

**The Corporation of the  
Municipality of Powassan  
Consolidated Financial Statements  
For the year ended December 31, 2012**

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**Consolidated Financial Statements**  
For the year ended December 31, 2012

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## Independent Auditor's Report

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### **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, 2012, 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, 2012 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 Accountants, Licensed Public Accountants

North Bay, Ontario  
June 4, 2013

## The Corporation of the Municipality of Powassan Consolidated Statement of Financial Position

December 31	2012	2011
<b>Financial assets</b>		
Cash and cash equivalents	\$ 879,247	\$ 545,226
Short-term investments (Note 2)	688,542	653,859
Taxes receivable (Note 3)	549,582	625,472
Accounts receivable (Note 4)	1,614,023	2,809,926
	<b>3,731,394</b>	<b>4,634,483</b>
<b>Liabilities</b>		
Temporary borrowings (Note 12)	845,382	944,876
Accounts payable and accrued liabilities (Notes 7 and 14)	513,302	529,373
Deferred revenue (Note 5)	261,254	594,817
Landfill closure and post-closure costs accrual (Note 13)	89,000	88,000
Long-term debt (Note 8)	3,037,795	3,372,559
Contractual obligations (Note 9)	555,523	612,863
	<b>5,302,256</b>	<b>6,142,488</b>
<b>Net debt</b>	<b>(1,570,862)</b>	<b>(1,508,005)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	14,609,111	13,811,117
Prepaid expenses	68,418	4,359
	<b>14,677,529</b>	<b>13,815,476</b>
<b>Accumulated surplus (Note 11)</b>	<b>\$ 13,106,667</b>	<b>\$ 12,307,471</b>
<b>Commitments (Note 10)</b>		
<b>Contingencies (Note 16)</b>		

On behalf of the Council:

\_\_\_\_\_ Treasurer

\_\_\_\_\_ Mayor

## The Corporation of the Municipality of Powassan Consolidated Statement of Operations

For the year ended December 31	2012 Budget (Note 17)	2012 Actual	2011 Actual
<b>Revenues</b>			
Taxation	\$ 2,603,558	\$ 2,616,219	\$ 2,530,389
Grants and transfer payments	1,221,364	1,591,340	3,034,455
Other	1,221,787	1,362,898	1,052,261
User fees	123,748	41,772	71,533
Water and sewer revenues	559,988	486,737	433,529
	<u>5,730,445</u>	<u>6,098,966</u>	<u>7,122,167</u>
<b>Expenses (Note 18)</b>			
General government	672,966	789,590	693,642
Protection to persons and property	662,455	748,644	669,796
Transportation services	983,700	1,319,003	1,359,349
Environmental services (Note 8)	699,299	664,079	577,314
Health, social and family services	474,462	561,542	530,598
Recreation and culture	995,177	1,086,896	1,143,288
Planning and development	238,537	130,016	187,829
	<u>4,726,596</u>	<u>5,299,770</u>	<u>5,161,816</u>
<b>Annual surplus</b>	1,003,849	799,196	1,960,351
<b>Accumulated surplus, beginning of year</b>	<u>12,307,471</u>	<u>12,307,471</u>	<u>10,347,120</u>
<b>Accumulated surplus, end of the year</b>	<u>\$ 13,311,320</u>	<u>\$ 13,106,667</u>	<u>\$ 12,307,471</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	2012 Budget	2012 Actual	2011 Actual
Annual surplus	\$ 1,003,849	\$ 799,196	\$ 1,960,351
Acquisition of tangible capital assets	(1,673,620)	(1,673,620)	(2,264,400)
Amortization of tangible capital assets	875,626	875,626	735,120
Acquisition of prepaid expenses	(68,418)	(68,418)	(4,359)
Use of prepaid expenses	4,359	4,359	4,243
<b>Change in net debt</b>	<b>141,796</b>	<b>(62,857)</b>	<b>430,955</b>
Net debt, beginning of year	(1,508,005)	(1,508,005)	(1,938,960)
<b>Net debt, end of year</b>	<b>\$ (567,013)</b>	<b>\$ (1,570,862)</b>	<b>\$ (1,508,005)</b>

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	2012	2011
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Annual surplus	\$ 799,196	\$ 1,960,351
Items not involving cash		
Amortization of tangible capital assets	875,626	735,120
	1,674,822	2,695,471
<b>Changes in non-cash operating balances</b>		
Taxes receivable	75,890	(146,078)
Accounts receivable	1,195,903	(472,520)
Prepaid expenses	(64,059)	(116)
Accounts payable and accrued liabilities	(16,071)	(289,090)
Deferred revenue	(333,563)	336,258
Landfill closure and post closure costs accrual	1,000	12,500
	2,533,922	2,136,425
<b>Capital activities</b>		
Purchase of tangible capital assets	(1,673,620)	(2,264,400)
<b>Investing activities</b>		
Purchase of short-term investments	(34,683)	(55,995)
<b>Financing activities</b>		
Principal repayments of long term debt	(334,764)	(324,054)
(Decrease) increase in temporary borrowing	(99,494)	448,939
Decrease in long-term commitments	(57,340)	(55,948)
	(491,598)	68,937
<b>Net decrease in cash and cash equivalents during the year</b>	334,021	(115,033)
<b>Cash and cash equivalents, beginning of year</b>	545,226	660,259
<b>Cash and cash equivalents, end of year</b>	\$ 879,247	\$ 545,226

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



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

December 31, 2012

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## 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

Cash and cash equivalents consist of cash in bank and temporary investments. Temporary investments are recorded at the lower of cost and market value.

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2012

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### 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.

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2012

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### 1. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

##### a. Taxation

Taxation revenues are recorded at the time tax billings are issued. Assessments 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. The Municipality 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 Fees and Other

User fee revenue and other revenue are recognized by the Municipality when the fee is collected.

##### c. Government Transfers

Transfer payments are recognized by the Municipality in the period in which the events giving rise to the transfer occurs, providing the transfer is authorized, all eligibility criteria have been met including performance and return requirements and reasonable estimates of the amounts can be determined.

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.

#### Deferred Revenue

The Municipality defers recognition of certain government grants which have been collected but for which the related expenditures have yet to be incurred. These amounts will be recognized as revenues in the fiscal year the expenditures are incurred.

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

December 31, 2012

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## 1. Summary of Significant Accounting Policies (continued)

### 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 October 5, 2009, 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.

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## 2. Short-term Investments

Short-term investments consist of several Guaranteed Investment Certificates purchased for \$687,391 (2011 - \$653,068) bearing interest between 0.85% to 1.15%, (2011 - 0.85% - 0.95%) maturing between January 30, 2013 and April 30, 2013. (2011 - January 24, 2012 - April 30, 2012). At year end, the investment includes accrued interest of \$1,551 (2011 - \$791).

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

December 31, 2012

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### 3. Taxes Receivable

	<u>2012</u>	<u>2011</u>
Current taxes	\$ 266,419	\$ 309,177
Taxes in arrears	252,397	237,340
Interest	107,039	100,855
Less: allowance for uncollectible taxes	<u>(76,273)</u>	<u>(21,900)</u>
	<u>\$ 549,582</u>	<u>\$ 625,472</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.

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### 4. Accounts Receivable

	<u>2012</u>	<u>2011</u>
Due from provincial government	\$ 155,351	\$ 850,488
Utilities receivable	156,154	212,431
Trade receivables	75,205	72,359
HST receivable	89,050	299,140
Eastholme mortgage receivable (Note 8ii)	1,138,263	1,346,627
Due from federal government	<u>-</u>	<u>28,881</u>
	<u>\$ 1,614,023</u>	<u>\$ 2,809,926</u>

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

**December 31, 2012**

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**5. Deferred Revenue**

Deferred revenue consists of the following:

	<u>2012</u>	<u>2011</u>
Obligatory reserve funds		
- Federal gas tax contributions	\$ 237,106	\$ 203,516
Other	<u>24,148</u>	<u>391,301</u>
	<u>\$ 261,254</u>	<u>\$ 594,817</u>

Included in cash and cash equivalents is restricted amounts of \$237,106 (2011 - \$203,516) with respect to the above obligatory reserve funds.

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

**December 31, 2012**

**6. Tangible Capital Assets**

	2012								
	Land & Land Improvement	Buildings	Vehicles	Machinery & Equipment	Office Equipment, Computer Hardware & Software	Linear Assets	Water & Sewer	Work in Process	Total
Cost, beginning of year	\$ 242,405	\$ 6,622,600	\$ 1,739,778	\$ 1,084,812	\$ 262,084	\$ 7,279,863	\$ 4,300,312	\$ -	\$ 21,531,854
Additions	126,259	(52,785)	209,929	220,312	(9,261)	675,469	503,697	-	1,673,620
Disposals	-	-	(159,700)	(41,839)	(7,219)	-	-	-	(208,758)
Cost, end of year	368,664	6,569,815	1,790,007	1,263,285	245,604	7,955,332	4,804,009	-	22,996,716
Accumulated amortization, beginning of year	11,736	1,660,960	935,845	517,263	195,055	3,173,153	1,226,725	-	7,720,737
Amortization	-	150,058	59,614	140,718	6,475	389,228	129,533	-	875,626
Disposals	-	-	(159,700)	(41,839)	(7,219)	-	-	-	(208,758)
Accumulated amortization, end of year	11,736	1,811,018	835,759	616,142	194,311	3,562,381	1,356,258	-	8,387,605
Net carrying amount, end of year	\$ 356,928	\$ 4,758,797	\$ 954,248	\$ 647,143	\$ 51,293	\$ 4,392,951	\$ 3,447,751	\$ -	\$ 14,609,111

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

**December 31, 2012**

**6. Tangible Capital Assets (continued)**

	2011								
	Land & Land Improvements	Buildings	Vehicles	Machinery & Equipment	Office Equipment, Computer Hardware & Software	Linear Assets	Water & Sewer	Work in Process	Total
Cost, beginning of year	\$ 242,405	\$ 5,076,067	\$ 1,750,078	\$ 1,042,018	\$ 234,444	\$ 7,070,592	\$ 3,869,264	\$ -	\$ 19,284,868
Additions	-	1,546,533	-	42,794	34,754	209,271	431,048	-	2,264,400
Disposals	-	-	(10,300)	-	(7,114)	-	-	-	(17,414)
Cost, end of year	<u>242,405</u>	<u>6,622,600</u>	<u>1,739,778</u>	<u>1,084,812</u>	<u>262,084</u>	<u>7,279,863</u>	<u>4,300,312</u>	<u>-</u>	<u>21,531,854</u>
Accumulated amortization, beginning of year	11,736	1,520,123	747,023	489,635	198,921	2,916,446	1,119,147	-	7,003,031
Amortization	-	140,837	199,122	27,628	3,248	256,707	107,578	-	735,120
Disposals	-	-	(10,300)	-	(7,114)	-	-	-	(17,414)
Accumulated amortization, end of year	<u>11,736</u>	<u>1,660,960</u>	<u>935,845</u>	<u>517,263</u>	<u>195,055</u>	<u>3,173,153</u>	<u>1,226,725</u>	<u>-</u>	<u>7,720,737</u>
Net carrying amount, end of year	<u>\$ 230,669</u>	<u>\$ 4,961,640</u>	<u>\$ 803,933</u>	<u>\$ 567,549</u>	<u>\$ 67,029</u>	<u>\$ 4,106,710</u>	<u>\$ 3,073,587</u>	<u>\$ -</u>	<u>\$ 13,811,117</u>



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

December 31, 2012

### 7. Accounts Payable and Accrued Liabilities

	2012	2011
Due to school boards	\$ 197,335	\$ 184,330
Trade accounts payable	315,967	345,043
	\$ 513,302	\$ 529,373

### 8. Long-Term Debt

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

	2012	2011
Debenture held by Infrastructure Ontario (OSIFA), repayable in semi-annual payments of principal and interest at 3.88%, due October 15, 2025.	\$ 1,776,926	\$ 1,879,865
Bank of Nova Scotia, repayable in blended monthly payments of \$2,550 including interest at 5.95%, due August 2012.	-	146,067
Bank of Nova Scotia, repayable in blended monthly payments of \$2,494 including interest at price plus 0.75%, due May, 2017.	122,606	-
OSIFA debenture for Eastholme expansion, repayable in semi-annual blended payments which include interest at 2.91% due October 16, 2017. <sup>11)</sup>	1,138,263	1,346,627
	\$ 3,037,795	\$ 3,372,559

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

2013	\$ 343,922
2014	355,721
2015	368,048
2016	370,000
2017	370,000
Thereafter	1,230,104
	\$ 3,037,795

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

December 31, 2012

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### 8. Long-Term Debt (continued)

Interest expense paid relating to long-term debt above is \$57,103 (2011 - \$58,717) 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 maturing October 16, 2017. The annual interest on the new debenture is 2.91% per year.

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### 9. Contractual Obligations

	<u>2012</u>	<u>2011</u>
North Bay Regional Health Centre \$37,359 per year for twenty years (2007-2026)	\$ 523,021	\$ 560,377
One Kids Place Children's Treatment Centre \$17,200 per year for five years (2009-2013)	17,200	34,400
Sudbury Regional Hospital \$1,329 per year for twenty years (2003-2022)	<u>15,302</u>	<u>18,086</u>
	<u>\$ 555,523</u>	<u>\$ 612,863</u>

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

**December 31, 2012**

## 10. Commitments

The Municipality has entered into the following agreements:

- a. Subsequent to year end, 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 price of: \$150,94 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 2011 the Municipality entered into a five year commitment for policing services for a total of \$400,007 per year indexed annually to inflation rate.
- c. Subsequent to year end, 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).

## 11. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2012	2011
Investment in tangible capital assets	\$ 14,609,111	\$ 13,661,321
General deficit	(1,207,560)	(332,314)
Unfunded liabilities		
Landfill closure and post closure costs	(89,000)	(88,000)
Long term debt	(3,037,795)	(3,372,559)
Contractual obligations	(555,523)	(612,863)
Reserve funds		
Working	5,100	53,900
Capital	3,382,334	2,997,986
	\$ 13,106,667	\$ 12,307,471

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

December 31, 2012

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## 12. Temporary Borrowing

The Municipality has a demand promissory note with the Bank of Nova Scotia with a limit of \$1,000,000 of which \$845,382 (2011 - \$943,939) was used at December 31, 2012. The demand loan bears interest at the rate of prime plus 0.75%.

The balance of temporary borrowing of \$Nil ( 2011 - \$937) related to a Sportsplex demand note from the Bank of Nova Scotia. The note was repayable on demand and bears interest at prime plus 0.5%.

The Municipality has a short-term credit facility with the Bank of Nova Scotia with a limit of \$600,000 of which \$Nil was used at December 31, 2012 ( 2011 - \$Nil).

The Municipality has an additional \$250,000 revolving term loan short-term credit facility with the Bank of Nova Scotia to assist with equipment acquisitions which was unused at the end of the year.

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

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## 13. 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 \$89,000 (2011 - \$88,000) and reflects a discount rate of 5% ( 2011 - 5%).

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 152 years and the estimated remaining capacity is 768,000 cubic metres which is 85% (2011 - 85%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$200,000 (2011 - \$200,000) leaving an amount to be recognized of \$111,000 (2011 - \$112,000). The estimated length of time needed for post-closure care is 30 years.

Municipal reserves for the landfill site total \$42,701 (2011 - \$32,701).

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

December 31, 2012

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## 14. 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 \$15,486 (2011 - \$25,397) 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 2013.

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## 15. 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 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 more than 428,947 active and retired members and approximately 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 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 2012 were \$116,164 (2011 - \$111,753).

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## 16. Contingencies

Various lawsuits have been filed against the Municipality for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not determinable, and accordingly no provision has been made for them in these consolidated financial statements. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

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

December 31, 2012

### 17. Budget

The Budget By-law adopted by Council on April 5, 2012 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 5, 2012 with adjustments as follows:

	2012
Budget By-law surplus for the year	\$ -
Add:	
Investment in tangible capital assets	1,340,598
Debt repayment	399,153
Transfers to reserve funds	301,724
Less:	
Amortization	(875,626)
Transfers from reserve funds	(162,000)
	\$ 1,003,849

### 18. Expenses by Object

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

	2012	2011
Salaries, wages and employee benefits	\$ 1,344,001	\$ 1,293,136
Materials and supplies	1,825,138	2,049,188
Contracted services	1,119,406	977,551
Net long-term debt charges (interest)	131,088	103,621
External transfers	4,510	3,200
Amortization expense	875,627	735,120
	\$ 5,299,770	\$ 5,161,816

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# The Corporation of the Municipality of Powassan

## Notes to Consolidated Financial Statements

December 31, 2012

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### 19. Trust Funds

Trust funds administered by the Municipality amounting to \$10,050 (2011 - \$10,050) 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.

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### 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.

#### Environmental Services

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

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

December 31, 2012

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## 20. Segmented Information Disclosures (continued)

### 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, 2012**

**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	2012 Total
<b>Revenues</b>												
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,616,219	\$ 2,616,219
Grants and transfer payments	-	-	-	-	36,824	329,937	-	-	76,209	-	978,952	1,421,922
Other	-	10,952	83,020	377,732	-	-	85,918	103,002	679,112	-	23,162	1,362,898
User charges	-	7,872	28,649	-	-	-	-	-	-	5,251	-	41,772
Water and sewer	-	-	-	-	323,655	163,082	-	-	-	-	-	486,737
Gas tax	-	-	-	169,418	-	-	-	-	-	-	-	169,418
	-	18,824	111,669	547,150	360,479	493,019	85,918	103,002	755,321	5,251	3,618,333	6,098,966
<b>Expenses</b>												
Salaries and benefits	53,434	245,657	157,517	428,701	15,859	38,579	70,362	27,677	234,975	71,240	-	1,344,001
Materials	38,137	212,661	108,224	388,149	(24,164)	30,517	201,087	117,758	693,993	58,776	-	1,825,138
Contracted services	-	166,936	425,396	-	101,542	46,497	2,698	360,002	16,335	-	-	1,119,406
Interest	-	3,882	-	-	57,103	-	-	36,231	33,872	-	-	131,088
External transfers	4,510	-	-	-	-	-	-	-	-	-	-	4,510
Amortization	-	64,373	57,507	502,153	104,845	19,154	-	19,874	107,721	-	-	875,627
	96,081	693,509	748,644	1,319,003	255,185	134,747	274,147	561,542	1,086,896	130,016	-	5,299,770
<b>Annual (deficit) surplus</b>	\$ (96,081)	\$ (674,685)	\$ (636,975)	\$ (771,853)	\$ 105,294	\$ 358,272	\$ (188,229)	\$ (458,540)	\$ (331,575)	\$ (124,765)	\$ 3,618,333	\$ 799,196

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

**December 31, 2012**

**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	2011 Total
<b>Revenues</b>												
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,530,389	\$ 2,530,389
Grants and transfer payments	-	-	28,881	9,664	36,824	243,883	-	-	1,544,285	-	967,233	2,830,770
Other	-	61,388	86,764	5,686	-	-	105,253	43,189	730,592	-	19,389	1,052,261
User charges	-	7,210	27,173	-	-	-	-	-	-	37,150	-	71,533
Water and sewer	-	-	-	-	269,627	163,902	-	-	-	-	-	433,529
Gas tax	-	-	-	203,685	-	-	-	-	-	-	-	203,685
	-	68,598	142,818	219,035	306,451	407,785	105,253	43,189	2,274,877	37,150	3,517,011	7,122,167
<b>Expenses</b>												
Salaries and benefits	53,566	300,508	129,576	432,129	20,419	32,831	65,284	27,051	197,112	34,660	-	1,293,136
Materials	34,547	135,087	136,544	515,048	(83,204)	26,422	205,546	139,664	786,365	153,169	-	2,049,188
Contracted services	-	99,764	353,293	-	96,440	45,382	2,698	349,272	30,702	-	-	977,551
Interest	-	5,597	-	-	58,717	-	-	14,611	24,696	-	-	103,621
External transfers	3,200	-	-	-	-	-	-	-	-	-	-	3,200
Amortization	-	61,373	50,383	412,172	82,416	24,363	-	-	104,413	-	-	735,120
	91,313	602,329	669,796	1,359,349	174,788	128,998	273,528	530,598	1,143,288	187,829	-	5,161,816
<b>Annual (deficit) surplus</b>	\$ (91,313)	\$ (533,731)	\$ (526,978)	\$ (1,140,314)	\$ 131,663	\$ 278,787	\$ (168,275)	\$ (487,409)	\$ 1,131,589	\$ (150,679)	\$ 3,517,011	\$ 1,960,351