-	99,181	62,852	2,918	437,071	31,148	-	-	1,249,240
Interest	-	8,064	-	-	48,640	-	-	340	23,193	-	-	80,237
External transfers	5,557	-	-	495,103	-	-	-	-	-	-	-	5,557
Amortization	-	85,309	58,970	-	98,048	20,336	-	-	137,738	-	-	895,504
	81,612	807,206	923,530	1,462,134	317,365	138,460	299,064	544,456	1,403,140	87,147	-	6,064,114
Annual (deficit) surplus	\$ (81,612)	\$ (681,228)	\$ (781,114)	\$ (1,443,689)	\$ 100,983	\$ 47,865	\$ (181,247)	\$ (328,768)	\$ (940,506)	\$ (68,163)	\$ 4,083,550	\$ (273,929)

The Corporation of the Municipality of Powassan Notes to Consolidated Financial Statements

December 31, 2017

20. Segmented Information Disclosures (continued)

	Council	General Government	Protection to Persons and Property	Transportation Services	Environmental Water	Environmental Sewer	Environmental Landfill	Health, Social & Family Services	Recreation and Culture	Planning and Economic Development	Unallocated Amounts	2016 Total
Revenues												
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,006,059	\$ 3,006,059
Grants and transfer payments	-	-	-	145,360	-	-	-	-	44,957	-	1,004,752	1,195,069
Other	-	16,619	120,054	7,867	-	-	122,190	206,387	669,981	-	32,461	1,175,559
User fees	-	35,959	53,123	-	-	-	-	-	-	8,069	-	97,151
Water and sewer revenues	-	-	-	-	416,781	202,845	-	-	-	-	-	619,626
	-	52,578	173,177	153,227	416,781	202,845	122,190	206,387	714,938	8,069	4,043,272	6,093,464
Expenses												
Salaries and benefits	38,513	337,010	174,165	503,228	27,450	16,798	91,264	38,775	299,425	43,785	-	1,570,413
Materials	33,911	204,707	177,696	500,222	48,155	42,681	258,200	63,164	759,654	38,803	-	2,127,193
Contracted services	-	97,352	508,038	-	112,745	61,204	2,918	421,753	29,760	-	-	1,233,770
Interest	-	(943)	-	-	53,362	-	-	13,088	45,572	-	-	111,079
External transfers	5,692	-	-	-	-	-	-	-	-	-	-	5,692
Amortization	-	74,829	60,494	506,996	108,925	21,416	-	-	151,231	-	-	923,891
	78,116	712,955	920,393	1,510,446	350,637	142,099	352,382	536,780	1,285,642	82,588	-	5,972,038
Annual (deficit) surplus	\$ (78,116)	\$ (660,377)	\$ (747,216)	\$ (1,357,219)	\$ 66,144	\$ 60,746	\$ (230,192)	\$ (330,393)	\$ (570,704)	\$ (74,519)	\$ 4,043,272	\$ 121,426