

**Corporation of the
Municipality of East Ferris**

**Independent Auditor's Report and
Financial Report**

December 31, 2017

**Corporation of the
Municipality of East Ferris**

Financial Report

December 31, 2017

Management Report

Independent Auditor's Report

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MUNICIPALITÉ · EAST FERRIS · MUNICIPALITY

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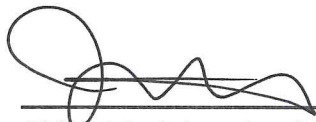
Management's Responsibility for the Consolidated Financial Statements

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

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The 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 accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow SNT LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Chief Administrative Officer/Treasurer
September 25, 2018

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of East Ferris

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of East Ferris which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, cash flows, and change in net debt 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 Municipality'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 Municipality'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.

Independent Auditor's Report (Continued)

We believe that the audit evidence that 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 East Ferris as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

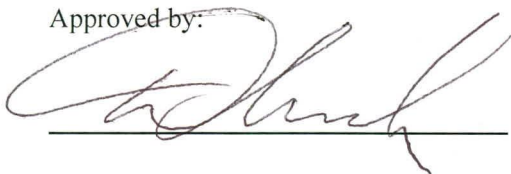
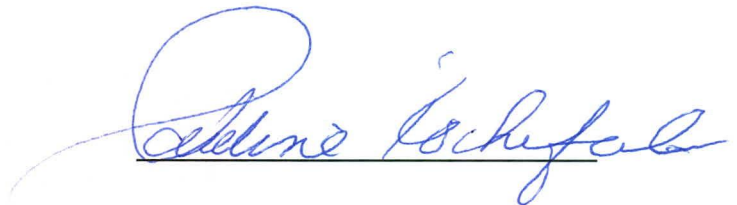
North Bay, Ontario
September 25, 2018

Collins Barrow SNT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Corporation of the Municipality of East Ferris
Consolidated Statement of Financial Position
December 31, 2017

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents (note 4) | \$ 880,576 | \$ 962,229 |
| Taxes receivable | 291,277 | 350,134 |
| Accounts receivable (note 5) | <u>398,778</u> | <u>303,335</u> |
| | <u>1,570,631</u> | <u>1,615,698</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities (note 6) | 596,877 | 520,143 |
| Deferred revenues (note 7) | 216,091 | 5,229 |
| Municipal debt (note 8) | 2,643,184 | 1,810,000 |
| Employee future benefits payable (note 9) | 234,954 | 345,076 |
| Landfill closure and post-closure (note 10) | <u>251,432</u> | <u>239,741</u> |
| | <u>3,942,538</u> | <u>2,920,189</u> |
| Net Debt | <u>(2,371,907)</u> | <u>(1,304,491)</u> |
| Non-Financial Assets | | |
| Tangible capital assets (note 11) | 17,163,515 | 16,900,106 |
| Prepaid expenses | 84,609 | 84,472 |
| Inventories | <u>53,727</u> | <u>67,256</u> |
| | <u>17,301,851</u> | <u>17,051,834</u> |
| Accumulated Surplus (note 12) | <u>\$ 14,929,944</u> | <u>\$ 15,747,343</u> |
| Contingencies (note 13) | | |
| Commitments (note 14) | | |

Approved by:

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

Corporation of the Municipality of East Ferris
Consolidated Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2017

| | <u>2017</u> | | <u>2016</u> |
|---|------------------------------|----------------------|----------------------|
| | <u>Budget</u> (Unaudited) | <u>Actual</u> | <u>Actual</u> |
| Revenues | | | |
| Net taxation | \$ 5,143,554 | \$ 5,158,542 | \$ 4,722,476 |
| User charges | 618,229 | 714,282 | 630,537 |
| Government grants and transfers - Provincial | 878,716 | 902,309 | 986,636 |
| Government grants and transfers - Federal | - | 289,467 | 26,833 |
| Other | <u>285,575</u> | <u>372,099</u> | <u>375,645</u> |
| Total revenues | <u>6,926,074</u> | <u>7,436,699</u> | <u>6,742,127</u> |
| Expenses | | | |
| General government | 1,676,510 | 2,169,919 | 1,725,078 |
| Protection services | 1,063,840 | 1,086,001 | 945,639 |
| Transportation services | 1,971,495 | 1,983,875 | 1,888,085 |
| Environmental services | 255,033 | 265,452 | 260,705 |
| Health services | 155,086 | 155,086 | 194,461 |
| Social and family services | 1,349,792 | 1,349,792 | 1,322,660 |
| Recreation and cultural services | 1,143,526 | 1,154,112 | 1,182,387 |
| Planning and development | <u>216,878</u> | <u>225,043</u> | <u>190,915</u> |
| Total expenses | <u>7,832,160</u> | <u>8,389,280</u> | <u>7,709,930</u> |
| Annual deficit before other | (906,086) | (952,581) | (967,803) |
| Other | | | |
| Government grants and transfers related to capital - Provincial | - | 50,000 | 25,000 |
| Government grants and transfers related to capital - Federal | <u>-</u> | <u>85,182</u> | <u>289,803</u> |
| | <u>-</u> | <u>135,182</u> | <u>314,803</u> |
| Annual deficit | (906,086) | (817,399) | (653,000) |
| Accumulated surplus, beginning of year | <u>15,747,343</u> | <u>15,747,343</u> | <u>16,400,343</u> |
| Accumulated surplus, end of year | <u>\$ 14,841,257</u> | <u>\$ 14,929,944</u> | <u>\$ 15,747,343</u> |

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

Corporation of the Municipality of East Ferris
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2017

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Operating transactions | | |
| Annual deficit | \$ (817,399) | \$ (653,000) |
| Cash and cash equivalents provided by (applied to) | | |
| Non-cash items: | | |
| Increase in employee future benefits payable | (110,122) | (40,966) |
| Decrease in landfill closure and post-closure costs | 11,691 | 11,362 |
| Amortization of tangible capital assets | 1,034,661 | 936,580 |
| Gain (loss) on disposal of tangible capital assets | (36,776) | 129,677 |
| Change in non-cash working capital balances | | |
| Decrease in taxes receivable | 58,857 | 32,398 |
| Decrease (increase) in accounts receivable | (95,443) | 220,649 |
| Increase in accounts payable and accrued liabilities | 76,735 | 156,483 |
| Increase (decrease) in deferred revenues | 210,862 | (47) |
| Decrease (increase) in prepaid expenses | (138) | 6,232 |
| Decrease (increase) in inventories | 13,529 | (11,261) |
| Cash and cash equivalents provided by operating transactions | <u>346,457</u> | <u>788,107</u> |
| Capital transactions | | |
| Acquisition of tangible capital assets | (1,299,427) | (1,528,316) |
| Proceeds on disposal of tangible capital assets | 38,134 | 3,339 |
| Cash and cash equivalents applied to capital transactions | <u>(1,261,293)</u> | <u>(1,524,977)</u> |
| Financing transactions | | |
| Municipal debt issued | 1,045,000 | 1,090,000 |
| Municipal debt repaid | (211,817) | (120,000) |
| Cash and cash equivalents provided by financing transactions | <u>833,183</u> | <u>970,000</u> |
| Increase (decrease) in cash and cash equivalents | (81,653) | 233,130 |
| Cash and cash equivalents, beginning of year | <u>962,229</u> | <u>729,099</u> |
| Cash and cash equivalents, end of year | <u>\$ 880,576</u> | <u>\$ 962,229</u> |

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

Corporation of the Municipality of East Ferris
Consolidated Statement of Change in Net Debt
For The Year Ended December 31, 2017

| | <u>2017</u> Budget <small>(Unaudited)</small> | <u>2017</u> Actual | <u>2016</u> Actual |
|--|--|-------------------------------------|-------------------------------------|
| Annual deficit | \$ (906,086) | \$ (817,399) | \$ (653,000) |
| Amortization of tangible capital assets | 1,000,000 | 1,034,661 | 936,580 |
| Proceeds on disposal of tangible capital assets | | 38,134 | 3,339 |
| Loss (gain) on disposal of tangible capital assets | - | (36,776) | 129,677 |
| Acquisition of tangible capital assets | (3,167,040) | (1,299,427) | (1,528,316) |
| Change in prepaid expenses | - | (138) | 6,232 |
| Change in inventories | - | 13,529 | (11,261) |
| Increase in net debt | (3,073,126) | (1,067,416) | (1,116,749) |
| Net debt, beginning of year | (1,304,491) | (1,304,491) | (187,742) |
| Net debt, end of year | <u><u>\$ (4,377,617)</u></u> | <u><u>\$ (2,371,907)</u></u> | <u><u>\$ (1,304,491)</u></u> |

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

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant Accounting Policies

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

(a) Basis of Consolidation

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

All interfund assets and liabilities and revenues and expenses have been eliminated.

- (ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

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

- (iii) Accounting for School Board Transactions

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

(b) Basis of Accounting

- (i) Accrual Basis

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

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(ii) Cash and Cash Equivalents

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

(iii) Deferred Revenues

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

(iv) Employee Future Benefits

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

(v) Landfill Closure and Post-Closure

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

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vi) Segmented Information

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

General Government

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

Protection Services

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

Transportation Services

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

Environmental Services

Environmental services include waste and recycling services.

Health Services

Health services include public health services and cemetery services.

Social and Family Services

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

Recreation and Cultural Services

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

Planning and Development

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

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vii) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the Consolidated Change in Net Debt for the year.

i) Tangible Capital Assets

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

| | |
|--------------------------------|----------------|
| Land improvements | 15 to 30 years |
| Roads and bridges | 10 to 60 years |
| Buildings | 25 to 75 years |
| Machinery and equipment | 5 to 25 years |
| Vehicles | 10 to 25 years |
| Computer hardware and software | 4 to 10 years |

No amortization is recorded in the year of acquisition.

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

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

ii) Inventories

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

iii) Prepaid Expenses

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

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) Taxation and Other Revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC") and in accordance with the provisions of the Municipal Act, 2001. Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the 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. Taxation revenues are recorded at the time tax billings are issued.

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

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

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

(ix) Government Grants and Transfers

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

(x) Estimates

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

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

2. Measurement Uncertainty

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

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.
- The amounts recorded for retirement allowances are based on estimates of retirement ages of employees and health benefit costs.

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

3. Future Accounting Pronouncements

These standards and amendments were not effective in the year ended December 31, 2017, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

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

Corporation of the Municipality of East Ferris

Notes to the Consolidated Financial Statements

December 31, 2017

3. Future Accounting Pronouncements (Continued)

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

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

4. Cash and Cash Equivalents

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Cash | \$ 480,576 | \$ 462,229 |
| Guaranteed Investment Certificate maturing February 2018, bearing interest at 1.35% | <u>400,000</u> | <u>500,000</u> |
| | <u>\$ 880,576</u> | <u>\$ 962,229</u> |

The Municipality has authorized credit facilities totalling \$1,800,000, which is unsecured. As at December 31, 2017, the Municipality has utilized \$0 (2016 - \$0). The interest is calculated at the bank's prime lending rate.

5. Accounts Receivable

| | <u>2017</u> | <u>2016</u> |
|----------------------|-------------------|-------------------|
| Federal | \$ 358,297 | \$ 93,085 |
| Province of Ontario | 7,333 | 7,771 |
| Other Municipalities | 5,595 | 7,021 |
| Other | <u>27,553</u> | <u>195,458</u> |
| | <u>\$ 398,778</u> | <u>\$ 303,335</u> |

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

6. Accounts Payable and Accrued Liabilities

| | <u>2017</u> | <u>2016</u> |
|----------------------|-------------------|-------------------|
| Federal | \$ 27,733 | \$ 24,639 |
| Province of Ontario | 57,431 | 17,010 |
| School Boards | - | 517 |
| Other Municipalities | 393 | 161 |
| Trade payables | 414,269 | 368,543 |
| Accrued liabilities | <u>97,051</u> | <u>109,273</u> |
| | <u>\$ 596,877</u> | <u>\$ 520,143</u> |

7. Deferred Revenues

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-------------------|-----------------|
| Balance, beginning of year | \$ 5,229 | \$ 5,276 |
| Revenues received during the year | 300,051 | 5,229 |
| Revenues recognized during the year | <u>(89,189)</u> | <u>(5,276)</u> |
| Balance, end of year | <u>\$ 216,091</u> | <u>\$ 5,229</u> |

Deferred revenues, set aside for specific purposes, are comprised of the following:

| | | |
|-----------------|-------------------|-----------------|
| Federal Gas Tax | \$ 210,538 | \$ - |
| Library | <u>5,553</u> | <u>5,229</u> |
| | <u>\$ 216,091</u> | <u>\$ 5,229</u> |

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

8. Municipal Debt

| | <u>2017</u> | <u>2016</u> |
|---|----------------------------|----------------------------|
| Debenture loan, repayable in semi-annual instalments of \$13,689, including interest at the fixed rate of 1.9%, maturing December 20, 2021 | \$ 104,974 | \$ 130,000 |
| Debenture loan, repayable in semi-annual instalments of \$45,283, including interest at the fixed rate of 2.34%, maturing August 15, 2022 | 425,000 | - |
| Debenture loan, repayable in monthly instalments of \$10,000 plus interest at a rate of 2.58%, maturing December 17, 2022 | 600,000 | 720,000 |
| Debenture loan, repayable in semi-annual instalments of \$34,781, including interest at the fixed rate of 2.57%, maturing December 20, 2026 | 555,768 | 610,000 |
| Debenture loan, repayable in semi-annual instalments of \$35,864, including interest at the fixed rate of 2.86%, maturing August 15, 2027 | 620,000 | - |
| Debenture loan, repayable in semi-annual instalments of \$12,055, including interest at the fixed rate of 3.33%, maturing December 20, 2036 | <u>337,442</u> | <u>350,000</u> |
| | <u>\$ 2,643,184</u> | <u>\$ 1,810,000</u> |

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

| | |
|------------|----------------------------|
| 2018 | \$ 349,592 |
| 2019 | 355,429 |
| 2020 | 361,417 |
| 2021 | 367,560 |
| 2022 | 346,354 |
| Thereafter | <u>862,832</u> |
| Total | <u>\$ 2,643,184</u> |

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2017

9. Employee Future Benefits Payable

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

| | <u>2017</u> | <u>2016</u> |
|----------------------|-------------------|-------------------|
| Vacation pay | \$ 127,593 | \$ 121,744 |
| Retirement allowance | <u>107,361</u> | <u>223,332</u> |
| | <u>\$ 234,954</u> | <u>\$ 345,076</u> |

The vacation pay liability is accrued using the actual rate of pay at year end and the retirement allowance is accrued using a discount rate of 2.60% (2016 - 2.60%).

10. Landfill Closure and Post-Closure

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

The current landfill site is expected to reach capacity in approximately 2083. The main components of the landfill closure plan are final capping using selected specific layers of earthen materials based on an engineered cap design and implementation of a drainage management plan. The post-closure maintenance requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, inspections and annual reports.

The estimated liability for this maintenance is the present value of future cash flows associated with closure and post-closure costs discounted using the Municipality's estimated average borrowing rate of 2.60% (2016 - 2.60%). The change in liability is recorded based on the capacity of the landfill used to date. The recorded liability is \$251,432 (2016 - \$239,741) based on a total estimated liability in the future of \$973,808 (2016 - \$971,819), leaving an amount of \$722,376 (2016 - \$732,078) to be recognized over the remaining expected life of the landfill site. The liability is currently unfunded and is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

The estimated remaining capacity of the site is approximately 74% (2016 - 75%) of its estimated capacity or 258,000 (2016 - 262,000) tonnes, and its remaining life is approximately 66 years (2016 - 67 years). Post-closure care is estimated to continue for a period of approximately 25 years.

Corporation of the Municipality of East Ferris
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11. Tangible Capital Assets

| | Cost | | | Accumulated Amortization | | | Net Book Value | | | |
|-----------------------------------|----------------------------------|---------------------|--------------------------|----------------------------|----------------------------------|---------------------|---------------------|----------------------------|----------------------|----------------------|
| | Balance, beginning of year | Additions | Transfers / Disposals | Balance, end of year | Balance, beginning of year | Amortization | Disposals | Balance, end of year | December 31, 2017 | December 31 2016 |
| Land | \$ 707,690 | \$ 15,880 | \$ - | \$ 723,570 | \$ - | \$ - | \$ - | \$ - | \$ 723,570 | \$ 707,690 |
| Land improvements | 669,660 | - | - | 669,660 | 301,763 | 34,697 | - | 336,460 | 333,200 | 367,897 |
| Roads and bridges | 12,829,822 | 380,966 | - | 13,210,788 | 6,609,415 | 707,916 | - | 7,317,331 | 5,893,457 | 6,220,407 |
| Buildings | 10,421,968 | 156,653 | - | 10,578,621 | 2,266,748 | 169,132 | - | 2,435,880 | 8,142,741 | 8,155,220 |
| Machinery and equipment | 950,979 | 315,556 | (143,628) | 1,122,907 | 633,225 | 31,130 | (142,713) | 521,642 | 601,265 | 317,754 |
| Vehicles | 1,620,943 | 327,325 | (204,939) | 1,743,329 | 695,687 | 89,598 | (204,497) | 580,788 | 1,162,541 | 925,256 |
| Computer hardware and software | 14,245 | 7,865 | - | 22,110 | 2,849 | 2,188 | - | 5,037 | 17,073 | 11,396 |
| Work in progress | 194,486 | 95,182 | - | 289,668 | - | - | - | - | 289,668 | 194,486 |
| | <u>\$ 27,409,793</u> | <u>\$ 1,299,427</u> | <u>\$ (348,567)</u> | <u>\$ 28,360,653</u> | <u>\$ 10,509,687</u> | <u>\$ 1,034,661</u> | <u>\$ (347,210)</u> | <u>\$ 11,197,138</u> | <u>\$ 17,163,515</u> | <u>\$ 16,900,106</u> |

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
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12. Accumulated Surplus

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| Surplus | | |
| Invested in tangible capital assets | \$ 17,163,515 | \$ 16,900,106 |
| General (see note (a) below) | (447,600) | - |
| Bibliothèque East Ferris Public Library | 16,445 | 9,814 |
| Unfunded Liabilities | | |
| Municipal debt | (2,643,184) | (1,810,000) |
| Landfill closure and post-closure | (251,432) | (239,741) |
| Employee future benefits payable | (234,954) | (345,076) |
| Total surplus | <u>13,602,790</u> | <u>14,515,103</u> |
| Reserves | | |
| Special purpose reserves | | |
| Operating budget contingency | 60,000 | 60,000 |
| Vacation pay | 121,744 | 121,744 |
| Tax stabilization | 154,039 | 154,039 |
| Retirement allowances | 223,332 | 223,332 |
| Operating stabilization | 280,000 | 280,000 |
| Sustainable capital stabilization | 351,042 | 351,042 |
| Municipal office | 135,247 | 41,333 |
| Parkland Dedication | 1,750 | 750 |
| Total reserves | <u>1,327,154</u> | <u>1,232,240</u> |
| Accumulated Surplus | <u>\$ 14,929,944</u> | <u>\$ 15,747,343</u> |

(a) General Surplus (Deficit):

The general surplus (deficit) of \$(447,600) (2016 - \$-) at the end of the year is comprised of the following:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|--------------|
| Opening balance | \$ - | \$ (675,787) |
| Annual deficit | (817,399) | (653,000) |
| Transfer from (to) reserves | (94,914) | 847,841 |
| Net change in tangible capital assets | (263,409) | (458,720) |
| Increase in unfunded liabilities | 734,753 | 940,396 |
| Bibliothèque East Ferris Public Library surplus | (6,631) | (730) |
| Closing balance | <u>\$ (447,600)</u> | <u>\$ -</u> |

Corporation of the Municipality of East Ferris

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13. Contingencies

Legal Matters

The Municipality is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.

Council is of the opinion that it is unlikely that any liability, to the extent not provided by insurance or otherwise, would be material in relation to the Municipality's consolidated financial position.

Contaminated Sites

The Municipality has identified a potential liability for a contaminated site known as the St. Theresa School Site. It is not possible at this time to determine the amount, if any, of any liability or remediation costs that may be required. The loss, if any, from this contingency will be accounted for in the period in which the liability can be reasonably estimated.

14. Commitments

During 2004, the Municipality passed a resolution committing to pay \$75,000 per year for 10 years for the North Bay Regional Health Centre Hospital capital project. A formal agreement has been executed and payments commenced in May 2008. In May 2011, this resolution was revised and the remaining payments of \$525,000 will be paid over the next 10 years. In April 2015, this resolution was revised and the remaining payments of \$315,000 will be paid over the next 8 years. The remaining balance of the commitment as at December 31, 2017 is \$236,250 (2016 - \$236,250).

Under the terms of operating leases for equipment and services, the Municipality is committed to make minimum payments as follows:

| | | |
|------------|----|----------------------|
| 2018 | \$ | 26,255 |
| 2019 | | 8,999 |
| 2020 | | 9,509 |
| 2021 | | 9,509 |
| 2022 | | 9,114 |
| Thereafter | | <u>6,160</u> |
| | \$ | <u><u>69,546</u></u> |

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15. Operations of School Boards

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

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-----------------------|---------------------|
| Taxation and user charges | <u>\$ (1,223,546)</u> | <u>\$ 1,253,732</u> |
| Total amounts received or receivable | (1,223,546) | 1,253,732 |
| Requisitions | <u>(1,223,546)</u> | <u>1,253,732</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

16. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all qualifying members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 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. On December 31, 2017, the estimated accrued pension obligation for all members of the Plan was \$93,614 million (2016 - \$86,959 million). The Plan had an actuarial value of net assets at that date of \$88,211 million (2016 - \$81,239 million) indicating an actuarial deficit of \$5,403 million (2016 - \$5,720 million). The Plan is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed by the Municipality to OMERS for 2017 was \$124,262 (2016 - \$124,044) for current services and is included as an expense on the Consolidated Statement of Operations.

On January 1, 2017 the yearly maximum pension earnings increased to \$55,300 from \$54,900 in 2016. The contributions are calculated at a rate of 9.0% (2016 - 9.0%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2016 - 14.6%) for amounts above the yearly maximum pension earnings.

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17. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is developed in accordance with the provincially mandated funding model for municipalities and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting that is used to prepare the consolidated financial statements. The budget figures are unaudited.

18. Comparative Figures

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

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
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19. Segmented Information

| | <u>General Government</u> | <u>Protection Services</u> | <u>Transportation Services</u> | <u>Environmental Services</u> | <u>Health Services</u> | <u>Social and Family Services</u> | <u>Recreation and Cultural Services</u> | <u>Planning and Development</u> | <u>2017 Total</u> | <u>2016 Total</u> |
|---|-------------------------------|--------------------------------|------------------------------------|-----------------------------------|----------------------------|---|---|-------------------------------------|----------------------------|----------------------------|
| Revenues | | | | | | | | | | |
| Net taxation | \$ 1,334,275 | \$ 667,779 | \$ 1,219,879 | \$ 163,226 | \$ 95,362 | \$ 829,983 | \$ 709,660 | \$ 138,378 | \$ 5,158,542 | \$ 4,722,476 |
| User charges | 6,559 | 133,184 | - | 294,082 | - | - | 238,172 | 42,285 | 714,282 | 630,537 |
| Government grants and transfers - Provincial | 206,277 | 119,421 | 188,591 | 68,919 | 14,743 | 128,314 | 154,651 | 21,393 | 902,309 | 986,636 |
| Government grants and transfers - Federal | 285,501 | - | - | - | - | - | 36 | 3,930 | 289,467 | 26,833 |
| Other | 220,554 | 2,166 | 127,778 | 3,329 | 309 | 2,693 | 3,220 | 12,050 | 372,099 | 375,645 |
| Total Revenues | <u>2,053,166</u> | <u>922,550</u> | <u>1,536,248</u> | <u>529,556</u> | <u>110,414</u> | <u>960,990</u> | <u>1,105,739</u> | <u>218,036</u> | <u>7,436,699</u> | <u>6,742,127</u> |
| Expenses | | | | | | | | | | |
| Salary, wages and employee benefits | 642,297 | 274,114 | 531,764 | - | - | - | 509,409 | 102,732 | 2,060,316 | 2,067,794 |
| Materials, contracted services, rents, and financial expenses | 1,513,102 | 121,765 | 681,852 | 265,452 | - | - | 462,138 | 122,311 | 3,166,620 | 2,649,214 |
| Transfers to other governments and the public | - | 622,805 | - | - | 155,086 | 1,349,792 | - | - | 2,127,683 | 2,056,342 |
| Amortization | 14,520 | 67,317 | 770,259 | - | - | - | 182,565 | - | 1,034,661 | 936,580 |
| Total expenses | <u>2,169,919</u> | <u>1,086,001</u> | <u>1,983,875</u> | <u>265,452</u> | <u>155,086</u> | <u>1,349,792</u> | <u>1,154,112</u> | <u>225,043</u> | <u>8,389,280</u> | <u>7,709,930</u> |
| Annual surplus (deficit) before other | (116,753) | (163,451) | (447,627) | 264,104 | (44,672) | (388,802) | (48,373) | (7,007) | (952,581) | (967,803) |
| Other | | | | | | | | | | |
| Government grants and transfers related to capital - Provincial | - | - | 50,000 | - | - | - | - | - | 50,000 | 25,000 |
| Government grants and transfers related to capital - Federal | - | - | 85,182 | - | - | - | - | - | 85,182 | 289,803 |
| Annual surplus (deficit) | <u>\$ (116,753)</u> | <u>\$ (163,451)</u> | <u>\$ (312,445)</u> | <u>\$ 264,104</u> | <u>\$ (44,672)</u> | <u>\$ (388,802)</u> | <u>\$ (48,373)</u> | <u>\$ (7,007)</u> | <u>\$ (817,399)</u> | <u>\$ (653,000)</u> |