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# TOWN OF PETAWAWA

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www.petawawa.ca

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **CORPORATION OF THE TOWN OF PETAWAWA** (the Town) is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's consolidated financial position as at December 31, 2021 and the results of its consolidated operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through regular meetings. The Town Council meets regularly with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Town Council with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Welch LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer

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December 12, 2022  
Town of Petawawa, Canada

Treasurer

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December 12, 2022  
Town of Petawawa, Canada

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Council, Inhabitants and Ratepayers of  
**CORPORATION OF THE TOWN OF PETAWAWA**

### *Opinion*

We have audited the consolidated financial statements of the Corporation of the Town of Petawawa (the Town), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2021 and the results of its consolidated operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario  
December 12, 2022

Welch LLP

An Independent Member of BKR International

**CORPORATION OF THE TOWN OF PETAWAWA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 21,478,168	\$ 21,683,571
Investments (Note 2)	1,356,117	1,274,003
Taxes receivable (Note 3)	888,793	1,146,472
Accounts receivable	2,484,145	1,730,023
Inventories for resale	11,966	6,278
	<u>26,219,189</u>	<u>25,840,347</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	5,162,928	4,187,599
Deferred revenue - general	200,072	275,534
Deferred revenue - obligatory (Note 4)	1,819,294	2,050,317
Provision for landfill closure and post-closure costs (Note 5)	638,820	574,432
Long-term debt (Note 6)	413,785	466,453
	<u>8,234,899</u>	<u>7,554,335</u>
<b>NET FINANCIAL ASSETS</b>	<u>17,984,290</u>	<u>18,286,012</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	97,126,949	92,029,713
Prepaid expenses	177,555	180,548
	<u>97,304,504</u>	<u>92,210,261</u>
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>\$115,288,794</u>	<u>\$110,496,273</u>

(See accompanying notes and schedules)

**Welch** LLP

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**CORPORATION OF THE TOWN OF PETAWAWA  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget 2021</u>	<u>Actual 2021</u>	<u>Actual 2020</u>
<b>REVENUE</b>			
Property taxation	\$ 6,793,409	\$ 6,875,576	\$ 6,432,427
Payment in lieu of taxes	5,827,800	4,970,988	5,695,199
User and frontage charges	9,096,141	9,742,451	8,841,270
Provincial and other government transfers	1,324,560	1,693,787	1,340,994
Gas tax funding	1,058,261	1,039,417	521,389
Development contributions and development charges	2,148,360	587,201	6,662,607
Investment income	112,764	151,395	185,074
Penalties and interest	165,000	135,669	161,535
Fees, service charges, donations and miscellaneous	563,110	734,002	538,921
Loss on disposal of tangible capital assets	-	(29,203)	(11,737)
	<u>27,089,405</u>	<u>25,901,283</u>	<u>30,367,679</u>
<b>EXPENSES</b>			
General government	1,610,343	1,427,338	1,368,054
Protection to persons and property	3,083,615	2,935,799	2,896,732
Transportation services	2,929,129	5,164,590	5,098,806
Environmental services	6,737,723	7,554,620	7,263,788
Recreation and cultural services	3,249,957	3,551,004	3,300,869
Planning and development	568,355	475,411	376,369
	<u>18,179,122</u>	<u>21,108,762</u>	<u>20,304,618</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	8,910,283	4,792,521	10,063,061
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>110,496,273</u>	<u>110,496,273</u>	<u>100,433,212</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$119,406,556</u>	<u>\$115,288,794</u>	<u>\$110,496,273</u>

(See accompanying notes and schedules)

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**CORPORATION OF THE TOWN OF PETAWAWA**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget</u> <u>2021</u>	<u>Actual</u> <u>2021</u>	<u>Actual</u> <u>2020</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ <u>8,910,283</u></b>	<b>\$ <u>4,792,521</u></b>	<b>\$ <u>10,063,061</u></b>
Acquisition of tangible capital assets	(12,008,625)	(8,510,485)	(3,017,946)
Contributed tangible capital assets	-	-	(6,430,203)
Loss on disposal of tangible capital assets	-	29,203	11,737
Proceeds on sale of tangible capital assets	-	39,885	26,120
Amortization of tangible capital assets	-	3,929,484	3,743,095
Construction in progress	-	(585,323)	(1,831,893)
Changes in level of prepaid expenses	-	2,993	(16,405)
	<u>(12,008,625)</u>	<u>(5,094,243)</u>	<u>(7,515,495)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>(3,098,342)</b>	<b>(301,722)</b>	<b>2,547,566</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b><u>18,286,012</u></b>	<b><u>18,286,012</u></b>	<b><u>15,738,446</u></b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ <u>15,187,670</u></b>	<b>\$ <u>17,984,290</u></b>	<b>\$ <u>18,286,012</u></b>

(See accompanying notes and schedules)

**Welch LLP**

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**CORPORATION OF THE TOWN OF PETAWAWA  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 4,792,521	\$ 10,063,061
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,929,484	3,743,095
Landfill closure and post-closure costs	64,388	12,049
Contributed tangible capital assets	-	(6,430,203)
Loss on disposal of tangible capital assets	<u>29,203</u>	<u>11,737</u>
	8,815,596	7,399,739
Change in the level of:		
Taxes receivable	257,679	(37,987)
Accounts receivable	(754,122)	146,841
Inventories for resale	(5,688)	6,329
Prepaid expenses	2,993	(16,405)
Accounts payable and accrued liabilities	975,329	303,868
Deferred revenue - general	(75,462)	163,377
Deferred revenue - obligatory	<u>(231,023)</u>	<u>199,190</u>
	<u>8,985,302</u>	<u>8,164,952</u>
<b>CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(8,510,485)	(3,017,946)
Proceeds from sale of tangible capital assets	39,885	26,120
Construction in progress	<u>(585,323)</u>	<u>(1,831,893)</u>
	<u>(9,055,923)</u>	<u>(4,823,719)</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Repayment of demand loan	-	(30,375)
Repayment of long-term liabilities	(196,790)	(234,505)
Proceeds of long-term debt	<u>144,122</u>	<u>87,908</u>
	<u>(52,668)</u>	<u>(176,972)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Acquisition of investments	<u>(82,114)</u>	<u>(106,527)</u>
<b>NET CHANGE IN CASH</b>	(205,403)	3,057,734
<b>CASH, BEGINNING OF YEAR</b>	<u>21,683,571</u>	<u>18,625,837</u>
<b>CASH, END OF YEAR</b>	<u>\$ 21,478,168</u>	<u>\$ 21,683,571</u>

(See accompanying notes and schedules)

**Welch LLP**

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**CORPORATION OF THE TOWN OF PETAWAWA**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2021**  
**SCHEDULE 1**

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Linear Assets</u>	<u>2021</u>	<u>2020</u>
<b>COST</b>								
Balance, beginning of year	\$ 2,156,230	\$ 4,456,443	\$ 36,684,385	\$ 7,440,007	\$ 5,147,553	\$106,987,906	\$162,872,524	\$151,934,155
Acquisition of tangible capital assets	-	151,182	1,117,324	338,402	416,404	6,487,173	8,510,485	9,448,149
Disposal of tangible capital assets	-	-	-	(34,034)	(63,367)	(445,038)	(542,439)	(341,673)
Construction in progress	-	<u>27,948</u>	<u>129,280</u>	-	-	<u>428,095</u>	<u>585,323</u>	<u>1,831,893</u>
Balance, end of year	<u>2,156,230</u>	<u>4,635,573</u>	<u>37,930,989</u>	<u>7,744,375</u>	<u>5,500,590</u>	<u>113,458,136</u>	<u>171,425,893</u>	<u>162,872,524</u>
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	-	2,590,072	22,219,310	5,443,489	2,418,926	38,171,014	70,842,811	67,403,532
Annual amortization	-	154,064	517,143	374,759	333,133	2,550,385	3,929,484	3,743,095
Accumulated amortization on disposals	-	-	-	(34,034)	(53,080)	(386,237)	(473,351)	(303,816)
Balance, end of year	-	<u>2,744,136</u>	<u>22,736,453</u>	<u>5,784,214</u>	<u>2,698,979</u>	<u>40,335,162</u>	<u>74,298,944</u>	<u>70,842,811</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 2,156,230</u>	<u>\$ 1,891,437</u>	<u>\$ 15,194,536</u>	<u>\$ 1,960,161</u>	<u>\$ 2,801,611</u>	<u>\$ 73,122,974</u>	<u>\$ 97,126,949</u>	<u>\$ 92,029,713</u>
<b>2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 2,156,230</u>	<u>\$ 1,866,371</u>	<u>\$ 14,465,075</u>	<u>\$ 1,996,518</u>	<u>\$ 2,728,627</u>	<u>\$ 68,816,892</u>	<u>\$ 92,029,713</u>	

(See accompanying notes)

**CORPORATION OF THE TOWN OF PETAWAWA**  
**CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE**  
**YEAR ENDED DECEMBER 31, 2021**

**SCHEDULE 2**

	<u>General government</u>	<u>Protection to persons and property</u>	<u>Transportation services</u>	<u>Environmental services</u>	<u>Recreation and cultural services</u>	<u>Planning and development</u>	<u>Total</u>
<b>REVENUE</b>							
Property taxation	\$ 6,875,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,875,576
Payment in lieu of taxes	4,970,988	-	-	-	-	-	4,970,988
User and frontage charges	-	48,883	119,323	9,199,821	374,424	-	9,742,451
Provincial and other government transfers	550,042	24,477	682,423	352,183	84,662	-	1,693,787
Gas tax funding	-	-	1,039,417	-	-	-	1,039,417
Developer contributions and development charges	15,628	-	432,599	100,461	38,513	-	587,201
Investment income	86,882	-	2,474	61,218	821	-	151,395
Penalties and interest	135,669	-	-	-	-	-	135,669
Fees, service charges, donations and miscellaneous	254,103	305,989	16,976	30,494	39,990	86,450	734,002
(Loss) gain on disposal of tangible capital assets	-	-	(37,270)	8,067	-	-	(29,203)
	<u>\$ 12,888,888</u>	<u>\$ 379,349</u>	<u>\$ 2,255,942</u>	<u>\$ 9,752,244</u>	<u>\$ 538,410</u>	<u>\$ 86,450</u>	<u>\$ 25,901,283</u>
<b>EXPENSES</b>							
Salaries, wages and benefits	866,276	545,743	1,095,035	1,362,329	1,954,016	320,948	6,144,347
Materials, supplies and contracted services	463,375	2,245,311	2,035,597	4,842,863	1,165,722	148,232	10,901,100
Donations and grants	34,898	-	-	-	-	-	34,898
Interest expense	-	-	2,139	17,657	-	-	19,796
Taxation adjustments	14,749	-	-	-	-	-	14,749
Provision for landfill closure and post-closure costs	-	-	-	64,388	-	-	64,388
	<u>1,379,298</u>	<u>2,791,054</u>	<u>3,132,771</u>	<u>6,287,237</u>	<u>3,119,738</u>	<u>469,180</u>	<u>17,179,278</u>
<b>NET REVENUE (EXPENSES) BEFORE AMORTIZATION</b>	11,509,590	(2,411,705)	(876,829)	3,465,007	(2,581,328)	(382,730)	8,722,005
Amortization expense	<u>48,040</u>	<u>144,745</u>	<u>2,031,819</u>	<u>1,267,383</u>	<u>431,266</u>	<u>6,231</u>	<u>3,929,484</u>
<b>NET REVENUE (EXPENSES)</b>	<u>\$ 11,461,550</u>	<u>\$ (2,556,450)</u>	<u>\$ (2,908,648)</u>	<u>\$ 2,197,624</u>	<u>\$ (3,012,594)</u>	<u>\$ (388,961)</u>	<u>\$ 4,792,521</u>

(See accompanying notes)

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

The Town of Petawawa is an incorporated municipality in the Province of Ontario. The Town conducts its operations as described by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Town of Petawawa are the representations of management, prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

**Reporting entity**

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Town and include the activities of all committees of Council and the following boards which are under the control of Council:

Petawawa Public Library Board

In addition, the Town is a member of two joint local boards. These financial statements include, based on the Town's share of total municipal contributions, the Town's proportionate share of the assets, liabilities, revenues and expenditures of the following joint local boards:

	<u>% Share</u>
Pembroke and Area Airport Commission	30.26
Ottawa Valley Waste Management Board	40.56

Inter-organizational transactions and balances have been eliminated in the preparation of these financial statements.

**Basis of accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned, measurable and collection is reasonably assured. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired and collection is reasonably assured.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Use of estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions which include landfill closure and post-closure liability and the estimated useful life of tangible capital assets are based on management's best information and judgement. Actual results could be materially different from those estimates.

**Landfill closure and post-closure liabilities**

The Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**Investments**

Investments are valued at the lower of amortized cost and market value. Investment premiums and discounts are being amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**Inventories for resale**

Concession, gas and jet fuel inventories for resale are valued at the lower of cost and net realizable value with cost being determined substantially on a first in, first out basis for concession inventories and most recent invoice cost for gas and jet fuel inventories.

**Deferred revenue - obligatory**

Deferred revenue - obligatory consists of user charges and government funding received with respect to services and expenditures which have yet to be provided and/or incurred. Deferred revenue - obligatory will be recognized as income in the year the related services are provided or expenditures incurred.

**Contaminated sites liability**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**Government transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Revenue recognition**

Revenues from property taxation, payment in lieu of taxes and penalties and interest are recognized in the period in which they are levied and the taxable event has occurred and collection is reasonably assured. User charges are recognized as the service is provided and collection is reasonably assured. Frontage charges, gas tax funding and provincial and other government transfers are recognized when the related expenditure is incurred. Revenue from the sale of assets and concessions are recognized at the point of sale. Developer contributions are recognized when legal title of the tangible capital asset has been transferred to the Town. Investment income is recognized as it is earned. Fees, service charges, donations, and miscellaneous are recognized when collection is reasonably assured.

**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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Consolidated Change in Net Financial Assets for the year.

**i) Tangible capital assets**

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

	<u>Years</u>
Land improvements	15-75
Buildings	20-80
Machinery and equipment	5-25
Vehicles	5-25
Linear assets	10-75

Annual amortization is charged in the year of acquisition for all non-linear assets and streetlights. Annual amortization is charged in the year following acquisition for all linear assets except streetlights. Assets under construction are not amortized until the asset is available for productive use.

**ii) Contributions of tangible capital assets**

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

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**iii) Leases**

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

**iv) Natural resources**

Natural resources that have not been purchased are not recognized as assets in the financial statements.

**v) Methods used for determining the costs**

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

**NOTE 2 INVESTMENTS**

Investments held by the Ottawa Valley Waste Management Board consist of a variety of fixed income securities and an investment savings account. The fixed income securities have effective interest rates of 1.95% to 4.87% with maturity dates from January 17, 2022 to March 5, 2040. The Town's share of the fair market value of these investments at December 31, 2021 is \$1,395,687 (2020 - \$1,250,130).

Investments held by the Pembroke and Area Airport Commission comprise of money market funds, income funds, bonds and a high interest savings account. The Town's share of the fair market value of these investments at December 31, 2021 is \$127,459 (2020 - \$124,368).

**NOTE 3 TAXES RECEIVABLE**

Taxes receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Current year taxes	\$ 565,873	\$ 576,335
Prior year taxes	251,535	423,559
Penalties	<u>71,385</u>	<u>146,578</u>
	<u>\$ 888,793</u>	<u>\$ 1,146,472</u>

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 DEFERRED REVENUE - OBLIGATORY**

Deferred revenue - obligatory consists of the following:

	<u>2021</u>	<u>2020</u>
Development charges	\$ 1,236,191	\$ 1,393,731
Federal gas tax funding	551,887	513,174
Ontario community infrastructure funding	<u>31,216</u>	<u>143,412</u>
	<u>\$ 1,819,294</u>	<u>\$ 2,050,317</u>

Continuity of deferred revenue - obligatory is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 2,050,317	\$ 1,851,127
Development charges received	422,799	274,956
Federal gas tax funding received	1,069,097	521,389
Ontario community infrastructure funding received	401,999	401,999
Investment income	16,266	13,887
Development charges recognized as income	(587,201)	(232,403)
Federal gas tax funding recognized as income	(1,039,417)	(521,389)
Ontario community infrastructure funding recognized as income	<u>(514,566)</u>	<u>(259,249)</u>
Balance, end of year	<u>\$ 1,819,294</u>	<u>\$ 2,050,317</u>

**NOTE 5 SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

The Ottawa Valley Waste Management Board assumed control of a landfill site and also assumed liability for its closure and post-closure care. These financial statements recognize a liability for closure and post-closure care to the extent that the site has been used to date. Specifically, usage is measured as cumulative capacity used versus total estimated capacity available. Furthermore, as costs are expected to be incurred in the future, expected closure and post-closure costs have been discounted at 5.23% which is the Board's average long-term borrowing rate, net of estimated annual inflation of 2%. The existing landfill site is expected to reach capacity in approximately the year 2035. The following summarizes the Town's share of the estimated closure and post-closure costs and remaining capacity of the Board's landfill site at December 31, 2021:

**Town's share of Estimated Liabilities**

Expected total expenditures	\$ 2,491,520
Amount remaining to be recognized	<u>(1,852,700)</u>
Liability recognized to date	<u>\$ 638,820</u>
Landfill site's estimated remaining capacity in cubic metres	<u>511,000</u>
Landfill site's remaining useful life in years	<u>14</u>
Expected years of post-closure care	<u>33</u>

The Board has designated the investments disclosed in Note 2 for settling closure and post-closure care liabilities.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 6 LONG-TERM DEBT**

The terms of the long-term debt incurred by local boards and how the principal payments will be recovered are as follows:

	<u>2021</u>	<u>2020</u>
From general taxation, a debenture, due 2022, payable in annual installments of \$178,250 with interest payable semi-annually at 7.23% per annum.	\$ 178,250	\$ 356,500
From general taxation, a capital lease, due 2022, payable in semi annual installments of \$7,504 including interest at 1.99% per annum.	7,430	22,045
From general taxation, a debenture, due 2026, payable in semi annual installments of \$14,948 including interest at 1.34% per annum.	144,122	-
From general taxation, a debenture, due 2040, payable in semi-annual installments of \$2,270 plus interest at 2.47% per annum.	<u>83,983</u>	<u>87,908</u>
	<u>\$ 413,785</u>	<u>\$ 466,453</u>

Machinery under capital leases have a cost of \$81,338 and accumulated amortization of \$32,727.

Payments on existing debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 218,280	\$ 10,388	\$ 228,668
2023	32,977	3,381	36,358
2024	33,359	2,887	36,246
2025	33,747	2,388	36,135
2026	34,139	1,885	36,024
Thereafter	<u>61,283</u>	<u>10,520</u>	<u>71,803</u>
	<u>\$ 413,785</u>	<u>\$ 31,449</u>	<u>\$ 445,234</u>

Interest on long-term debt amounted to \$19,796 (2020 - \$32,379). The Town's total cash payments related to long-term debt in 2021 was \$197,581 (2020 - \$210,469).

**NOTE 7 CONTAMINATED SITES LIABILITY**

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2021 (2020 - \$nil) as a result of this standard.

**NOTE 8 EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2021</u>	<u>2020</u>
Tangible capital assets, cost (Schedule 1)	\$ 171,425,893	\$ 162,872,524
Accumulated amortization (Schedule 1)	(74,298,944)	(70,842,811)
Long-term debt (Note 6)	<u>(413,785)</u>	<u>(466,453)</u>
	<u>\$ 96,713,164</u>	<u>\$ 91,563,260</u>



**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 9 ACCUMULATED SURPLUS**

Accumulated surplus consists of the following:

	<u>2021</u>	<u>2020</u>
Unrestricted surplus (deficit)		
General	\$ (15,584)	\$ (91,673)
Water	189,087	1,000,877
Sewer	577,514	384,958
Library	<u>110,176</u>	<u>93,773</u>
	861,193	1,387,935
Internally restricted reserves	18,353,257	18,119,510
Provision for unfinanced landfill liabilities	(638,820)	(574,432)
Equity in tangible capital assets (Note 8)	<u>96,713,164</u>	<u>91,563,260</u>
	<u>\$115,288,794</u>	<u>\$110,496,273</u>

**NOTE 10 EXPENSES BY OBJECT**

The consolidated statement of operations reports expenses for the Town by function. The following is a summary of expenses by object.

	<u>Budget</u>	<u>2021</u>	<u>2020</u>
Salaries, wages and benefits	\$ 6,371,948	\$ 6,144,347	\$ 6,093,999
Materials, supplies and contracted services	11,734,843	10,901,100	10,338,598
Donations and grants	43,000	34,898	73,340
Interest expense	19,331	19,796	32,379
Taxation adjustments	10,000	14,749	11,158
Provision for landfill closure and post-closure costs	-	64,388	12,049
Amortization of tangible capital assets	-	<u>3,929,484</u>	<u>3,743,095</u>
	<u>\$ 18,179,122</u>	<u>\$ 21,108,762</u>	<u>\$ 20,304,618</u>

**NOTE 11 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW**

During 2021, requisitions were made by school boards and the County of Renfrew requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	<u>School Boards</u>	<u>County of Renfrew</u>
Property taxes	\$ 3,361,873	\$ 6,218,600
Taxation from other governments	<u>360,176</u>	<u>2,698,442</u>
Amount requisitioned	<u>\$ 3,722,049</u>	<u>\$ 8,917,042</u>

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 12 COMMITMENTS**

**Ontario Clean Water Agency**

The Town has entered into service agreements with the Ontario Clean Water Agency to operate wastewater and water systems. The Town is obligated to meet all operating costs of the facilities.

Included in the Consolidated Statement of Operations are charges from the Agency as follows:

	<u>2021</u>	<u>2020</u>
Wastewater	\$ 1,355,694	\$ 1,169,654
Water	\$ 1,098,990	\$ 1,031,193

**Garbage collection**

The Town has a contract for the collection of garbage. The contract expires in March, 2025. The contract cost for 2021 was \$964,817 (2020 - \$978,516).

**Policing**

The Town has a contract with the Province of Ontario for policing services. The contract for 2021 was \$1,757,760 (2020 - \$1,742,545).

**NOTE 13 JOINT LOCAL BOARDS**

The Town is a member of two joint local boards as follows:

**Pembroke and Area Airport Commission**

The Pembroke and Area Airport Commission was established in 1968 under the Municipal Act and on June 25, 1992 was continued as a body corporation by special legislation of the Province of Ontario. The Commission's primary function is the management of the Pembroke and Area Airport.

The Town's proportionate share of contributions to the Commission is 30.26% (2020 - 30.05%). The only transaction the Town had with the Commission during the year was the annual municipal levy of \$28,313 (2020 - \$26,778).

Summary financial information for the year ended December 31, 2021 and the Town's proportionate share are as follows:

	<u>Total</u>	<u>Town's Share</u>
Net financial assets	\$ 395,893	\$ 119,813
Non-financial assets	<u>3,809,953</u>	<u>1,054,487</u>
Accumulated surplus	<u>\$ 4,205,846</u>	<u>\$ 1,174,300</u>
Revenue	\$ 507,406	\$ 154,247
Expenses	<u>478,901</u>	<u>144,935</u>
Excess of revenue over expense	<u>\$ 28,505</u>	<u>\$ 9,312</u>

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13 JOINT LOCAL BOARDS (cont'd)**

**Ottawa Valley Waste Management Board**

The Ottawa Valley Waste Management Board is a joint local board which was formed to direct the operation of the Ottawa Valley Waste Recovery Centre.

The Town's proportionate share of contributions to the Board is 40.56% (2020 - 40.51%). The Town paid tipping fees to the Board during the year of \$572,983 (2021 - \$565,724). These transactions are in the normal course of operations and measured at their exchange amount.

Furthermore, the Town made the following debt payments on behalf of the Board:

Long-term debt principal	\$ 178,250	\$ 178,250
Long-term debt interest	<u>19,331</u>	<u>32,219</u>
	<u>\$ 197,581</u>	<u>\$ 210,469</u>

Summary financial information for the year ended December 31, 2021 and the Town's proportionate share are as follows:

	<u>Total</u>	<u>Town's Share</u>
Net financial assets	\$ 4,574,886	\$ 1,880,126
Non-financial assets	<u>12,733,933</u>	<u>4,708,692</u>
Accumulated surplus	<u>\$17,308,819</u>	<u>\$ 6,588,818</u>
Revenue	\$ 7,610,759	\$ 3,062,472
Expenses	<u>5,455,506</u>	<u>2,211,157</u>
Excess of revenue over expenses	<u>\$ 2,155,253</u>	<u>\$ 851,315</u>

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 14 FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash, investments, taxes receivable, accounts receivable, accounts payable and accrued liabilities and long-term debt.

**Risk**

It is management's opinion that the Town is not exposed to significant interest or currency or credit risks arising from its financial instruments. The Town is subject to credit risk with respect to taxes and accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. It is management's opinion that the large number and diversity of taxpayers and users minimizes the credit risk.

**Fair market value**

Except for the following, the fair value of the Town's financial instruments approximates their carrying value due to their short-term nature. The fair market value of the investments is disclosed in Note 2 to the consolidated financial statements. It is not practicable to determine the fair value of the long-term debt. The terms and conditions of the long-term debt are disclosed in Note 6 to the consolidated financial statements.

**NOTE 15 BUDGET FIGURES**

Budget figures reported on the Consolidated Statement of Operations and the Consolidated Statement of Changes in Net Financial Assets are based on 2021 operating and capital budgets as approved by Council on February 1, 2021 (By-law 1386/21 and 1387/21).

**NOTE 16 PENSION AGREEMENT**

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of permanent members of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. OMERS is financed by employer and employee contributions and by investment earnings of the OMERS fund.

Contributions for current service are recorded as expenditures in the year in which they became due.

The Town is required to make current service contributions to OMERS of 9% of pensionable earnings up to the years maximum pensionable earnings under the Canada Pension Plan and 14.6% on pensionable earnings above the amount. Employees are required to make current service contributions of the same amount.

Total current service contributions by the Town to OMERS in 2021 were \$251,104 (2020 - \$265,016). These contributions were matched with identical employee contributions for both years.

At December 31, 2021, OMERS disclosed on actuarial deficit of \$69 million.

**CORPORATION OF THE TOWN OF PETAWAWA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 17 SEGMENTED DISCLOSURES**

The Town of Petawawa provides a range of services to its ratepayers. For each segment as reported in Schedule 2, revenues and expenses represent amounts that are directly attributable to the segment. Amounts not directly attributable to a segment are reported in general government. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

The activities that are included in each functional line of services are as follows:

General government consists of the Mayor and Council, the Chief Administrative Officer and administrative services which include the Treasurer and Deputy Clerk.

Protection to persons and property consists of Fire, Police, By-law Enforcement, Animal Control and Building Departments.

Transportation services include engineering, storm sewer, road, and sidewalk construction and maintenance, street lighting and winter control as well as the Town's share of the Pembroke and Area Airport Commission.

Environmental services consist of waterworks and sanitary operations, wastewater treatment, solid waste disposal and recycling and the Town's share of the Ottawa Valley Waste Management Board.

Recreation and cultural services is comprised primarily of parks services and the operation of recreational facilities and the Petawawa Public Library.

Planning and development consists of planning and zoning and economic development.

**NOTE 18 ECONOMIC UNCERTAINTY**

In mid-March of 2020, the Province of Ontario declared a state of emergency in response to public health concerns originating from the spread of the coronavirus. There is a degree of uncertainty surrounding the full economic impact of the situation which continues to evolve.

**NOTE 19 COMPARATIVE FIGURES**

Comparative figures have been reclassified to conform to the current year's presentation.